

ADAPT



TRANSFORM



EVOLVE



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HARNESSING DIGITAL, ENABLING TRANSFORMATION

In the age of digital transformation and disruption, Info-Communication Technology and digitisation have transformed the way we communicate and conduct business, which in turn changes the way we live.

With over 40 years of experience, NERA TELECOMMUNICATIONS LTD is a leading system integrator and solution provider in over 16 countries across 4 different continents. We provide multi-domain technological solutions, with a growing emphasis on cybersecurity and 5G related technologies, to support our customers' growth.

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd for the year ended 31 December 2020 ("FY2020").

ECONOMIC BACKDROP

The COVID-19 outbreak sent economies around the world into a tailspin, causing severe disruption to global economic activities. The impact on economies across the world has been broad and significant, affecting different sectors to varying degrees. According to the International Monetary Fund's latest outlook, global economic growth is expected to contract by 3.5% in 2020¹, as the impact of COVID-19 further weakened the world economy that was already affected by trade and political tensions.

Singapore was similarly affected, with the economy contracting by 5.4% in 2020².

Amidst the global turmoil, the US Federal Reserve cut interest rates to near zero at an emergency meeting in March 2020, and expects to maintain it at the current near zero level through 2022.

FINANCIAL HIGHLIGHTS

Despite the uncertainties brought on by the unprecedented global pandemic, NeraTel delivered a steady set of results for FY2020.

The Group's revenue decreased by 9.2% to \$131.1 million from \$144.4 million in the corresponding period a year ago ("FY2019"). Profit before tax increased by 2.4% from \$5.1 million in FY2019 to \$5.2 million in FY2020, with lower operating expenses and grants from government relief measures related to the COVID-19 pandemic, partially offset by an unfavourable impact from net foreign exchange losses. Overall, the Group achieved profitability with net profit of \$3.8 million for FY2020, a 4.7% dip from \$3.9 million in FY2019.

¹ International Monetary Fund, 20 January 2021 – World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity

² Ministry of Trade and Industry, 15 February 2021

CHAIRMAN'S STATEMENT

Basic earnings per ordinary share for the year, based on the net profit from continuing operations attributable to shareholders, were recorded at 1.04 Singapore cents compared to 1.09 Singapore cents in FY2019. Net Asset Value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, rose to 18.31 Singapore cents compared to 17.62 Singapore cents in FY2019.

NeraTel's cash and cash equivalents remained healthy at \$23.1 million as at 31 December 2020. Shareholders' equity stood at \$66.3 million at the end of the reporting period.

As part of NeraTel's strategy in navigating the COVID-19 crisis, the Group maintains its prudent and disciplined approach to capital management. The Group will continue to optimise its working capital and improve its cash flow through better management of accounts receivables and accounts payables. NeraTel has also taken steps to maintain adequate cash reserves through extracting cost savings, where possible.

DIVIDEND

The Board is pleased to recommend a final one-tier tax exempt dividend of 0.5 Singapore cent per ordinary share for FY2020, in line with NeraTel's commitment to reward loyal shareholders, whilst preserving sufficient resources to pursue long-term sustainable growth amidst the pandemic.

The final proposed dividend, if approved at the forthcoming Annual General Meeting, will be paid to shareholders on 31 May 2021.

LOOKING FORWARD – OPPORTUNITIES AMIDST ADVERSITY

Whilst 2020 ended on a stronger note with the COVID-19 vaccine being rolled out, renewed waves of the pandemic and new variants of the virus continue to pose concerns for the global economy, according to the International Monetary Fund's latest outlook. Amid the exceptional uncertainties, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022³ from its low base. In Singapore, for 2021, the Ministry of Trade and Industry has maintained the GDP growth forecast at 4.0% to 6.0%.

The global pandemic has presented incredible challenges, but at the same time offered unique opportunities. Work-from-home arrangements have become widespread amid the COVID-19 outbreak disruption, and it is now widely accepted that a hybrid

work arrangement will likely be a long-term norm for businesses and organisations. This is anticipated to boost underlying demand for NeraTel's solutions.

In addition, new technology applications such as the Internet-of-Things (IoT), cloud computing and Software-as-a-Service (SaaS) present new forms of cyber threat globally, which require more sophisticated cybersecurity solutions. NeraTel continues to enhance its competencies by hiring judiciously for strategic positions and nurturing the Group's cybersecurity professionals to equip them with the required specialised expertise, in anticipation of the expanding market.

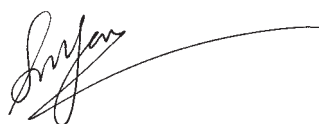
Extending beyond cybersecurity, the Group is also exploring strategic opportunities in areas such as network solutions, alongside demand growth driven by the 5G rollout in the region. The global market for 5G is expected to reach US\$667.9 billion by 2026, growing at a CAGR of 122.3% from 2021 to 2026⁴. In ASEAN, Singapore was the first to launch 5G in 2020, and this is expected to be followed by Vietnam, the Philippines, Malaysia, and Thailand⁵. Leveraging on NeraTel's multi-domain technological solutions built-up over the years, the Group will continue to prudently pursue opportunities brought on by accelerated digitalisation as well as 5G rollout to drive growth across its various business segments.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our shareholders, valued customers, business partners and stakeholders for their confidence and continued support. Specifically, I would like to thank our management and staff for their commitment and dedication to the company during this extremely challenging period.

I would also like to take this opportunity to extend our appreciation to my fellow Board members for their guidance, counsel and advice.

We look forward to your continued support as we forge ahead with our long-term strategy of driving sustainable value for our shareholders and stakeholders.



MS WONG SU-YEN
Chairman

³ IMF – World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity, 20 January 2021

⁴ Valuates Reports – 5G technology market size is expected to reach USD667.90 billion by 2026, PRNewswire, 19 February 2020

⁵ Kearney, 2019 – 5G in ASEAN: reigniting growth in enterprise and consumer markets

CEO'S STATEMENT



BUSINESS REVIEW

In FY2020, NeraTel placed great emphasis on implementing various pre-emptive and efficiency-enhancing measures to navigate through the difficult operating environment posed by the COVID-19 pandemic that triggered a global recession. These include implementing Business Continuity Plans and cost-control measures, while reducing our risk exposures through careful project selection.

Notwithstanding these challenging times, we achieved a respectable performance as we strove to continue delivering on our projects despite lockdowns or suspension of business activities in countries where we operate. Meanwhile, the Group-wide efficiency initiatives were instrumental in streamlining our cost structure and supporting our bottomline.

In FY2020, the Group's revenue decreased 9.2% to \$131.1 million, from \$144.4 million in FY2019, due mainly to temporary movement restrictions implemented in various countries during the worst of the global

COVID-19 outbreak which had an impact on the delivery of projects to customers and the adoption of a more conservative approach which led to a slowdown in order intake.

By customer segment, we continued to make good progress in our efforts to diversify our customer base and income streams during the year under review. Despite the current business environment, revenue from the government, transport and utilities ("GTU") sector recorded a 7.4% increase to \$31.6 million in FY2020 and accounted for 24.1% of total revenue for the year, as compared to 20.4% in FY2019. This reaffirms NeraTel's efforts in growing this business sector.

In terms of order intake, we intentionally adopted a more conservative approach in selecting the projects to undertake in FY2020 to reduce our risk exposures and improve our cashflow and cash positions. Consequently, this prudent approach resulted in a slowdown in order intake in FY2020 to \$120.0 million, from \$153.8 million in FY2019.

CEO'S STATEMENT

It is noteworthy that order intake from the Enterprise sector saw an uptick in FY2020, increasing 17.1% to \$22.8 million from \$19.5 million a year ago, mainly from an increase in corporate investments in IT infrastructure to facilitate employees working-from-home amidst the pandemic. In addition, by business line, our cybersecurity solutions continued to gain traction in FY2020, recording a 26.6% jump in order intake to \$35.3 million, accounting for 29.5% of total order intake in FY2020, driven by an acceleration in digitalisation.

Gross profit in FY2020 decreased by 9.1% to \$29.8 million, which was in line with the decline in revenue, and partially offset by the absence of provision for contract assets relating to a project in the Philippines in FY2019. Despite a decrease in gross profit, the Group was able to maintain profitability in FY2020 and reported a 2.4% increase in profit before tax to \$5.2 million. The increase in profit before tax was mainly due to lower operating expenses and grants from government relief measures due to the COVID-19 pandemic. Overall, net profit stood at \$3.8 million, a 4.7% decline from \$3.9 million in FY2019.

As at 31 December 2020, the Group's cash and bank balances increased to \$23.1 million, as compared to \$13.0 million in the previous year.

BUSINESS OUTLOOK

Moving forward, we expect the difficult operating environment and impact of the pandemic to persist for a few more quarters. Due to the pandemic, most of the countries where the Group has operations in were adversely affected by varying degrees of lockdowns, and many customers have tightened their capital expenditure amidst the uncertainties in the business landscape. While vaccine campaigns continue to be rolled out across countries worldwide, the pace in which the vaccines are administered are not uniform across the countries where the Group has operations in. As such, there remains a risk where subsequent waves of infections may arise in countries which have a relatively lower number of vaccinations administered. This could result in further movement restrictions which could have an impact on the Group's business outlook.

Geo-political tensions such as the US-China tensions, and unrest in Southeast Asian countries where we have operations in, will also continue to cast a shadow of uncertainty over the Group's operations. These macro uncertainties may hinder the gradual recovery of these economies and impact our business operations.

Nonetheless, we continue to prepare for opportunities brought on by the COVID-19 pandemic as remote working, be it wholly or partially, continues to be the default mode for businesses and organisations in Singapore and globally. As such, companies will need to strengthen their cybersecurity capabilities on their distributed networks and cloud-based platforms to prevent security breaches. Furthermore, as cyber threats become more sophisticated and businesses become increasingly reliant on cloud computing, companies will need to bolster their cybersecurity budgets to protect themselves from the ever-evolving threats. We will push forward with the expansion of our Cybersecurity business to address the growing security concerns.

The rollout of 5G networks in Singapore and the region will also present further opportunities for us, as our products and services will be needed in the deployment of these networks. We are actively positioning ourselves to pursue 5G-related projects with service providers. Potentially, these include the upgrading of existing IP infrastructure, fronthaul and backhaul networks, amongst others. Leveraging on our long-term relationships with our customers and deep understanding of their network infrastructure, NeraTel strives to provide our customers with quality integrated services and solutions which will cater to their evolving needs.

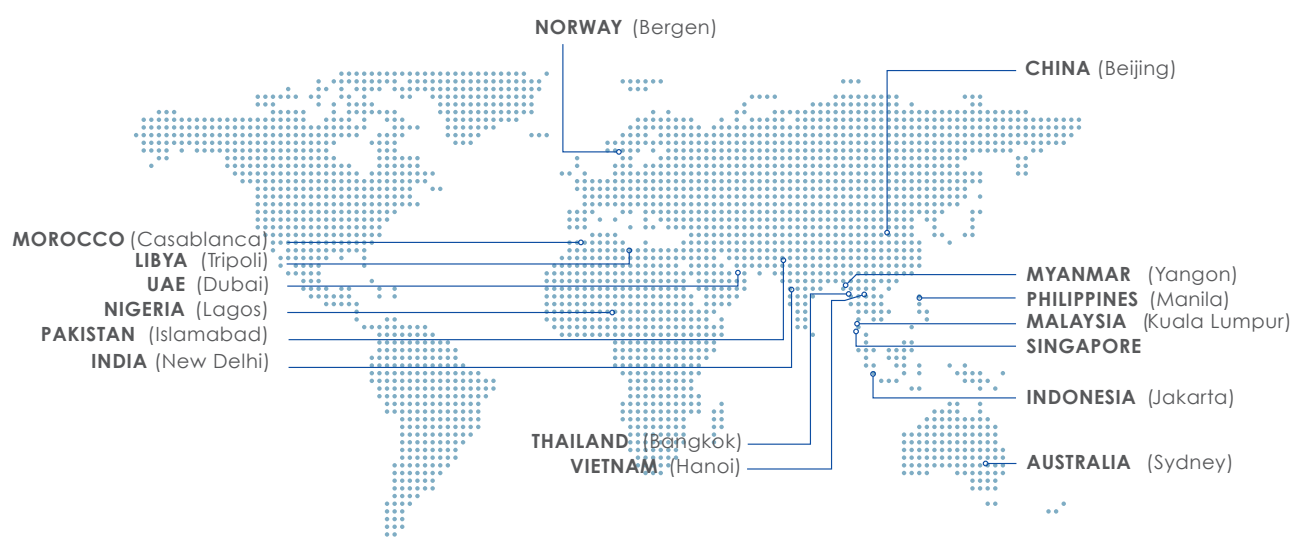
WORDS OF APPRECIATION

In closing, as we continue to position ourselves to weather the challenging business landscape, we will remain focused on strengthening our business fundamentals and ensure long-term sustainability. I would like to take this opportunity to extend my appreciation to our valued customers, business partners and shareholders for their continued support. I would also like to thank our Board of Directors, management team and staff for their commitment and contribution in driving the company forward.



MR BECK TONG HONG
CEO

GEOGRAPHICAL PRESENCE



NAME OF NERA TELECOMMUNICATIONS LTD SUBSIDIARY COMPANIES

- Nera Networks (S) Pte. Ltd., Singapore
- Nera (Malaysia) Sdn. Bhd., Malaysia
- Nera Infocom (M) Sdn. Bhd., Malaysia
- PT. Nera Indonesia, Indonesia
- Nera (Thailand) Limited, Thailand
- Nera (Philippines), Inc., Philippines
- Nera Telecommunications (Myanmar) Co. Ltd., Myanmar
- Nera Telecommunications (India) Pvt. Ltd., India
- Nera Telecommunications (Australia) Pty Ltd, Australia
- Nera Telecommunications (Vietnam) Co. Ltd., Vietnam
- Nera Telecommunications (Vietnam) Co. Ltd.
– Ho Chi Minh City Branch, Vietnam

SUBSIDIARIES OF NERA NETWORKS (S) PTE. LTD.

- Nera Telecommunications AS, Norway
- Nera Telecommunications AS, Libya Branch, Libya
- Nera Telecommunications Maroc S.A.R.L AU, Morocco
- Nera Telecommunications (Pakistan) (Private) Limited, Pakistan
- Nera Telecommunications FZ-LLC, United Arab Emirates
- Nera Networks (Nigeria) Limited, Nigeria
- Nera Telecommunications Holding (Thailand) Co. Ltd

REPRESENTATIVE OFFICE

- Nera Telecommunications Ltd, Beijing, Representative Office, China

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms Wong Su-Yen*
Mr Beck Tong Hong**
Mr Basil Chan***
Dr Lee Kwok Cheong***
Mr Tan Choon Hong****
Mr Tommy Teo Zhi Zhuang****

* *Chairman, Independent Director*
** *Executive Director and Chief Executive Officer*
*** *Independent Director*
**** *Non-Executive Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Basil Chan, *Chairman*
Dr Lee Kwok Cheong
Mr Tommy Teo Zhi Zhuang

NOMINATING COMMITTEE

Ms Wong Su-Yen, *Chairman*
Mr Tan Choon Hong
Mr Basil Chan

REMUNERATION COMMITTEE

Dr Lee Kwok Cheong, *Chairman*
Mr Tan Choon Hong
Ms Wong Su-Yen

COMPANY SECRETARY

Ms Chan Wan Mei
Ms Gan Lee Teng

REGISTERED OFFICE

109 Defu Lane 10
Singapore 539225
Tel: (65) 6281 3388
Fax: (65) 6383 9566

REGISTRARS AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

AUDITORS

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge:
Mr Ong Beng Lee, Ken
(appointed with effect from 31 December 2020)

PRINCIPAL BANKERS

DBS Bank Ltd
The Hong Kong and Shanghai Banking Corporation Limited
RHB Bank Berhad
Hong Leong Bank Berhad
Citibank, N.A.

BOARD OF DIRECTORS



MS WONG SU-YEN

*Independent Director since 23 December 2013
Chairman of the Board since 30 April 2014
Chairman, Nominating Committee since 23 December 2013
Member, Remuneration Committee since 23 December 2013
Last re-elected on 29 May 2020*

Ms Wong brings with her over 20 years of experience in driving business strategy, strategic talent development, organisation transformation, operation redesign and risk management. She serves as Independent Non-Executive Director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely First Resources Ltd, CSE Global Limited and Yoma Strategic Holdings Ltd. She is a Fellow and Chairman of the Governing Council of the Singapore Institute of Directors.

Previously she was Chief Executive Officer of the Human Capital Leadership Institute. Prior to that, she was Chairman (Singapore) for Marsh & McLennan Companies Inc, a global professional services firm specialising in risk, strategy, and human capital advice and solutions. She was also Senior Partner and Managing Director, Southeast Asia at Mercer, a global leader in human resource consulting and related financial services. Earlier, she was Asia Managing Partner for the Communications, Information & Entertainment practice at Oliver Wyman, a leading strategy consulting firm. She has advised clients across North America and Asia, and has previously been based in Boston, Bangkok, Hong Kong, Beijing and Seoul.

Ms Wong holds a B.A. in Music and Computer Science from Linfield College and an M.B.A. from the University of North Carolina at Chapel Hill.



MR BECK TONG HONG

*Executive Director since 8 November 2017
Chief Executive Officer since 18 July 2017
Last re-elected on 18 April 2018*

Mr Beck is the CEO of the Company and is responsible for the overall performance of the Group. He was previously the Vice President for Network Infrastructure business for the Group. He has more than seventeen years of working experience in business management, product management and large scale program management. He had worked in PT Smartfren Telecom Tbk, Singapore Telecommunications Ltd, and Defense Science Technology Agency of Singapore, prior to joining the Company.

Mr Beck holds a Diplôme d'Ingénieur (Bachelor of Science) in Electrical and Electronics Engineering degree from Ecole Supérieure d'Ingénieurs en Génie Électrique and a Diplôme d'Etudes Approfondies (Master of Engineering degree) in Optoelectronics from Institut National des Sciences Appliquées de Rouen, both in France.

BOARD OF DIRECTORS



DR LEE KWOK CHEONG

*Independent Director since 8 March 2013
Chairman, Remuneration Committee since 2 April 2013
Member, Audit and Risk Management Committee since
2 April 2013
Last re-elected on 23 April 2019*

Dr Lee was the Chief Executive Officer of Singapore Institute of Management Holdings Pte Ltd and an Adjunct Professor at the Singapore University of Social Sciences (SUSS). He was previously an Adjunct Associate Professor of NTU Business School.

Dr Lee has served on many boards and national committees in education, manpower and IT areas. He is also a Board Member of The TENG Ensemble Ltd, ILA Vietnam Ltd. Co., Singapore Pools Limited, Singapore Association for Mental Health, Worldwide Education and Training Limited and chairs IRAS Technical Advisory Panel.

Dr Lee graduated from the Massachusetts Institute of Technology (MIT) and the University of California at Berkeley. He attended the INSEAD Avira Program and Stanford Executive Program at the Stanford Graduate School of Business.

Dr Lee received Singapore's Public Service Medal (PBM) in 2010 and Public Service Star (BBM) in 2016. He was awarded a Doctor of Business honoris causa by the RMIT University in 2014, a Doctor of Science honoris causa by the University of London in 2016 and the Honorary Degree of Doctor of the University of Stirling in 2018.

Dr Lee had a 27-year successful career in IT consulting and services before moving to education in 2005.



MR TAN CHOON HONG

*Non-Executive Director since 28 January 2013
Member, Remuneration Committee since 28 January 2013
Member, Nominating Committee since 19 April 2018
Last re-elected on 18 April 2018*

Mr Tan is Chief Executive Officer of Northstar Advisors Pte. Ltd. Prior to joining Northstar, Mr Tan was a director for special projects at CS Partners and a vice president at GIC Special Investments Pte Ltd. Earlier, he spent five years in Corporate Finance at Deutsche Bank. He began his career with the Ministry of Trade and Industry as an Assistant Director. He currently serves on the board of The Thai Credit Retail Bank and APAC Realty Limited.

Mr Tan is a Chartered Financial Analyst and holds a Master of Engineering and Bachelor of Arts from Cambridge University. He was awarded the Overseas Merit Scholarship by the Singapore Public Service Commission.

BOARD OF DIRECTORS



MR TOMMY TEO ZHI ZHUANG

*Non-Executive Director since 27 February 2018
Member, Audit and Risk Management Committee since
19 April 2018*

Last re-elected on 18 April 2018

Mr Teo is a Managing Director at Vulcan Capital and leads the investment team based in Singapore. Prior to joining Vulcan, Mr Teo was an Executive Director with the Northstar Group, a Singapore headquartered private equity firm where he focused on growth and technology opportunities in Southeast Asia. Previously, Mr Teo was an investment banker with Citigroup in Singapore, and with Perella Weinberg Partners and Bear, Stearns & Co. Inc. in New York. Mr Teo was also an analyst at hedge fund sponsor Capital Z Asset Management. He currently serves on the board of Qapita Fintech Pte. Ltd.

Mr Teo graduated with a Bachelor of Business Administration from the Stephen M. Ross School of Business at the University of Michigan.



MR BASIL CHAN

*Independent Director since 18 March 2020
Chairman, Audit and Risk Management Committee since
18 March 2020*

Member, Nominating Committee since 29 May 2020

Last re-elected on 29 May 2020

Mr Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He was a Council Member and Board Director of the Singapore Institute of Directors ("SID") from 2002 to 2013 and was formerly a member of SID's Audit Committee Chapter. He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code. He was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants of Singapore ("ICPAS"), formerly a member of the Audit and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS") and was formerly the Deputy Chairman of the Corporate Governance Committee of ISCA. Mr Chan has more than 35 years of audit, financial and general management experience having held senior financial positions in both private and listed companies. Mr Chan is also an Independent Non-Executive Director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely Grand Banks Yachts Limited, AEM Holdings Ltd, Broadway Industrial Group Limited and Memories Group Ltd. In the last 3 years, he previously sat on the Board of Global Invacom Group Limited.

He holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science and Technology, United Kingdom and is a Fellow Member of the Institute of Chartered Accountants in England and Wales as well as a Fellow Member of ISCA. He is a Fellow Member of the Singapore Institute of Directors.

SENIOR MANAGEMENT

MS TAN GEOK LENG JACQUELINE

Chief Financial Officer

Ms Tan Geok Leng Jacqueline is the Chief Financial Officer. She is responsible for financial and reporting matters for the Group and supports the Group's investor relations. She has more than twenty years of experience in finance and accounting in various industries such as telecommunications and information technology, packaging, property development, ship repair and electronics manufacturing. Ms Tan holds an honours degree in Commerce from the Flinders University of South Australia. She is also a member of CPA Australia.

MR TAN CHAM KHAIN ORLANDO

Chief Commercial Officer

Mr Tan Cham Khain Orlando is the Chief Commercial Officer. He is responsible for the Group's commercial strategies, client engagements as well as sales force development and management. He has more than twenty years of APAC experiences in ICT (Information & Communications Technology) industry and proven track record in sales & marketing management, channel development and new business strategy. Mr Tan holds a Master in Advanced Business Practice from the University of South Australia, an MBA in Banking and Finance from Nanyang Technological University Singapore, a Bachelor of Engineering in EEE from the University of Surrey UK and a Diploma in EEE from Ngee Ann Polytechnic.

MR NG MENG YEOW EZEKIEL TEDDY

Deputy Head of the Wireless Infrastructure Networks

Mr Ng Meng Yeow Ezekiel Teddy is the Deputy Head of the Wireless Infrastructure Networks. He is responsible for the Group's Wireless Infrastructure Networks business. He has more than twenty years of experiences in the Information Technology industry with track records in business development, sales and channel management, strategy and start-ups. Mr Ng holds an MBA from University of Chicago, Booth School of Business and a Bachelor of Business Management from Griffith University, Australia.

MR TAN KOK ANN ALAN

Group Vice President,
Human Resources & Administrative

Mr Tan Kok Ann Alan is the Group Vice President, overseeing the Human Resources & Administrative functions. He brought with him more than twenty years of regional HR experience in the Asia Pacific, from mid-size to larger foreign MNC firms. His areas of specialized expertise include providing HR consulting services to all senior stakeholders, strategic HR planning, Compensation and Benefits, Workplace Transformation, Labour Law compliance, Talent and Succession Management, and Employee Relations. Alan holds a Bachelor degree with double major in Human Resource & Management from Curtin University of Technology and he is on the journey to obtaining the Certified Senior Professional for HR by the Institute for Human Resource Professionals.

MR PANTOJA, RODOLFO PAGUIA

Country Manager of Nera (Philippines) Inc.

Mr Pantoja, Rodolfo Paguia is the Country Manager of Nera (Philippines), Inc. He is responsible for the Group's overall business in the Philippines. Prior to joining Nera, Mr Pantoja worked at PT. Smartfren Telecom Tbk, Indonesia, (telco/mobile operator, member of the Sinarmas group) and held various positions, such as CFO and CEO. His last role was Senior Advisor to the Chairman and Chief Executive Officer. He had also held senior management positions in various companies in Indonesia, including Group Finance Head of PT. Rajawali Corporation (a holding company), and COO and CFO respectively of its subsidiaries, PT. Bentoel (a leading cigarette making company) and PT. Excelcomindo Pratama (a mobile operator in cooperation with NYNEX of USA) and as well as CFO/COO PT Sierad Produce Tbk, a listed company in Indonesia and one of the largest integrated poultry operators. He holds a Masters degree in Business Management from the Asian Institute of Management and Bachelor of Science and Bachelor of Arts degrees from the De La Salle University in the Philippines.

BUSINESS SEGMENTS

WIRELESS INFRASTRUCTURE NETWORKS (WIN)

NeraTel provides end-to-end wireless infrastructure network solutions, alongside a host of other wireless services. We offer 5G-ready solutions and serve a multitude of customers over a range of sectors such as service providers, internet service providers, broadcasters, enterprises, government organisations, offshore and utilities. Specifically, our WIN portfolio covers in-building mobile coverage solutions, outdoor mobile coverage enhancement, radio frequency access network optimisation, benchmarking, 3G/4G/5G base stations, licensed and unlicensed point-to-point, and point-to-multi-point microwave radio. We provide professional services such as radio access network benchmarking, optimisation and quality of service through our end-to-end solutions, which are designed to suit the wide-ranging needs of existing networks, green-field and brown-field deployments.

5G, IoT and Smart Solutions

With the advent of 5G, analysts forecasted a proliferation of internet of things (IoT) devices to enable cities to be smarter (Smart City). NeraTel's Smart City solutions provide our customers with capabilities to collect data relating to the costs of city operations, video security surveillance in cities and energy consumption of buildings.

In addition, NeraTel's advanced fault detection and diagnosis, as well as predictive maintenance capabilities will complement building management systems by enabling our customers to reduce their operational costs and energy consumption. Our solutions fit well into any Smart City or smart building initiatives.

Microwave Transmission and Mobile Coverage

Our highly versatile Evo series microwave radio is built around a software-defined core which enables a wide range of radio applications to be based on one common product platform. The cutting-edge technology deployed in the Evo series microwave radio is 5G-ready to meet the high capacity and low latency requirements in 5G networks.

Our passive and active solutions can be applied to most hardware set-ups focusing on delivering quality solutions for our customers' indoor mobile coverage needs. Additionally, our outdoor solutions deliver tremendous value relative to its cost.

Radio Access Network (RAN)

NeraTel is armed with a comprehensive service and solution portfolio for RAN optimisation and performance benchmarking. The Group is well-positioned to provide solutions to cellular operators who are looking to achieve the highest level of service standards. We provide full turnkey solutions for private mobile networks in both licensed and unlicensed frequency bands. We take great pride in being highly versatile in providing best-in-class solutions. This versatility allows us to easily tailor our solutions to our customers' needs and to meet the demands of the 5G environment.

Turnkey Solutions and Projects

We maintain our strategy of undertaking long-term, comprehensive projects that span across the projects' complete life-cycles. Our highly trained and experienced teams provide expertise in planning, designing, installation, commissioning and testing of solutions, including our comprehensive post-sales service and support to provide a one-stop service to our customers.

NETWORK INFRASTRUCTURE (NI)

The combined forces of new disruptive technologies and innovations are changing the world of business dramatically. Advances in these technologies will drive the different 5G applications across a multitude of industries. Such wide-ranging disruption and advances are forcing industries to adapt to meet the changing needs of their customers, employees, partners and stakeholders. As a result, digital transformation projects have risen to the top of most organisations' priority lists.

With the aim of supporting these digital transformations, NeraTel strives to design and build best-in-class products and solutions for our customers to connect users and devices securely to the cloud, and to each other. We employ technologies and solutions to provide our customers with technological frameworks that are flexible and adaptable to meet their changing business requirements. The frameworks are built from technologies, tools and processes necessary for our customers' digital transformations.

5G & Automation Technology

5G technology is expected to provide faster communication than other existing technologies. This will fuel industry innovations, and in turn transform the way we interact with the world.

BUSINESS SEGMENTS

We recognise that services such as network slicing will traverse across multiple network segments such as radio, access, edge and core which may contain a mix of physical and virtual network functions with added specific policies unique to each. This means that 5G networks will require automation that can support multi-domain and multi-vendor technologies.

NeraTel is committed to providing solutions that help our customers optimize and automate their network operations to improve network agility, reduce time to market for new services and lower total costs of ownership.

Companies can leverage on 5G technology to create environments that are virtualized, agile, software-defined and responsive to user experiences whilst improving operational efficiencies with user-centric designs.

To support the needs of 5G Technology, NeraTel's 5G service offerings include fronthaul, backhaul, IP core, security, radio access network (RAN) and core system networks to address the increasing demands of telco, service providers, manufacturing, healthcare, government, energy & utilities and transportation industries.

Multi-Cloud

Most companies have realised the true capabilities of the cloud which is gradually becoming the

primary platform for new and existing IT enterprise applications. Customers now have the power to speed up their digital transformations by leveraging cloud technologies such as cloud hosting services, big data analytics, and even cloud-native application development platforms.

NeraTel's multi-cloud architecture allows our customers' IT functions to establish a competitive advantage for their business stakeholders, translating into cost savings, performance optimisation, and improved reliability. These are critical factors in driving growth for their businesses while they embark on digital transformation. NeraTel will recommend cloud platforms and management tools for our customers to leverage on the benefits of the multi-cloud architecture. We provide assessment services by evaluating the most appropriate cloud environments, which will assist our customers' decision-making process with the goals of achieving cost savings and performance optimisation.

Cybersecurity

With the increased instances of cybersecurity breaches worldwide, organisations are adopting a more proactive approach towards network security. In today's digitised world, our customers recognise that protecting their intellectual property, reputation and assets is a top priority. The advent of 5G rollouts will unlock the potential of internet of things (IoT) by enabling more connections at once with faster speed



BUSINESS SEGMENTS

and low latency. The proliferation of IoT has increased the need to address the concerns in IoT security. An IoT security strategy must therefore focus not only on preventing intrusion but also on quick detection and recovery.

To meet this growing need, we are expanding our cybersecurity portfolio to include IoT, operational technology and internet protocol (IP) network and device security. NeraTel provides a comprehensive suite of industry-leading security solutions – perimeter defence, enforcement and monitoring. Our solutions include next generation firewall, intrusion prevention systems, web application firewall, encryption, privilege access management, IP address management, security information and event management with security orchestration, automation and response, endpoint (client/workstation) with cross-layered detection and response coupled with asset and vulnerability management for IoT and bring your own device. Our cybersecurity tools deliver capabilities to automate asset discovery, classification and management, continuous monitoring of access and changes, risk assessment of on-going processes and policies enforcement.

To complete our security portfolio, we also offer security assessment services to help customers identify and strengthen any potential security gaps in their infrastructure.

Software Defined Networking

Networking plays an even greater and more important role with the digitalisation movement fuelled by the need of working from home. As many of our customers continue moving to programmable and automated network operations, we recognise that it can be a challenge in managing, orchestrating, and securing that complex transition.

NeraTel provides a software defined networking (SDN) solution coupled with an intent-based networking platform. Our solution delivers an agile, reliable and highly available infrastructure, connecting the customers' workloads across their private data centres and the public/hybrid cloud.

We believe it is critical for us to deliver continuous value to our customers. We take an innovative approach to deliver SDN solutions, which focuses on simplicity, automation and security. This allows our customers to manage and govern the interactions of users, devices and applications across their IT environments. Through these solutions, our customers can streamline and automate their networks for faster network changes, quicker deployment of new applications and more intuitive troubleshooting.

Optical Networks

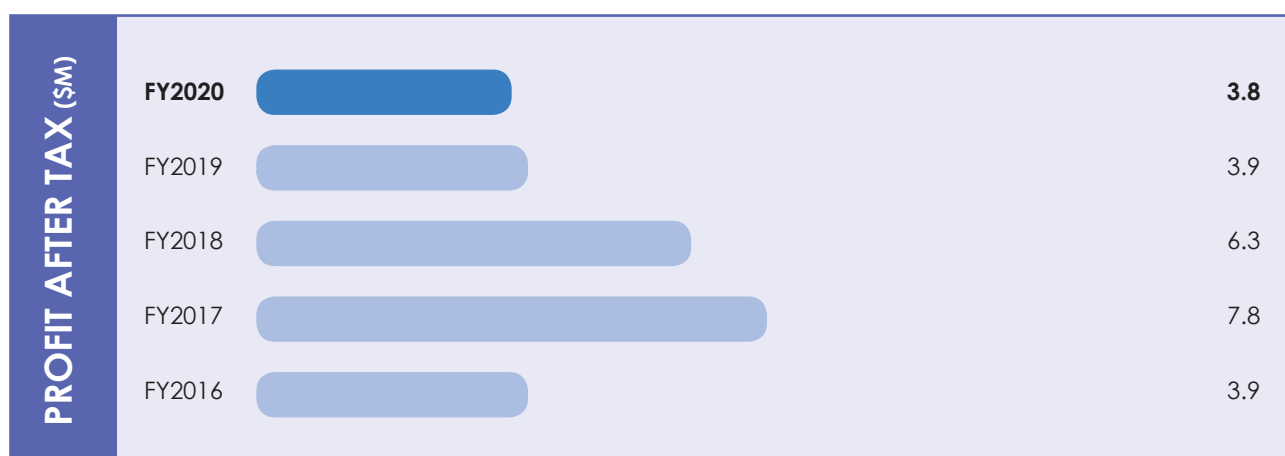
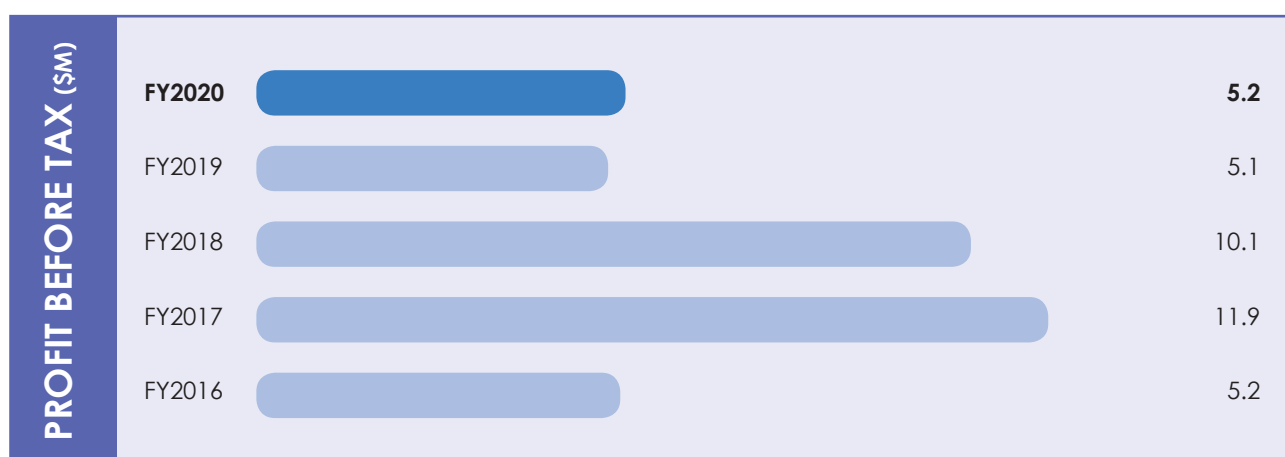
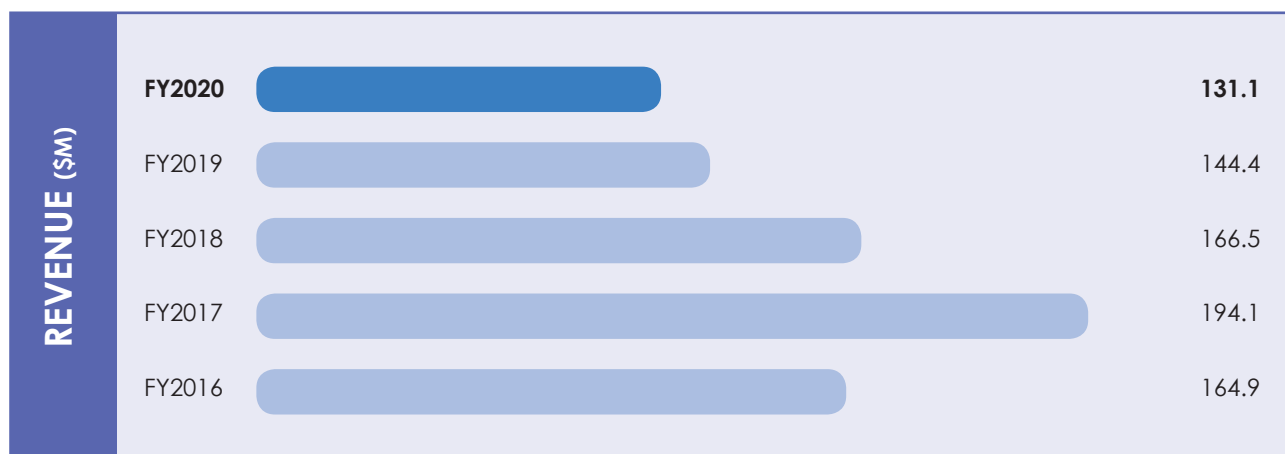
In the Optical Networks domain, we provide carrier-grade optical network solutions to serve mobile transport, business services, data centre interconnection and edge aggregation. Our solutions cater to a full range of customers including service providers, mobile carriers, business enterprises and transport companies.

NeraTel's range of products include high-capacity and ultra-low latency long haul systems, metro dense wavelength division multiplexing applications, optical multi-service platforms, and mobile xHaul (fronthaul/midhaul/backhaul) solutions that are of importance in delivering 5G technology. This comprehensive suite of optical networking products aims to provide our customers with seamless and cost-effective solutions to enable higher data throughput in their digitised network.

Broadcast Networks

The Group also offers various digital TV broadcast solutions, complete over the top platform and services to the broadcasters and service providers. Our range of products include content creation, acquisition, IP video transport solutions, encoders/multiplexers, transmission and complete network management system.

FINANCIAL HIGHLIGHTS



SUSTAINABILITY REPORT

1. BOARD STATEMENT

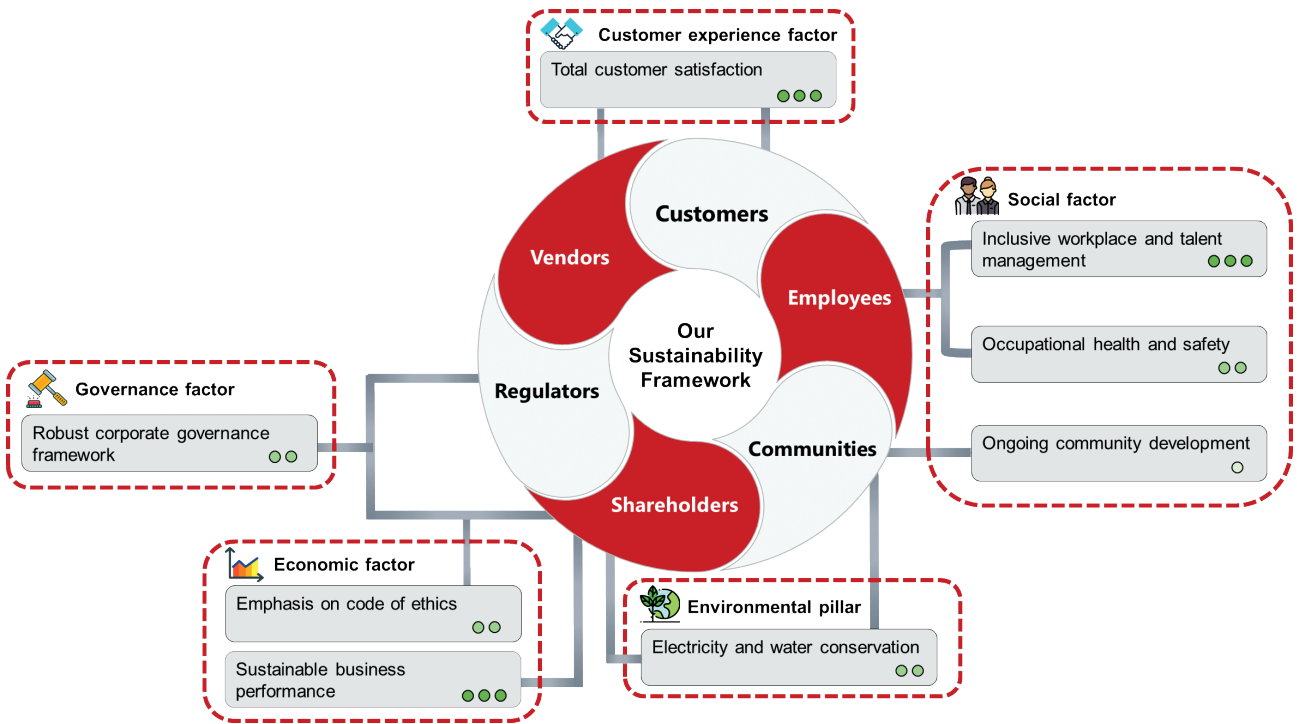
Our sustainability agenda is led by our Board which oversees and ensures that we pursue our commercial objectives, whilst remaining as a responsible and sustainable organisation.

Whilst mindful of our profit-oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure the long-term future of our business. This commitment is reflected in our sustainable business strategy and the material environmental, social, governance ("ESG")

factors, economic performance and customer experience (collectively as "Sustainability Factors") which are shown in this sustainability report ("Report").

In the course of our business, we interact with numerous stakeholders. To ensure that key issues impacting them are addressed satisfactorily and in a timely manner, we empower our business and functional units to regularly engage with their respective stakeholders on their chosen platforms. Our key stakeholders comprise communities, customers, employees, regulators, shareholders and vendors.

An overview of our Sustainability Factors by stakeholder is as follows:



Reporting priority¹
 ●●● High ●● Medium ○ Low

¹ Reporting priority refers to the ranking assigned to each Sustainability Factor based on the level of concern to stakeholders and the significance of our impacts on the economy, environment and society. Please refer to section 8.4 for further details.

SUSTAINABILITY REPORT

A summary of our sustainability performance in FY2020 is as follows:

Material factor and reporting priority	Sustainability performance	Our efforts
Customer experience		
Total customer satisfaction ●●●	<ul style="list-style-type: none"> ● We maintain our market presence in 16 countries across 4 different continents ● We adhere to international standards for quality and safety of our products 	<ul style="list-style-type: none"> ● Maintain presence and proximity ● Nurture a team of highly trained and experienced employees to serve our customers ● Provide better solutions through long-term relationships with vendors, continuous customer feedback and building knowledge base ● Adopt market standards for product safety and quality
Economic		
Sustainable business performance ●●●	We reported a decline in revenue and profits due mainly to movement restrictions implemented in various countries amidst the global pandemic, which had an impact on the delivery of projects to customers.	Create long-term economic value for shareholders through consistent profits, dividend payments, robust balance sheet and strong operating cash flows
Emphasis on code of ethics ●●	There is no incident of fraud	Establish an avenue for employees to raise concerns and provide guidance and reminders to employees to reinforce the code of ethics
Environmental		
Electricity and water conservation ●●	<ul style="list-style-type: none"> ● Electricity intensity is 4,801.4 kWh per employee ● Water intensity is 4.5 cu M per employee 	Adopt electricity and water conservation initiatives
Social		
Inclusive workplace and talent management ●●●	<ul style="list-style-type: none"> ● 30% of our employees are females ● 7% of our workforce is above 50 years old ● Certified professionals accounted for around 23% of total workforce ● Training expenditure per employee is \$198 ● 43% of the employees and 29% of the managers have more than 5 years of service with us 	Select employees based on merit and competency and training programmes are in place to enhance our employees' competencies
Occupational health and safety ●●	There is a non-fatal workplace accident resulting in 4 man-days lost	<ul style="list-style-type: none"> ● Safety rules and regulations are in place and briefings on occupational safety are organised regularly ● Safety committees are in place and safety inspections are performed regularly
Ongoing community development ●	We initiate various community engagement campaigns	Carry out various community initiatives
Governance		
Robust corporate governance framework ●●	SGTI score is 88 for the year 2020	Implement robust corporate governance practices and a risk management framework

SUSTAINABILITY REPORT

We face uncertainties as a result of the Coronavirus disease 2019 ("COVID-19" or "Pandemic") which affected our operations. We will continue to tap on opportunities and leads from the various business segments. Extending beyond cybersecurity, the Group is also exploring opportunities in network solutions, where demand is expected to be supported by the 5G rollout in the region.

We are of the opinion that our proactive business initiatives, operational track record and financial position will tide us through this uncertain period and allow us to stay on course in our sustainability journey. We have detailed our responses to the impact of the Pandemic in the relevant sections of this Report.

2. INTRODUCTION

We are seeing the age of digital transformation and disruption. Unparalleled changes have been taking place in the way we communicate, and conduct business, which in turn changes the way we live.

Info-Communications Technology and digitalisation are key driving forces behind much of this change, and we believe that the future will have new changes and developments that will continue to transform the environment we operate in.

As we innovate and grow amidst this changing environment, we recognise that managing our impact on society and the environment is one of our key responsibilities. We would like our businesses to have a strong sense of responsibility to our stakeholders, beyond the pursuance of pure economic gains.

Our sustainability strategy is to focus on the development of our people. As a systems integrator and solutions provider, we believe that a diversified, capable and motivated workforce that offers differing, fresh, perspectives and ideas for our business is key to our sustainability.

3. VISION, MISSION AND CORE VALUES



Our path to sustainability is closely aligned with our vision, mission and core values. Accordingly, our Sustainability Factors and strategies are developed based on our vision, mission, core values and designed to bring us to where we envision ourselves to be. Refer to Section 9 for more details on the alignment of our material Sustainability Factors with our vision, mission and core values.

4. REPORTING FRAMEWORK

This Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and complies with Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711A and 711B. We have chosen to report using GRI standards: Core option as it is an internationally recognised reporting framework. The GRI content index can be found in the Appendix.

As part of our continual efforts to align our sustainability reporting with relevant market standards, we have mapped our sustainability efforts to the 2030 Agenda for Sustainable Development which is adopted by all United Nations Member States in 2015 ("UN Sustainability Agenda"). The UN Sustainability Agenda provides a

SUSTAINABILITY REPORT

shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are 17 Sustainable Development Goals ("SDGs"), which form an urgent call for action by all countries - developed and developing - in a global partnership. We have incorporated the SDGs, where appropriate, as a supporting framework to shape and guide our sustainability strategy. Please refer to Section 10 for more details on the alignment of our material Sustainability Factors with SDGs.

5. REPORTING PERIOD AND COVERAGE

This reporting period is for our financial year ended 31 December 2020 ("FY2020" or "Reporting Period") and a report will be published annually.

This Report covers Singapore, Malaysia, Philippines and Indonesia operations (collectively known as the "Operations") which contributed approximately 76% (FY2019: 66% - Singapore, Malaysia and Philippines only) of our total revenue for the Reporting Period.

6. FEEDBACK

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: corporate@nera.net

7. STAKEHOLDER ENGAGEMENT

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, shareholders and vendors. Key stakeholders are determined for each material factor identified, based on the extent to which they can affect or are affected by our Operations.

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel	Frequency of engagement	Key concern raised by stakeholder
1	Communities	Community campaigns	Ongoing	Social inclusion
2	Customers	<ul style="list-style-type: none"> ● Meetings and visits ● Email communications ● Phone calls ● Teleconferences 	Regularly	<ul style="list-style-type: none"> ● Market presence ● Customer service ● Diversity, quality and safety of products
3	Employees	Staff evaluation sessions	Annually	<ul style="list-style-type: none"> ● Career development and training opportunities ● Job security ● Remuneration
		Virtual town hall meetings	Quarterly	
4	Regulators	Consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange	Ad-hoc	Corporate governance
5	Shareholders	<ul style="list-style-type: none"> ● Annual general meetings ● Annual reports 	Annually	<ul style="list-style-type: none"> ● Sustainable business performance ● Market valuation ● Dividend payment ● Corporate governance
		Results announcement on SGXNET	Quarterly ²	
		Company website	Regularly	
6	Vendors	<ul style="list-style-type: none"> ● Email communications ● Meetings and visits ● Virtual events such as vendor conferences 	Regularly	<ul style="list-style-type: none"> ● Ability to distribute products ● Maintain and expand brand presence ● Maximise end customers' satisfaction

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

² We adopted a half-yearly financial reporting cycle with effect from 7 February 2020.

SUSTAINABILITY REPORT

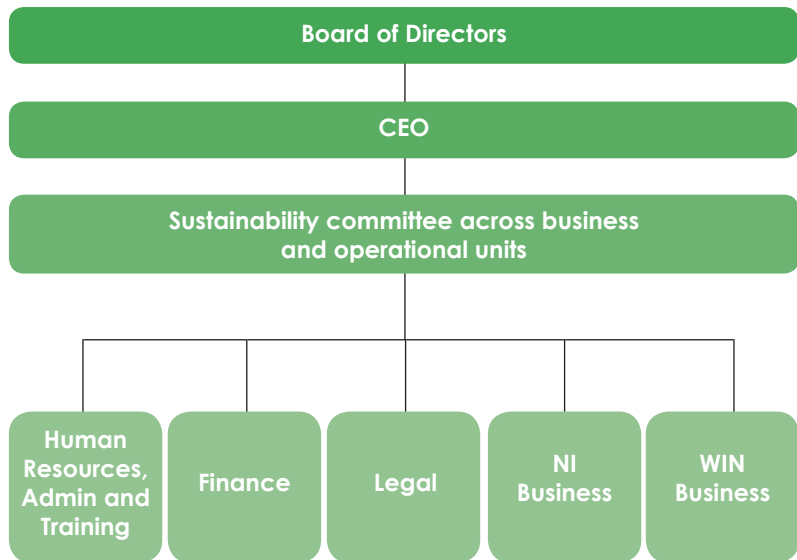
8. POLICY, PRACTICE AND PERFORMANCE REPORTING

8.1 REPORTING POLICY

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material Sustainability Factors has been established since FY2018 and serves as a point of reference in the conduct of our sustainability reporting.

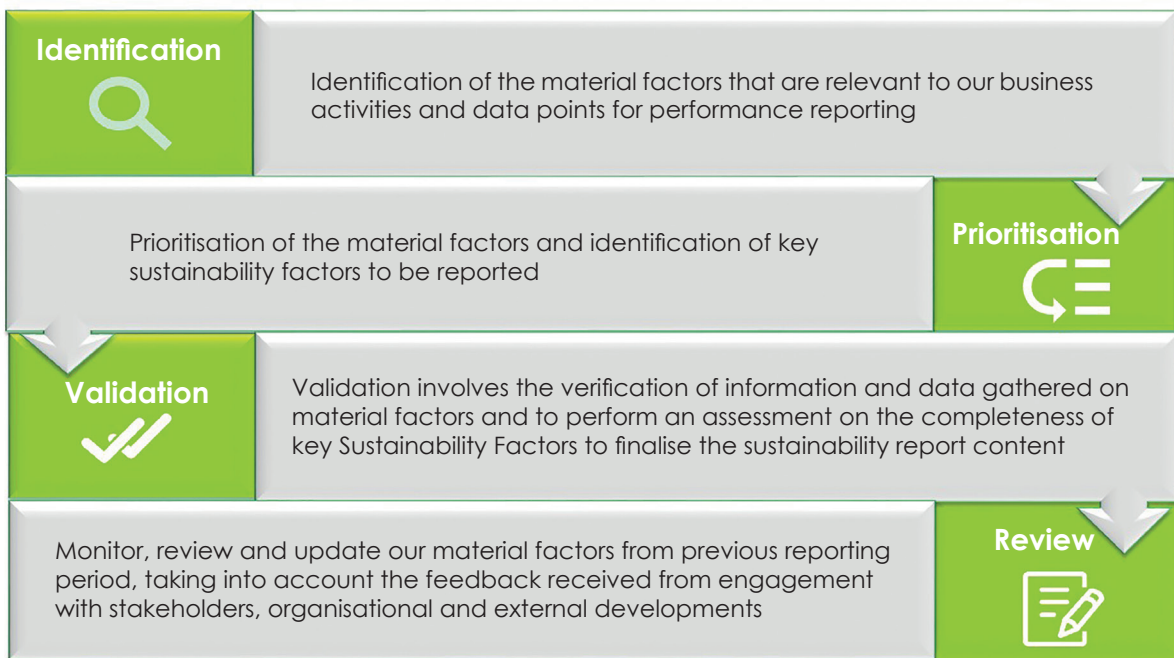
8.2 REPORTING STRUCTURE

Our sustainability strategy is developed and directed by Senior Management in consultation with the Board of Directors. Our sustainability committee ("SC"), which includes Senior Management executives, is led by the Chief Executive Officer ("CEO"). The CEO leads the SC in reporting to the Board as well as providing updates such as relevant proposals on our sustainability strategy and performance for the Board's review and approval.



8.3 SUSTAINABILITY REPORTING PROCESSES

Our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Inter-relations are as shown in the chart below:



SUSTAINABILITY REPORT

8.4 MATERIALITY ASSESSMENT

Under our SR Policy, each Sustainability Factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
●●●	High	Factors with high reporting priority are reported on in detail.
●●	Medium	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
○	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a material factor matrix which considers the level of concern to stakeholders ("Stakeholders' Concern") and significance of our impacts on the economy, environment and society ("Business Impact").

8.5 PERFORMANCE TRACKING AND REPORTING

We track the progress of our material factors by identifying the relevant data points, measuring and monitoring them. In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improve our data capture systems.

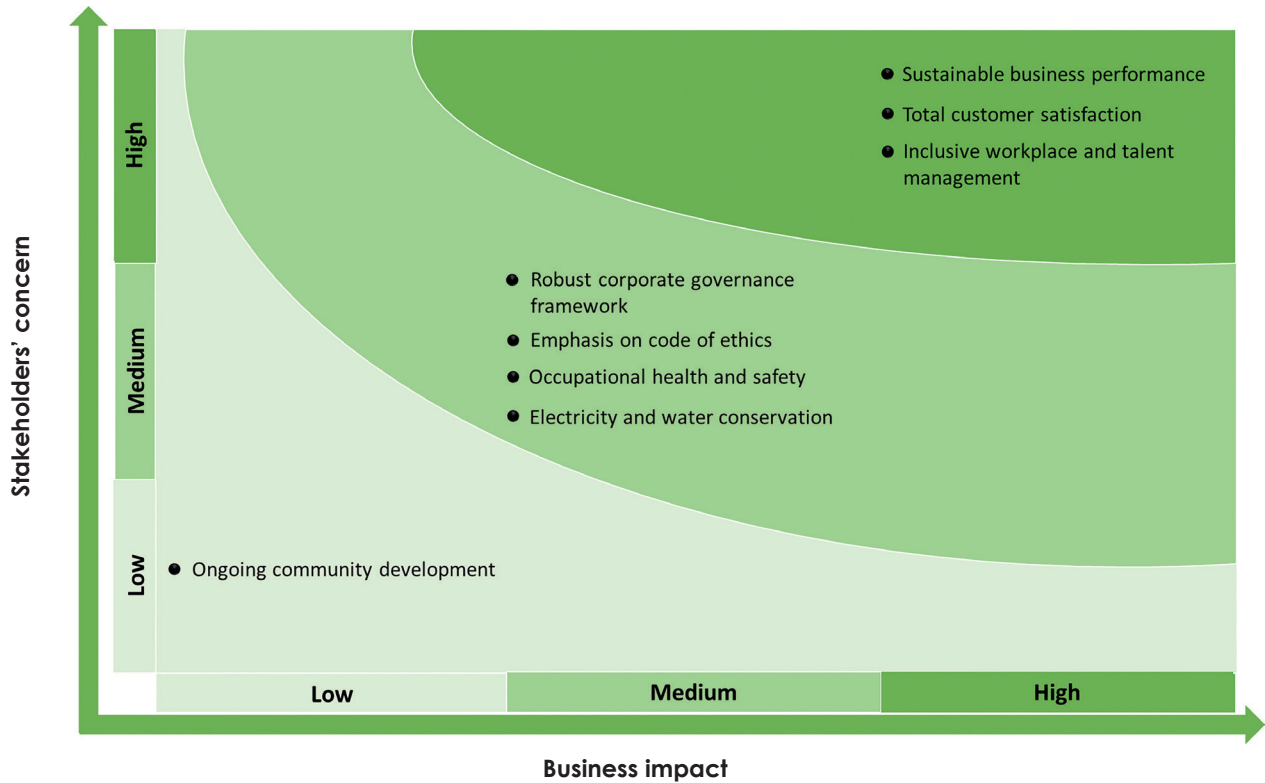
9. MATERIAL FACTORS

Our materiality assessment performed for FY2020 involved our Senior Management in identifying sustainability factors deemed material to our businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders. Presented below is a list of key Sustainability Factors applicable to our business:

S/N	Material factor	Mission	SDG	Key stakeholder	Reporting priority
Customer experience					
1	Total customer satisfaction	Deliver best-in-class infocomm solutions	Decent work and economic growth	<ul style="list-style-type: none"> ● Customers ● Vendors 	●●●
Economic					
2	Sustainable business performance	Maintain economic growth	Decent work and economic growth	Shareholders	●●●
3	Emphasis on code of ethics	Maintain economic growth	Peace, justice and strong institutions	<ul style="list-style-type: none"> ● Shareholders ● Regulators 	●●
Environmental					
4	Electricity and water conservation	Environmental responsibility	<ul style="list-style-type: none"> ● Affordable and clean energy ● Clean water and sanitation 	<ul style="list-style-type: none"> ● Communities ● Shareholders 	●●
Social					
5	Inclusive workplace and talent management	Nurture our people	Reduced inequalities	Employees	●●●
6	Occupational health and safety	Maintain a safe working environment	Good health and well-being	Employees	●●
7	Ongoing community development	Social responsibility	Reduced inequalities	Communities	○
Governance					
8	Robust corporate governance framework	Maintain economic growth	Peace, justice and strong institutions	<ul style="list-style-type: none"> ● Shareholders ● Regulators 	●●

SUSTAINABILITY REPORT

Material factor matrix



We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each key Sustainability Factor are presented as follows:

9.1 TOTAL CUSTOMER SATISFACTION

Our clientele comprises service providers, enterprises, governments, transport and utilities companies that require infocomm solutions. In line with our mission to deliver best-in-class solutions that elevate business values for our clients, we are committed to customer satisfaction for our long-term sustainability through the following:

Maintain presence and proximity to whom we serve

Over the years, we have established ourselves in 16 countries across 4 different continents. This geographical spread brings us closer to the markets we serve and more importantly, to the clients we serve. You may refer to our geographical presence in this Annual Report for further details.

Nurture a team of highly trained and experienced employees

We are dependent on our highly trained and experienced teams to serve our clients by providing expertise in planning, designing, installation, commissioning and testing of solutions, inclusive

of comprehensive post sales service and support management.

Our strategy to establish a best-in-class footprint is driven by a core regional team of qualified and experienced professional engineering staff that supports our local operations in the development and delivery of complex end-to-end turnkey solutions to our clients.

For staff retention, refer to section 9.5 for further details.

Cultivate a long-term and sustainable relationship with our vendors

Our solutions are built on hardware and software sourced from various reputable international vendors. Such vendors include distributors and principals with whom we maintain long-term sustainable relationships. We put in place a stringent process to select vendors that supply goods which meet our requirements on functionality, features, quality and safety, with preference towards vendors with good sustainability practices. Upon acceptance, they are evaluated regularly to ensure that they continue to supply goods that meet ours as well as customers' requirements and maintain good sustainability practices.

With strategic vendors, we are able to gain access to a wider range of hardware and software for us to develop solutions that meet customers' requirements. In addition, our volume purchases allow us to secure

SUSTAINABILITY REPORT

competitive prices through discounts, rebates or pricing protection support which we can then leverage on to provide our customers with value-for-money solutions.

Better solutions through continuous feedback and building a knowledge base

We recognise the need to constantly develop new and better solutions that meet our customers' requirements. Our efforts on this front are as follows:

- Customer feedback is collected from various touchpoints such as sales teams and annual customer satisfaction surveys and mined to gather valuable insights into current and future customers' requirements. Insights gathered are discussed during regular management meetings to drive product and service improvements, enhance operational level and provide inputs for better strategies;
- A centralised knowledge database is maintained to retain the cumulative and valuable knowledge gained from past projects such as designs, marketing strategies, used cases and lessons learned. The knowledge base serves multiple purposes of securing sales, developing solutions, customer support, employee training and

employee on-boarding. The knowledge base is stored in a secured location and accessible to authorised personnel; and

- To better nurture and build closer customer relationships, a customer relationship management system has been implemented to organise and manage customer information and opportunities.

Adopt market standards for the quality and safety of our products

Our operations in Singapore are certified under ISO 9001:2015 and the adoption of such international standards demonstrates our ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.

Supporting customers during the Pandemic

As work-from-home arrangements have become more common amidst the Pandemic, a hybrid work arrangement is likely to become a long-term arrangement for many. As such, we have developed and offered related IT solutions that allow our customers to implement their business continuity plan during the Pandemic and to facilitate their shift towards a hybrid work model.

Target for FY2020	Performance in FY2020	Target for FY2021
<ul style="list-style-type: none"> ● Maintain or improve market presence ● Adhere to the market standards for quality and safety of our products 	<ul style="list-style-type: none"> ● We maintain our market presence in 16 countries across 4 different continents ● We adhere to international standards for quality and safety of our products 	<ul style="list-style-type: none"> ● Maintain or improve market presence subject to market conditions ● Adhere to the market standards for quality and safety of our products

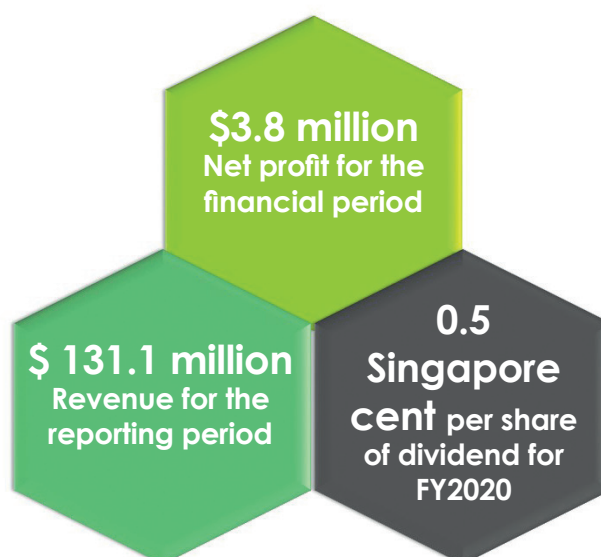
9.2 SUSTAINABLE BUSINESS PERFORMANCE

We believe in creating long-term economic value for shareholders by striking a balance between rewarding shareholders by way of consistent profits, dividend payments and maintaining a robust balance sheet with strong operating cash flows.

In FY2020, we recorded revenue of \$131.1 million (FY2019: \$144.4 million) and a net profit after tax of \$3.8 million (FY2019: \$3.9 million). For FY2020, an aggregate tax-exempt (one-tier) dividend of 0.5 cent (FY2019: 1.0 cent) per share has been declared.

We will continue to leverage on opportunities brought about by the increasing digitalisation trend.

Details of our economic performance can be found in the financial contents and audited financial statements of this Annual Report.



SUSTAINABILITY REPORT

Target for FY2020	Performance in FY2020	Target for FY2021
Maintain or improve our financial performance subject to market conditions	<p>We reported a decline in revenue and profits as the operations of the Group were impacted by the Pandemic outbreak due to the consequential lockdown and movement restriction measures undertaken by the countries the Group operated in.</p> <p>Nonetheless, we will continue to leverage on opportunities resulting from the shift towards work-from-home arrangements amid the Pandemic and to further diversify customer base.</p>	Maintain or improve our financial performance subject to market conditions

9.3 EMPHASIS ON CODE OF ETHICS

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the local relevant regulatory requirements in wherever we operate in.

An employee handbook is also in place to provide guidance to employees on the company's values and practices.

In addition, we have put in place a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting, business activities and operations and others.

In FY2020, no fraud incidents³ have been reported (FY2019: zero).

Target for FY2020	Performance in FY2020	Target for FY2021
Maintain zero incident of fraud	There is no incident of fraud	Maintain zero incident of fraud

9.4 ELECTRICITY AND WATER CONSERVATION

In line with our mission to be environmentally responsible, we are committed to responsible usage of electricity and water resources that helps to preserve the environment in which we operate in. It also reduces cost and enhances returns to our shareholders.

Key statistics on electricity and water consumption in our Operations are as follows:

Resource	Unit of measurement	Intensity (consumption per employee)	
		FY2020	FY2019
Electricity	kWh	4,801.4	7,356.1
Water	cu M	4.5	7.7

³ A fraud incident is defined as one that involves fraud or dishonesty amounting to not less than \$100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

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The decline in electricity and water consumption is mainly due to the work-from-home and split team arrangements implemented due to the Pandemic.

Our energy and water conservation initiatives are as follows:

- Turn off air conditioners earlier than usual operating hours;
- Switch on the chiller an hour later and turn off half-an hour earlier on working days;
- Switch off the office lights in the common areas half-an hour earlier on working days and to switch off office lights during the lunch hour;
- Put up signage at light switches to remind staff to switch off the lights when not in use; and Use and deploy water efficient tap filters to cut down on water usage.

Target for FY2020	Performance in FY2020	Target for FY2021
Reduce or maintain the energy and water consumption rate	<ul style="list-style-type: none"> ● Electricity intensity is 4,801.4 kWh per employee ● Water intensity is 4.5 cu M per employee 	<ul style="list-style-type: none"> ● In the event the Pandemic comes to an end with the resumption of normal business activities, reduce or maintain the energy and water consumption rates achieved in FY2019. ● In the event of continuation of the Pandemic, reduce or maintain the energy and water consumption rates achieved in FY2020.

9.5 INCLUSIVE WORKPLACE AND TALENT MANAGEMENT

We have a workforce of 254 (as at 31 December 2019: 265) full-time employees for the Operations as at 31 December 2020.

In line with our mission to inspire and nurture our people, we focus on employee retention and aim to provide a work environment for employees that fosters fairness, equality and respect for social and cultural diversity, regardless of their gender and age. Our related initiatives are as follows:

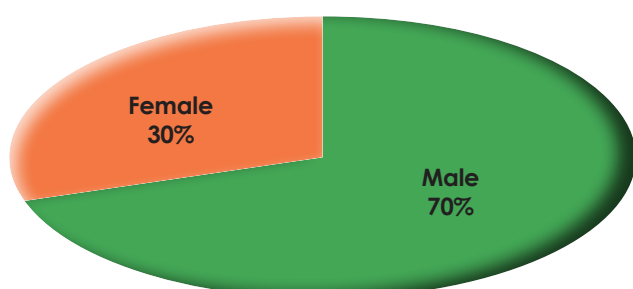
Inclusive workplace

We value the diversity within our Operations and have a comprehensive and all-encompassing working environment that drives each of us to actively participate in and contribute effectively to our success. In addition, it is stipulated in our employee handbook that decisions on recruitment, selection, promotion and transfer are made based on merits regardless of age, race, gender, religion, nationality, marital status, family responsibilities and physical disability. We will continue to adopt this approach towards our valued people.

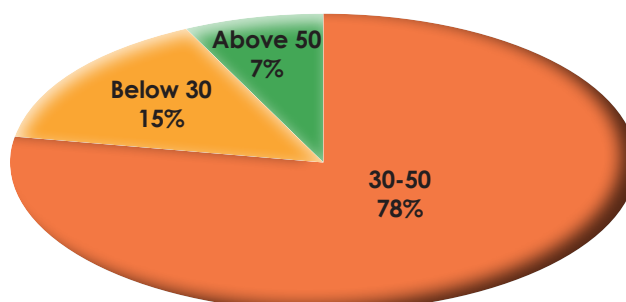
On gender diversity, we make a conscientious effort to balance our male-to-female employee ratio by hiring individuals based on the right competencies and skill sets. As at 31 December 2020, the percentage of female to total full-time employees is 30% (as at 31 December 2019: 28%).

On age diversity, matured workers are valued for their experience, knowledge and skills. As at 31 December 2020, 7% (as at 31 December 2019: 8%) of our workforce is above 50 years old.

Gender diversity (all employees)



Age diversity (all employees)



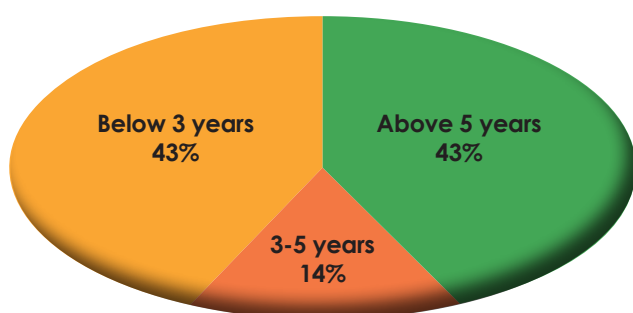
SUSTAINABILITY REPORT

Talent management

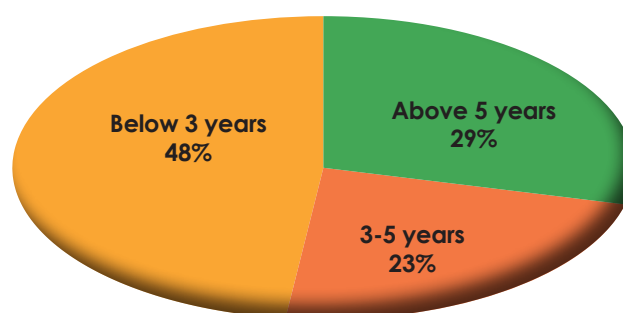
Effective employee training program is vital to the long-term success of any business. We have a set of training programmes that caters to various types and levels of our employees. One of the key objectives of such programmes is to develop our human capital base so that our employees can better perform their jobs, better serve our customers and also to raise productivity. We place a high priority on the competency development of our employees. Technical staff are encouraged to attain technical certifications relevant to their work whilst Management staff are also encouraged to attend Leadership Development courses and programmes. During the Reporting Period, the average training expenditure per employee is \$198 (FY2019: \$452) and our certified professionals as at 31 December 2020 accounted for around 23% of total workforce (as at 31 December 2019: 28%). The decline in average training expenditure per employee is mainly due to fewer training sessions conducted across the region as a result of movement restrictions imposed in countries during the Pandemic where such training sessions were conducted on the premises of the training service providers. We will continue to invest in training and development to enhance our competencies, that is, not limited to functional skills but also in areas such as leadership capabilities, succession planning and team performance.

On an overall basis, we track this factor through the employee retention rate. As at 31 December 2020, approximately 43% (as at 31 December 2019: 46%) of the employees and 29% (as at 31 December 2019: 33%) of the managers have more than 5 years of service with us. The breakdown of employees by the years of service is as follows:

Years of service (all employees)



Years of service (managers)



Target for FY2020	Performance in FY2020	Target for FY2021
<ul style="list-style-type: none"> Move towards a more balanced or maintain existing gender, age and educational diversity ratios Improve or maintain employee retention rate subject to market conditions 	<ul style="list-style-type: none"> No material changes in gender and age diversity ratios No material changes in employee retention rate 	<ul style="list-style-type: none"> Move towards a more balanced or maintain existing gender, age and educational diversity ratios Improve or maintain employee retention rate subject to market conditions

9.6 OCCUPATIONAL HEALTH AND SAFETY

A work environment that improves the well-being of employees and allows them to work safely without fear of getting injured builds loyalty amongst employees and supports the sustainability of our business. Accordingly, we place emphasis on creating a workplace that allows employees to perform and develop in a safe and conducive working environment.

Key measures adopted to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place;
- Safety committees are in place and safety inspections are performed and reported regularly;
- Briefings and talks on occupational safety are organised regularly; and
- Accidents are tracked and monitored regularly.

SUSTAINABILITY REPORT

Our operations in Singapore are ISO 45001:2018, bizSAFE STAR and SafeContractor Accreditation certified and these certifications recognise our continuous efforts to incorporate safety as part of our business model.

We recorded 1 non-fatal workplace injury⁴ during the Reporting Period (FY2019: zero non-fatal workplace injury), resulting in 4 man-days (FY2019: zero man-days) lost during the Reporting Period. Lessons from the non-fatal workplace injury are shared across business units to prevent recurrence and we will continuously work towards reducing both the occurrence and severity of workplace accidents.

The Pandemic has impacted and taken a toll on our employees mentally and emotionally.

To take care of our employees' mental, emotional and physical well-being, we have implemented the "Family Fridays" initiative since October 2020, where employees officially end their working day at 5PM on every last Friday of the month so that they can spend quality time with their family.

Target for FY2020	Performance in FY2020	Target for FY2021
Minimise the number of workplace accidents	There is a non-fatal workplace accident which resulted in 4 man-days lost	Minimise the number of workplace accidents



FAMILY- FRIDAYS

WHAT IS THIS INITIATIVE ABOUT?

During tough times, what matters to us the most is both the mental and physical well-being of our family.

Nera recognizes and understands the concerns of our employees. Both physical and mental welfare of our employees are important, especially during this pandemic where many of us face stress and uncertainty about our health and financial stability.

We will be implementing the initiative "Family-Fridays" starting in the month of **October 2020**.

Official knock-off time for every **Last Friday** of each month would be **5:00PM**.

WHEN?
EVERY LAST
Friday
OF EACH MONTH

WHAT TIME?
5PM

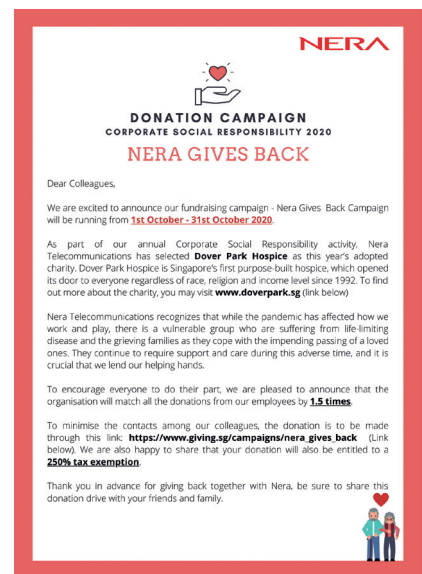
9.7 ONGOING COMMUNITY DEVELOPMENT

In line with our mission to give back to the community, we strive to set a good example and encourage individuals and other corporations to embrace the spirit of giving, especially during this COVID-19 pandemic when the vulnerable in our community are impacted most. We recognise that the long-term success of our business is closely related with the health and prosperity of the community which we operate in. During the Reporting Period, we engaged in various initiatives to help the communities as follows:

Making a difference to Dover Park Hospice

Dover Park Hospice was founded in 1992 as a secular, nonprofit organisation to meet the growing need in Singapore for hospice care for terminally ill patients. The goal is to enhance the living, comfort the dying and support the grieving with compassion and dignity.

Motivated by our desire to give back to our community, we conducted an online donation drive from 1 October to 31 October 2020 and matched our employees' donations by 1.5 times. Arising from the donation drive, over \$17,000 was donated to Dover Park Hospice. The amount donated went towards caring for those who are suffering from life-limiting diseases and to support the grieving families in the impending passing of a loved one.



NERA

DONATION CAMPAIGN
CORPORATE SOCIAL RESPONSIBILITY 2020
NERA GIVES BACK

Dear Colleagues,

We are excited to announce our fundraising campaign - Nera Gives Back Campaign will be running from **1st October - 31st October 2020**.

As part of our annual Corporate Social Responsibility activity, Nera Telecommunications has selected **Dover Park Hospice** as this year's adopted charity. Dover Park Hospice is Singapore's first purpose-built hospice, which opened its door to everyone regardless of race, religion and income level since 1992. To find out more about the charity, you may visit www.doverpark.sg (link below).

Nera Telecommunications recognizes that while the pandemic has affected how we work and play, there is a vulnerable group who are suffering from life-limiting disease and the grieving families as they cope with the impending passing of a loved one. They continue to require support and care during this adverse time, and it is crucial that we lend our helping hands.

To encourage everyone to do their part, we are pleased to announce that the organisation will match all the donations from our employees by **1.5 times**.

To minimise the contacts among our colleagues, the donation is to be made through this link: <https://www.giving.sg/campaigns/nera-gives-back> (Link below). We are also happy to share that your donation will also be entitled to a **250% tax exemption**.

Thank you in advance for giving back together with Nera, be sure to share this donation drive with your friends and family.

⁴ A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalisation of at least 24 hours and/or (ii) an issuance of a medical certificate of more than 3 days (need not be consecutive).

SUSTAINABILITY REPORT

Support Alexandra Hospital on patient care

Alexandra Hospital is the first Integrated General Hospital in Singapore that provides holistic and seamless care from acute, sub-acute to rehabilitative settings. The goal is to bring about seamless integrated care beyond discharge and enable continuity of care anchored in the safety and comfort of the home and community, together with the community and use of technology.

Due to the Pandemic, there is a rising need to introduce new technology such as robotics technology to ease the workload of the healthcare professionals and better take care of the vulnerable elderlies.

To support Alexandra Hospital in addressing the above need, we contributed more than \$3,000 to its purchase of a Temi Robot ("Temi"), a mobile artificial intelligence ("AI") robot that can carry out teleconsultations and reach out to homebound elderlies who are isolated, have multiple medical conditions and limited access to technology. Temi can also play recorded videos such as physiotherapy exercises customised to each patient and interact with patients.

Temi is deployed at the newly opened Geriatric Services Hub at Lions Befrienders Mei Ling Senior Activity Centre, which provides medical services to elderlies in the neighbourhood who have no access to a regular doctor and have fall risk.



Target for FY2020	Performance in FY2020	Target for FY2021
Continue with existing community engagement campaigns	Initiate various community engagement campaigns	Initiate various campaigns to help the communities

9.8 ROBUST CORPORATE GOVERNANCE FRAMEWORK

A high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximising long-term shareholder value.

We have put in place a risk management framework ("ERM framework") to track and manage the risks to which we are exposed. We regularly assess and review our businesses and operational environment to identify and manage emerging and strategic risks that may impact our sustainability. With a positive and proactive attitude, we believe risks faced by the Group could be converted into opportunities that will lead to favourable results for us.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 88 for FY2020 (FY2019: 85).

You may refer to the Corporate Governance Report of this Annual Report for details for our corporate governance practices.

Target for FY2020	Performance in FY2020	Target for FY2021
Improve or maintain SGTI score	SGTI score increases by 3 points to 88 for the year 2020	Improve or maintain SGTI score

SUSTAINABILITY REPORT

10. SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We have incorporated the Sustainable Development Goals (SDGs) under the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, where appropriate, as a supporting framework to shape and guide our sustainability strategy. The results shown below are how our Sustainability Factors relate to these SDGs:

SDG	Our effort
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p><u>Section 9.6 Occupational health and safety</u> We create a safe working environment that will lower injury or illness costs, reduce absenteeism and turnover, increase productivity and raise employee morale.</p>
 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	<p><u>Section 9.4 Electricity and water conservation</u> We implement checks and measures to reduce water wastage, which in turn help us to work towards achieving sustainable management and efficient use of natural resources.</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p><u>Section 9.4 Electricity and water conservation</u> We strive to achieve environmental sustainability through regularly tracking and analysing our energy consumption. Corrective actions are taken when unusual consumption patterns are observed.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p><u>Section 9.1 Total customer satisfaction</u> We are determined to bring outstanding products and services to our customers, starting from quality management to being attentive and responsive to customer feedback.</p> <p><u>Section 9.2 Sustainable business performance</u> We contribute to economic growth through creating long-term economic value for our shareholders.</p>
 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries</p>	<p><u>Section 9.5 Inclusive workplace and talent management</u> We ensure equal opportunities for all employees regardless of age, gender, race as well as educational background.</p> <p><u>Section 9.7 Ongoing community development</u> We engage in various initiatives to help the community.</p>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p><u>Section 9.3 Emphasis on code of ethics</u> We carry out business with integrity by avoiding corruption in any form.</p> <p><u>Section 9.8 Robust corporate governance framework</u> We maintain a high standard of corporate governance framework to safeguard our shareholders' interest and maximise long-term shareholder value.</p>

SUSTAINABILITY REPORT

APPENDIX GRI CONTENT INDEX

GRI standard & disclosure title		Section reference	Page
Organisation profile			
102-1	Name of the organization	Cover page	-
102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> ● Business Segments ● Sustainability Report > Material Factors > Total Customer Satisfaction ● Notes to the Financial Statements > Investments in Subsidiaries 	12-14 22-23 92-96
102-3	Location of headquarters	Notes to the Financial Statements > Corporate Information	73
102-4	Location of operations	Geographical Presence	6
102-5	Ownership and legal form	<ul style="list-style-type: none"> ● Notes to the Financial Statement > Corporate Information ● Notes to the Financial Statements > Investments in Subsidiaries ● Shareholdings Statistics 	73 92-96 133-134
102-6	Markets served	Geographical Presence	6
102-7	Scale of the organization	<ul style="list-style-type: none"> ● Financial Highlights ● Sustainability Report > Material Factors > Sustainable Business Performance ● Sustainability Report > Material Factors > Inclusive Workplace and Talent Development ● Balance Sheets ● Consolidated Statement of Comprehensive Income 	15 23-24 25-26 68 69
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	25-26
102-9	Supply chain	Sustainability Report > Material Factors > Total Customer Satisfaction	22-23
102-10	Significant changes to the organization and its supply chain	There were no significant changes to the organization and its supply chain during the reporting period	-
102-11	Precautionary Principle or approach	None	-
102-12	External initiatives	Sustainability Report > Supporting the UN Sustainable Development Goals	29
102-13	Membership of associations	None	-
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	16-18
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	<ul style="list-style-type: none"> ● Sustainability Report > Vision, Missions and Core Values ● Sustainability Report > Material Factors > Robust Corporate Governance Framework ● Corporate Governance Report 	18 28 33-57

SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
Governance			
102-18	Governance structure of the organization	Corporate Governance Report	33-57
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	19
102-41	Collective bargaining agreements	Not applicable as we are not a unionised company	-
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	19
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	19
102-44	Key topics and concerns raised	<ul style="list-style-type: none"> ● Sustainability Report > Stakeholder Engagement ● Sustainability Report > Material Factors > Total Customer Satisfaction 	19 22-23
Reporting practice			
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statement > Investments in Subsidiaries	92-96
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	20
102-47	List of material topics	Sustainability Report > Material Factors	21-28
102-48	Restatements of information	None	-
102-49	Changes in reporting	None	-
102-50	Reporting period	Sustainability Report > Reporting Period and Coverage	19
102-51	Date of most recent report	Annual Report 2019 > Sustainability Report	-
102-52	Reporting cycle	Sustainability Report > Reporting Period and Coverage	19
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	19
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	<ul style="list-style-type: none"> ● Sustainability Report > Reporting Framework ● Sustainability Report > GRI Content Index 	18-19 30-32
102-55	GRI content index	Sustainability Report > GRI Content Index	30-32
102-56	External assurance	We may seek external assurance in the future	-

SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	21-28
103-2	The management approach and its components	<ul style="list-style-type: none"> ● Sustainability Report > Board Statement ● Sustainability Report > Policy, Practice and Performance Reporting ● Sustainability Report > Material Factors 	16-18 20-21 21-28
103-3	Evaluation of management approach	Sustainability Report > Material Factors	21-28
Category: Economic			
201-1	Direct economic value generated and distributed	<ul style="list-style-type: none"> ● Financial Highlights ● Sustainability Report > Material Factors > Sustainable Business Performance ● Balance Sheets ● Consolidated Statement of Comprehensive Income 	15 23-24 68 69
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Emphasis on Code of Ethics	24
Category: Environmental			
302-3	Energy intensity	Sustainability Report > Material Factors > Electricity and Water Conservation	24-25
303-5	Water consumption	Sustainability Report > Material Factors > Electricity and Water Conservation	24-25
Category: Social			
403-9	Work-related injuries	Sustainability Report > Material Factors > Occupational Health and Safety	26-27
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	25-26
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	25-26
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Ongoing Community Development	27-28

CORPORATE GOVERNANCE REPORT

Nera Telecommunications Ltd (the "Company") is committed to high standards of corporate governance so as to ensure greater transparency and protect the interests of its employees, customers and shareholders. The Board of Directors ("Board") and Management believe that good corporate governance is key to the integrity of the Group and essential to the long-term sustainability of the Group's businesses and performance.

To discharge its governance function, the Board and its committees have established policies and rules to govern their activities. The Board and its committees are guided by their respective Terms of References.

The Board is pleased to report to its shareholders on the Company's corporate governance practices for the financial year ended 31 December 2020 with specific reference to each provision of the Code of Corporate Governance 2018 (the "Code") issued in August 2018. The Board confirms that the principles and provisions of the Code have been adhered to except for Provisions 11.4 and 11.6 where the deviations and explanations have been provided.

BOARD MATTERS

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success. The Management also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Board in the fulfilment of its responsibilities.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Provision 1.1

Board's Role

The principal functions of the Board include, inter alia, providing entrepreneurial leadership, setting strategic objectives, monitoring Management's performance, establishing a framework for prudent and effective control for risk management, safeguarding shareholders' interests and the Company's assets as well as setting values and standards (including ethical standards) for the Company. The Board is also mindful of the Company's social responsibilities.

The Board sets the directions for the Company where ethics and values are concerned. This helps to nurture an environment where integrity and accountability are keys.

The Board's Conduct of Affairs

The principal functions of the Board include, inter alia:

- (a) Providing entrepreneurial leadership, setting key business and financial strategic objectives and strategies and ensuring necessary financial and human resources are in place for the Company to meet those objectives;
- (b) Approving the annual budget, major investments and divestments, and funding proposals;
- (c) Reviewing and monitoring Management's performance;
- (d) Establishing a framework for the oversight of prudent and effective internal controls, risk management, financial reporting and compliance; and
- (e) Assuming the responsibility for good corporate governance to protect the Company's assets and enhancing the long-term value of the Company for its shareholders.

CORPORATE GOVERNANCE REPORT

Objective Decision Making

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions in the interest of the Group.

Any Director who has a conflict of interest which is likely to impact his or her independence or conflict with a subject under discussion by the Board is required to immediately declare his or her interest to the Board, remove himself or herself from the information flow and recuse from participating in any further discussion or voting on the subject matter.

Provision 1.2

Continuous Training and Development of Directors

Management and Professional Advisers keep the Directors up-to-date on pertinent developments in the business including changes to laws and regulations, corporate governance, financial reporting standards and industry-related matters. Such periodic updates are provided to the Directors to facilitate the discharge of their duties.

The Directors also attend other appropriate courses, conferences and seminars conducted by various Regulatory Authorities, Financial Institutions and Professional Consultants, including, Accounting and Corporate Regulatory Authority (ACRA), Association of Chartered Certified Accountants (ACCA), Australian Institute of Company Directors (AICD), A.T. Kearney, Certified Practising Accountants (CPA) Australia, National Association of Corporate Directors (NACD), Stewardship Asia Centre (SAC), Singapore Institute of Directors (SID), PricewaterhouseCoopers (PwC) and Ernst & Young (EY). Funding is also provided in support of relevant training for the Directors.

The details of courses, conferences and seminars attended by some of the Directors during FY2020 are listed below, with attendance hours totaling approximately 71 hours in aggregate:

ACRA/SGX/SID Audit Committee Seminar
Asian Centre for Corporate Governance Business Responsibility Summit
ICDM Stakeholder Capitalism
SID LED Listed Entity Director Essentials
SID LED Assessment
SID Corporate Governance Roundup
SID Director's Conference 2020
SID SGTI Launch
SID So You Want To Be A Non-Profit Director
SID Webinar On Cybersecurity & Data Protection
SID AC Audit Committee Study 2020 (Focus Group)
SID AC Chapter "Reviewing Financial Statements & Selecting Auditors"
SID AC Chapter "Managing Risk In A Digital World"
SID KPMG Business Remodeling
SID SGX Annual Conference
SID SGX Governance & Transparency Index

Directors are also encouraged to read and actively engage in informal discussions on subjects which are relevant to the Group's business.

CORPORATE GOVERNANCE REPORT

Appointment Letter to New Director

Orientation programmes will be organised during the year for new incoming Directors to ensure that they are familiar with the Company's key businesses and corporate governance practices. This also allows the new Director to get acquainted with Senior Management, thereby facilitating board interaction and independent access to Senior Management. Directors may also at any time request further explanations, briefings and informal discussions on any aspect of the Company's operations or business.

Provision 1.3

Internal Guidelines on Matters Requiring Board Approval

The Company has adopted internal guidelines governing matters that require the Board's approval.

Matters which are specifically reserved to the Board for approval are:

- (a) Strategic business plans and policies of the Group;
- (b) Annual budgets;
- (c) Material acquisitions and disposal of assets;
- (d) Corporate or financial restructuring;
- (e) Share issuances, interim dividends and other returns to shareholders;
- (f) Matters involving a conflict of interest for a substantial shareholder or a Director; and
- (g) Terms of reference of the Board and its Committees.

The matters which are specifically decided and approved by the Board are clearly documented in the minutes of meetings and kept with the Company.

Provision 1.4

Delegation of Authority to Board Committees

The Board is supported by a number of committees to assist it in the discharge of its responsibilities and also enhance the Company's corporate governance framework. These committees include the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit and Risk Management Committee ("ARMC"). Each Board committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

Provision 1.5 & 1.6

Meetings of Board and Board Committees

The Board and its committees meet regularly through scheduled meetings and as warranted by particular circumstances. A schedule of meetings is provided in advance to each Director prior to the commencement of each Financial Year. If Directors are unable to attend meetings in person, telephonic means of communication are allowed under the Constitution of the Company. To enable members of the Board and its committees to prepare for the meetings, agendas together with board papers and related materials are circulated within five working days before the meetings.

The Board normally meets at least four times a year with additional meetings convened as and when necessary.

During FY2020, the Company has held seven (7) Board Meetings.

CORPORATE GOVERNANCE REPORT

Multiple Board Representations

All Directors are required to declare their Board Representations. The NC has set guidelines on the maximum number of Board appointments in listed companies that Directors can hold to ensure that the Directors are able to commit their time to effectively discharge their responsibilities. The NC recommends that Independent Directors serve concurrently on no more than five listed company Boards, and that the Senior Management serve concurrently on no more than two listed company Boards besides the Company. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The Directors had committed considerable time towards the many Board meetings and Board Committee meetings held in FY2020 and adjusted their schedules to ensure participation in Board and Board Committee meetings for the deliberation of issues. The NC finds the Directors have committed their time effectively to discharge their responsibilities.

A record of the Directors' attendance at the Board and Board Committee meetings as well as General Meetings for the financial year ended 31 December 2020 is set out below:

	Board Meetings	Audit and Risk Management Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
2020 Meeting Attendance*					
Number of meetings held in FY2020	7	5	1	1	1
Name of Directors	Number of meetings attended				
Ms Wong Su-Yen, Chairman	7/7	N/A	1/1	1/1	1/1
Mr Beck Tong Hong	7/7	N/A	N/A	N/A	1/1
Mr Basil Chan**	5/7	4/5	N/A	0/1	1/1
Dr Lee Kwok Cheong	7/7	5/5	1/1	N/A	1/1
Mr Tan Choon Hong	7/7	N/A	1/1	1/1	1/1
Mr Tommy Teo Zhi Zhuang	7/7	5/5	N/A	N/A	1/1
Mr Tan Lye Huat***	3/7	2/5	N/A	1/1	0/1

* Referred to meetings held/attended while each Director was in office in FY2020.

** Mr Basil Chan was appointed as Independent Director and Chairman of the Audit and Risk Management Committee on 18 March 2020. Mr Basil Chan was appointed as a member of the Nominating Committee at the conclusion of the Annual General Meeting held on 29 May 2020.

*** Mr Tan Lye Huat ceased as the Chairman of the Audit and Risk Management Committee with effect on 18 March 2020. Mr Tan Lye Huat retired at the Annual General Meeting held on 29 May 2020 and also ceased as a member of the Nominating Committee.

Board's Access to information

Management places a high priority on providing timely and accurate information to the Board on an on-going basis, in order for the Directors to discharge their duties efficiently and effectively. Board members receive quarterly management reports pertaining to the operational and financial performance of the Company, including updates on the Company's financials, cash flow positions and forecasts, budget variance reports, order in-take, order backlog and sales pipelines. The Board will also be updated on industry trends and developments.

CORPORATE GOVERNANCE REPORT

Provision 1.7

Board's Access to Management and Company Secretary

The Board has at all times separate and independent access to the Management through electronic mail, telephone and face-to-face meetings and are entitled at all times to request for any additional information needed to make informed decisions. Similarly, key Management staff, the Company's auditors or external consultants are invited to attend Board and Board Committee meetings to update and provide independent professional advice on specific issues, where necessary.

Directors have separate and independent access to the Company Secretary through electronic mail, telephone and face-to-face meetings.

The role of the Company Secretary includes the responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Further, the Company Secretary assists in coordinating the flow of information within the Board and Board Committees as well as between the Management and the Board. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Board's Access to Independent Professional Advice

Where required, procedures are also in place for the Board and individual Board Committees to seek independent professional advice, paid for by the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Provisions 2.1, 2.2 & 2.3

Independent Element of the Board, Composition of Independent Directors and Non-Executive Directors on the Board

As at the date of this report ("Report"), the Board comprises six (6) Directors, one (1) of whom is an Executive Director, two (2) of whom are non-Executive Directors and the remaining three (3) Directors are independent, thus providing a strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group.

Independence of Directors

The NC, in its deliberation as to the independence of a Director, takes into account examples of relationships as set out in the Code, and considers whether a Director has business relationships with the Group, and if so, whether such relationships can interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment.

The NC, having considered the assessment made by the Directors on the independent status of Ms Wong Su-Yen, Dr Lee Kwok Cheong, Mr Basil Chan and other relevant factors, has determined that each has no relationship with the Company, its related corporations, its substantial shareholders or its officers and is also independent of the executive functions of the Company. In the discharge of their duties, they have exercised their independent business judgment to the best interests of the Company. In this respect, the NC affirmed that Ms Wong Su-Yen, Dr Lee Kwok Cheong, and Mr Basil Chan remain as Independent Directors of the Company.

The Board also confirms that none of the Independent Directors has served on the Board beyond nine (9) years from the date of his/her first appointment. However, taking into account the need for Board refreshment, the Board may consider developing a policy on this at an appropriate time.

CORPORATE GOVERNANCE REPORT

Provision 2.4

Composition and Size of the Board

The NC conducts an annual review on the composition of the Board which comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive and other aspects such as gender and age. Having reviewed and considered the composition and diversity of the Board and its committees, the NC has determined that the current Board size and structure is adequate for the existing business operations of the Company.

The Board is also well supported by accurate, complete and timely information, and has unrestricted access to Management.

A summary of the composition of the Board and its Committees is set out below:

Director	Board	ARMC	NC	RC
Ms Wong Su-Yen	Chairman, Independent Director	–	Chairman	Member
Mr Basil Chan	Independent Director	Chairman	Member	–
Mr Beck Tong Hong	Executive Director and CEO	–	–	–
Dr Lee Kwok Cheong	Independent Director	Member	–	Chairman
Mr Tan Choon Hong	Non-Executive Director	–	Member	Member
Mr Tommy Teo Zhi Zhuang	Non-Executive Director	Member	–	–

The NC with the concurrence of the Board, is of the opinion that the current Board size of six (6) Directors, is appropriate and that the Board possesses the appropriate diversity. The NC also takes into account gender and age diversity in relation to the composition of the Board, as well as a mix of skills and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. Amongst the Directors are IT, accounting, finance, corporate governance and human resource/talent professionals who possess the relevant expertise and skill sets in their respective fields for effective decision making. Mr Basil Chan is a Chartered Accountant and is a fellow member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), a fellow member of the Institute of Singapore Chartered Accountants ("ISCA") and a Fellow of the Singapore Institute of Directors ("FSID"). Dr Lee Kwok Cheong, formerly the CEO of the Singapore Institute of Management, has more than 20 years' experience in the IT industry, and has also served as the president of the Singapore Computer Society and as the chairman of the National InfoComm Competency Council. Their combined core competencies and experience provide management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. The Directors' profiles are set out in pages 8 to 10 of this Annual Report.

Competency of the Board

To assist the NC in its annual review of the Directors' mix of skills, knowledge and experience that the Board requires for it to function competently and efficiently, the Directors complete a Board of Directors Competency Matrix form providing information on their areas of specialisation and expertise. The NC reviews and subsequently presents the results to the Board for further consultation, highlighting key areas for improvement.

Provision 2.5

Regular Meetings of Non-Executive Directors and Independent Directors

During the year, the Non-Executive Directors and Independent Directors communicated among themselves without the presence of Management as and when the need arises. The Chairman of the meeting then provided feedback to the Board and/or Management, as appropriate. The Company also benefitted from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 3: CHAIRMAN AND CEO

Provisions 3.1 & 3.2 Roles and Responsibilities of Chairman & CEO

The functions of the Chairman and the CEO are assumed by two separate individuals so as to ensure effective supervision and maintenance of an appropriate balance of power and authority. There is a clear demarcation between the roles of the Chairman and the CEO, which promotes increased accountability and a greater capacity of the Board for independent decision making.

Ms Wong Su-Yen is both an Independent Director and Chairman of the Board. She is responsible for the overall leadership of the Board and engages the Senior Management regularly on pertinent issues. She approves the agendas for Board Meetings and promotes a culture of open and free discussion amongst the Directors. She also ensures that the Board receives timely and accurate information from Management, and provides valuable insight, guidance and advice on corporate governance systems and processes.

The CEO, Mr Beck Tong Hong, leads the Management and has full executive responsibility for the overall management and performance of the Group's business. He translates the Board's decisions into executive actions and is accountable to the Board.

The Chairman and CEO are not related.

Provision 3.3

The Chairman and the CEO of the Company are separately held by two unrelated individuals. In light of the foregoing, the Board has no intention to appoint a lead independent Director.

PRINCIPLE 4: BOARD MEMBERSHIP

Provision 4.1 and 4.2

NC Membership and Terms of Reference

The NC comprises three members, a majority of whom, including the Chairman, are Independent Directors. The composition of the NC is as follows:

Ms Wong Su-Yen, Chairman	(Independent Director)
Mr Basil Chan	(Independent Director)
Mr Tan Choon Hong	(Non-Executive Director)

During the year, the NC has held one (1) scheduled meeting, which all members attended.

The principal functions of the NC are:

- (a) To identify candidates, review nominations for both appointment and re-appointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account. The NC also reviews the Board's succession plans for the Directors, CEO, and Senior Management;
- (b) To review the Board structure, size, competencies including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (c) To review the independence of each Director annually;
- (d) To decide whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations; and

CORPORATE GOVERNANCE REPORT

- (e) To assess the effectiveness of the Board and contribution of each Director to the effectiveness of the Board.
- (f) To review suitable training and professional development programme for the Board and its Directors.

NC Responsibilities

The key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board as a whole. It also ensures compliance with the provisions of the Constitution of the Company which stipulates that at each AGM, one-third of the Directors, (or, if their number is not three or a multiple of three, the number nearest to one-third), shall retire from office by rotation in accordance with the Constitution, and may stand for re-election.

Each member of the NC abstains from voting on any resolution and making any recommendation and/or participating in respect of matters in which he/she is interested.

In accordance with the Constitution of the Company, new Directors must submit themselves for re-election at the next Annual General Meeting of the Company and one third of the Directors must retire by rotation at each Annual General Meeting and they shall be available for re-election.

The NC has recommended the nomination of the following Directors retiring under Regulations 94 of the Constitution of the Company, for re-election at the forthcoming AGM:

- (i) Mr Tan Choon Hong (Regulation 94)
- (ii) Mr Beck Tong Hong (Regulation 94)
- (iii) Mr Tommy Teo Zhi Zhuang (Regulation 94)

Upon re-election as Director, Tan Choon Hong will remain as a member of the Nominating and Remuneration Committees; Mr Beck Tong Hong will remain as the CEO and Executive Director of the Company; Mr Tommy Teo Zhi Zhuang will remain as a member of the Audit and Risk Management Committee.

As at the date of this Report, none of the Company's Independent Directors is appointed as Director into the Group's principal subsidiaries in jurisdictions outside of Singapore.

Alternate Directors

There are currently no Alternate Directors on the Board.

Provision 4.4

Determining Directors' Independence

Each Director completes a checklist to confirm his/her independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under Provision 2.1 above and is satisfied that none of the Independent Directors and their immediate family members are related with its related corporations, its substantial shareholders or its officers. The Board also recommends a maximum tenure for all Independent Directors of nine (9) years as recommended by the Code and SGX-ST Listing Rules.

CORPORATE GOVERNANCE REPORT

Provisions 4.3 and 4.5

Process for the Selection and Appointment of New Directors

The NC determines a suitable size and composition of the Board, and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the operations of the Company. For the appointment of a new Director, a rigorous search process is undertaken by the NC which evaluates the academic and professional qualifications, knowledge and experience in relation to the business of the Group, independence status and other directorships of the candidate(s). Subsequently, the NC makes a recommendation to the Board for approval of the new Director.

New Directors are at present appointed by way of Board resolution or at the Board meeting based on the evaluation and recommendation made by the NC. Before making a recommendation to the Board for approval, extensive searches are conducted and the NC ensures that the potential candidate possesses the necessary skills, knowledge, qualifications, working experience and other relevant factors that could facilitate the Board in making sound and well considered decisions. The incoming Director will also be required to undertake an assessment of independence.

A formal letter is sent to the newly-appointed Director upon his/her appointment stating his/her duties and obligations as Director.

Key Information on Directors

Key information of each member of the Board including directorships and chairmanships in other listed companies, other major appointments, academic/professional qualifications, membership/chairmanship in the Company's Board committees, date of first appointment and last re-election, etc. can all be found under the Directors' Profile section on pages 8 to 10.

PRINCIPLE 5: BOARD PERFORMANCE

Provisions 5.1 and 5.2

Board Performance

The Company has implemented a formal process to assess the Board as a whole, its committees, the Chairman, and each individual Director in their ability to discharge their responsibilities in providing stewardship, corporate governance and oversight of Management's performance.

For the year under review, Directors participated in the evaluation by providing feedback to the NC in the form of completing an overall Board Performance Evaluation, Board of Directors Committee Evaluation and Board of Directors Individual Assessment. To ensure confidentiality and frank assessment, the evaluation returns completed by Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Performance Criteria for Board Evaluation

The Board Performance Evaluation form is circulated and completed by each member of the Board annually. This involves scoring and an invitation for feedback on a number of key areas, including:

- (a) Board composition and size
- (b) Board access to timely and accurate information;

CORPORATE GOVERNANCE REPORT

- (c) Board processes;
- (d) Internal controls and risk management;
- (e) Board accountability to the shareholders;
- (f) Performance of each Board Committee;
- (g) Board interaction with CEO/Senior Management; and
- (h) Board's Standards of Conduct.

For FY2020, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

Evaluation of Individual Directors

The performance of Individual Directors is also evaluated annually by the NC. A peer review process is carried out, assessing each Director's contribution to the Board on a number of key areas, including:

- (a) Understanding of the Company's mission, strategic plans and long-term objectives;
- (b) knowledge of the Group's business and operations;
- (c) business acumen;
- (d) knowledge of Corporate Governance and Committee work;
- (e) contribution and engagement;
- (f) communication and interaction;
- (g) integrity; and
- (h) any other special contributions made.

Following the foregoing assessment, the Board is of the view that the Board and its Board Committees operate efficiently and that each Director is contributing to the overall effectiveness of the Board.

REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and employees who are related to the controlling shareholders and/or Directors (if any) are handled by the RC whose primary functions include development of formal and transparent policies on remuneration matters in the Company.

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Provisions 6.1, 6.2 and 6.3

Remuneration Committee and Terms of Reference

The Remuneration Committee ("RC") comprises the following three Directors, all of whom are Non-Executive and the majority, including the Chairman, are independent:

Dr Lee Kwok Cheong, Chairman	(Independent Director)
Ms Wong Su-Yen	(Independent Director)
Mr Tan Choon Hong	(Non-Executive Director)

CORPORATE GOVERNANCE REPORT

During the year, the RC held one (1) scheduled meeting, which all members attended.

The RC is guided by its written Terms of Reference, which set out its authority and duties.

The principal functions of the RC are:

- (a) To review and recommend to the Board a general framework for remuneration for the Directors, CEO and Senior Management of the Company;
- (b) To recommend the remuneration of the Non-Executive Directors to the Board for approval at the Annual General Meeting;
- (c) To determine specific remuneration packages for each Executive Director, CEO, Senior Management and any relative of a Director and/or its substantial shareholders who is employed in a managerial position by the Company;
- (d) To review the Company's obligations arising in the event of termination of the Executive Directors, CEO and Senior Management's service contracts and to ensure that these service contracts contain fair and reasonable termination clauses which are not overly generous; and
- (e) To review the remuneration packages of employees related to Executive Director, CEO and substantial or controlling shareholders of the Group and to ensure that the remuneration of such employees are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

Provision 6.4

RC's Access to Advice on Remuneration Matters

The RC has access to the professional advice of external experts in the area of remuneration, where required.

No remuneration consultants were engaged by the Company in FY2020.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

Provision 7.1

Remuneration of Executive Director and Key Management Personnel

The Company's remuneration structure for its Executive Director and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long term success of the Group.

For the purpose of assessing the performance of the Executive Director and key management personnel, key performance indicators ("KPIs") are set out for each year.

Link between Remuneration and Performance

In determining the remuneration of the Executive Director and key management personnel, the RC reviewed their respective KPIs achievement and assessed their performance for the year.

The KPIs for individual performance take into consideration the broad categories of objectives, namely financial, business and functional, regulatory and controls, and organisational and people development as well as alignment to the Group's risk policies. For FY2020, the RC has evaluated the extent to which the Executive Director and each of key management personnel has delivered on the corporate and individual objectives and based on the evaluation, has approved the compensation for the Executive Director and key management personnel which were endorsed by the Board.

CORPORATE GOVERNANCE REPORT

Contractual Provisions

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company and the Group. The Executive Director owes a fiduciary duty to the Company. Hence, the Company should be able to avail itself to remedy against the Executive Director in the event of such breach of fiduciary duties.

Provision 7.2

Remuneration of Non-Executive Directors

The Board concurred with the RC's proposal for Non-Executive Directors' fees for the financial year ended 31 December 2020. The Board also concurred with the RC's proposal for Non-Executive Directors' fees for the financial year ending 31 December 2021, to be payable quarterly in arrears.

The RC and the Board are of the view that the remuneration of the Non-Executive Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. The RC has also considered the scheme of Non-Executive Directors' holding shares in the Company but has decided not to implement.

The framework for Non-Executive Directors' fees on per annum basis (unless otherwise indicated) is as follows:

	Chairman S\$	Member S\$
Board of Directors	60,000	30,000
Audit and Risk Management Committee	18,000	12,000
Nominating Committee	12,000	6,000
Remuneration Committee	12,000	6,000

No member of the RC was involved in deciding his or her own remuneration.

Provision 7.3

Remuneration Framework

To attract, retain and motivate Directors and employees, the RC establishes appropriate remuneration frameworks for the Directors and key management personnel of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant.

During the year, the RC considered and approved the CEO's remuneration package which included salary, bonus and benefits-in-kind. In addition, the RC reviewed the performance of the key management personnel and considered the CEO's recommendation for bonus and remuneration for the key management personnel.

Short-term Incentive Scheme

To build a strong performance-based culture across the Company, a short-term incentive ("STI") scheme has been implemented to reward the achievement of corporate and individual results. It is also devised to attract and retain talented senior executives critical to the success of the Company. The STI is paid out in two (2) parts, one part to be paid in the first year after financial year end and the other part to be paid in the second year after financial year end.

CORPORATE GOVERNANCE REPORT

Employee Share Scheme

The LTI, approved at an extraordinary general meeting held on 29 April 2014, was put in place to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No shares were issued in FY2020.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

Provisions 8.1 and 8.3

Remuneration Report

Details on the remuneration of Directors and key management personnel for the year under review are presented in the following table.

Remuneration of Directors

The table below shows the breakdowns (in dollar terms) of the remuneration and fees of the Directors for the year ended 31 December 2020. Shareholders' approval will be sought at the Annual General Meeting for such payment to be made to the Directors.

Remuneration and Fees/Name of Directors	Fees (\$)	Salary (\$)	Bonus (\$)	Total ⁽¹⁾ (\$)
S\$750,001 to S\$1,000,000				
Remuneration paid to Executive Director/CEO				
Mr Beck Tong Hong ⁽¹⁾	–	518,040	394,018	912,058
Below S\$250,000				
Fees paid to Independent and Non-Executive Directors				
Ms Wong Su-Yen	78,000	–	–	78,000
Dr Lee Kwok Cheong	54,000	–	–	54,000
Mr Tan Choon Hong	42,000	–	–	42,000
Mr Basil Chan ⁽²⁾	42,756	–	–	42,756
Mr Tan Lye Huat ⁽²⁾	19,825	–	–	19,825
Mr Tommy Teo Zhi Zhuang	42,000	–	–	42,000
Total Directors' Remuneration and Fees	278,581	518,040	394,018	1,190,639
	23%	44%	33%	100%

Notes:

- (1) Executive Director/CEO does not receive Director's fee. His salary and bonus disclosed above include employer's CPF contributions for FY2020.
- (2) Director's fee was pro-rated for the period he served on the Board during FY2020.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Management Personnel

Top five highest paid key executives of the Company who received remuneration in the S\$250,000 and S\$500,000 band and below S\$250,000 (in percentage terms) during the calendar year are set out below:

Name and Position of Key Management Personnel	Salary ⁽¹⁾	Bonus ⁽²⁾	Total	Remuneration Bands of S\$250,000 to S\$500,000 and below S\$250,000
Ms Tan Geok Leng Jacqueline Chief Financial Officer	62%	38%	100%	S\$250,000 – S\$500,000
Mr Tan Cham Khain Orlando Chief Commercial Officer	62%	38%	100%	S\$250,000 – S\$500,000
Mr Tan Kok Ann Alan Vice President, Group Human Resources & Administration	71%	29%	100%	S\$250,000 – S\$500,000
Mr Ng Meng Yeow Ezekiel Teddy Deputy Head, Wireless Infrastructure Networks	71%	29%	100%	Below S\$250,000
Mr Pantoja, Rodolfo Pagua ⁽³⁾ Country Manager, Philippines	90%	10%	100%	Below S\$250,000
Total Remuneration of Top 5 Key Management Personnel	68%	32%	100%	
	\$923,354	\$441,280	\$1,364,634	

Notes:

(1) Salary includes allowances, benefits in-kind and statutory contributions.

(2) Bonus includes statutory contributions.

(3) Mr Pantoja, Rodolfo Pagua joined the Company on 01 July 2020.

The Code recommends the disclosure of the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).

Provision 8.2

Employee Related to Directors/CEO

There is no employee who is an immediate family member of a Director or the CEO, whose remuneration exceeded S\$100,000 during the year.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

Provision 9.1

Risk Management and Internal Controls System

The Board recognises the importance of maintaining sound systems of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The Audit Committee ("AC") was re-designated as the Audit and Risk Management Committee ("ARMC") in February 2015 to reflect its additional risk management functions. The ARMC oversees and ensures that such systems have been appropriately implemented and monitored.

CORPORATE GOVERNANCE REPORT

A summary of the Company's risk management and internal controls system is appended below.

Risk Management

The Group adopts a comprehensive and systematic approach towards Enterprise Risk Management ("ERM") to help identify, measure, prioritise and respond to the risks challenging its objectives, initiatives, and day-to-day operating activities.

As part of ERM, the Group has conducted on an annual basis a Risk Assessment exercise where a total of ten key risks have been identified and evaluated. In addition, the Group evaluates its risk exposure by adopting a Four-by-Four Matrix Model where risks are assigned risk exposure ratings based on the likelihood and consequences of each risk identified.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team.

Internal Controls

An internal control system has been implemented to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

Provision 9.2

Adequacy and Effectiveness of Risk Management and Internal Control Systems

ERM has become an essential part of the Group's business planning and monitoring process, and has been incorporated into its business cycle. The Group engages a professional firm PricewaterhouseCoopers Services Risk Services Pte. Ltd. ("PWC") to conduct internal audit reviews based on the plan approved by the ARMC.

During the year, the ARMC reviewed reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls. These reports covered the period 2019. The 2020 internal audit work was postponed due to COVID-19 and the ARMC approved plan will be undertaken before mid-2021.

Board's Comment on Adequacy and Effectiveness of risk management and Internal Controls

The Board is satisfied that the Company worked closely with the internal and external auditors to implement the recommended measures and procedures, and strived to achieve high standards in risk management and internal controls.

Based on the framework of risk management and internal controls established and maintained in the Group, the work performed by the internal auditors, statutory audit review undertaken by the external auditors, the Board with the concurrence of the ARMC, is of the opinion that the risk management and internal control systems that the Group has put in place to address the financial, operational, compliance and information technology risks are adequate as at 31 December 2020 to meet the needs of the Group's current business environment though continuous improvements are needed as the Group grows its business. The Board has received written assurance from the CEO and the Chief Financial Officer that:

- (a) the financial records have been properly maintained and the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are adequate and effective.

CORPORATE GOVERNANCE REPORT

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARMC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate Risk Committee is not required for the time being. In February 2015 the AC was renamed as ARMC.

PRINCIPLE 10: AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

Provision 10.1

Roles, Responsibilities and Authorities of ARMC

The ARMC is guided by its Terms of Reference which stipulate that its principal functions include, inter alia, reviewing the annual audit plans (internal and external), the system of internal controls and management of financial risks, the effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm, regulatory compliance matters, the risk management framework, recommendation on the appointment/re-appointment/removal of external auditors and their remuneration.

The key functions of the ARMC are:

- (a) Review the adequacy and effectiveness of financial, operational, compliance controls and risk management;
- (b) To consider the appointment and re-appointment of the external auditors, audit fee and matters relating to the removal of the auditors;
- (c) To review the audit plans and reports of the internal and external auditors and consider the effectiveness of the actions taken by Management on the auditors' recommendations, review and evaluate the Group's internal accounting controls system;
- (d) To review the assurance from the CEO and Chief Financial Officer on the financial records and financial statements;
- (e) To review the quarterly and annual financial statements for recommendation to the Board for approval, focusing in particular, on:
 - (i) Significant financial reporting issues and judgments
 - (ii) Changes in accounting policies and practices
 - (iii) Major risk areas
 - (iv) Significant adjustments resulting from the audit
 - (v) Going Concern statement
 - (vi) Compliance with accounting standards
 - (vii) Compliance with statutory and regulatory requirements

CORPORATE GOVERNANCE REPORT

- (f) To review any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;
- (g) To review Interested Party Transactions;
- (h) To review the scope and results of the internal audit procedures; and
- (i) To review the assistance given by the Management to the auditors.

The ARMC has explicit authority to investigate any matter within its Terms of Reference. It has full access to, and has had the full co-operation of the Management and staff. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

During FY2020, the ARMC reviewed and approved all disclosable interested person transactions in accordance with the Shareholders' Mandate for Interested Person Transactions. Directors who are interested in the transaction had recused themselves from the deliberation and approval process in both the ARMC and Board deliberation. On a quarterly basis, the ARMC also reviewed the financial results announcements of the Company before their submission to the Board for approval.

The ARMC has explicit authority to investigate any matter including whistle-blowing within its Terms of Reference. All whistle-blower complaints were reviewed by the ARMC to ensure independent and thorough investigation and adequate follow-up action as well as arrangements for staff or third party to raise concerns and improprieties in confidence. The Company has maintained a whistle-blowing register to record all the whistle-blowing incidents. The contents were reviewed by the ARMC at its quarterly meetings and closed appropriately in due course.

The ARMC has full access to, and has had the full co-operation of the Management and staff. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

Minutes of the ARMC meetings are routinely tabled at Board meetings for information.

The ARMC had reviewed the external auditor's audit plan for FY2020 and agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In ARMC's review of the financial statements of the Group for FY2020, it had discussed with Management the accounting principles that were applied and their judgment of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARMC also reviewed and addressed, amongst other matters, the following key audit matters as reported by the external auditors for FY2020.

KAM	HOW THE ARMC REVIEWED THESE MATTERS AND WHAT DECISIONS WERE MADE
Revenue recognition	The ARMC reviewed the policy and basis for revenue recognition with management and concurred with their determination of the revenue. The ARMC discussed with the auditors on their audit procedures performed including the Group's basis for identification of performance obligations and whether they were satisfied over time or at a point in time, review of contract revenues recognised and project costs incurred as well as management's estimate of the costs to complete. The ARMC was satisfied with the appropriateness of the revenue recognised in the consolidated financial statements of the Group for the financial year ended 31 December 2020.
Provisions for warranty	The ARMC reviewed the basis and adequacy of the provision for warranty and the judgement and estimates applied in its determination. Following the work and findings of the auditors which included analysing the underlying contracts in place and reviewing the reasonableness of provision by checking historical utilisation rates, the ARMC concurred with management that the provision for warranty was adequate for the financial year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

<p>Recoverability of trade receivables and contract assets</p>	<p>The ARMC assessed the recoverability of specific long overdue trade receivables and potential impairment of contract assets. The ARMC noted that the audit procedures performed by the auditors included evaluating management's assumptions and inputs used in the computation of historical credit loss rates and reviewing the data and information that management had used to make forward-looking adjustments as well as requesting for confirmations and obtaining evidence of receipts subsequent to the year end from selected customers. It concurred with management on the adequacy of the provision for trade receivables and impairment of contract assets for the financial year ended 31 December 2020.</p>
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The Management reported to and discussed with the ARMC on changes to the accounting standards and accounting issues which have a direct impact on the financial statements. Directors had also been invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

ARMC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfil its responsibilities, the ARMC is kept up to date by the Management, external and internal auditors on changes to accounting standards, SGX-ST Listing Rules and other codes and regulations which can have an impact on the Group's business and financial statements.

Independence of External Auditors

The ARMC oversees the Group's relationship with its external auditors. It reviews the selection of the external auditors and recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors. The annual re-appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

The ARMC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors and the ARMC was of the view that the non-audit services (namely for tax compliance services) provided by the external auditors in FY2020 did not prejudice their objectivity and independence.

In respect of the audit quality indicators, the ARMC had reviewed, in particular, the following areas: audit hours planned, experience of the team, adequacy of training received by the team, results of internal and third party's inspection of their work, compliance with independence requirement, quality control, staff oversight, and staff attrition rate.

A breakdown of the fees paid to the Group's external auditors (including its member firms) is disclosed in the table below:

External Auditor Fees for FY2020	S\$'000	% of Total Fees
Total Audit Fees	189	90
Total Non-Audit Fees	20	10
Total Fees	209	100

The ARMC had recommended and the Board had accepted proposing to the shareholders, the re-appointment of Ernst & Young LLP as the independent auditors for the Group in the ensuing year. The Company has complied with Rules 712, 715 and 716 of the listing manual of the SGX-ST ("Listing Manual") in relation to the Company's appointment of its auditors.

CORPORATE GOVERNANCE REPORT

Whistle-blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has implemented a Whistle-blowing Policy. The policy provides a mechanism by which concerns about, including but are not limited to, plausible improprieties in matters of financial reporting, dishonest practice, suspected fraud, bribery and corruption may be raised. A Whistle-blowing Committee ("WBC") had been established for this purpose.

The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith.

Assisted by the WBC, the ARMC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The ARMC reports to the Board any issues/concerns received by it and the WBC, at the ensuing Board meeting. Should the ARMC or WBC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

Whistle-blowing Committee ("WBC")

The WBC consists of:

- ARMC
- Internal auditors of the Group, PwC Risk Services Pte Ltd

The WBC is empowered to:

- look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARMC);
- make the necessary reports and recommendations to the ARMC or the Board for their review and further action, if deemed required by them; and
- access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

The Group takes concerns with the integrity and honesty of its employees very seriously. The Whistle-blowing Policy as well as whistle-blowing communication channel, have been disseminated to all staff via email and also posted on the Company's corporate website. A copy of the Policy is also made available at the Company's internal shared drive for staff reference. This is to encourage the staff to report any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle-blowers can also email to members of the ARMC directly at auditcommittee@nera.net in confidence and his/her identity is protected from reprisals within the limits of the law.

The Company treats all information received confidentially and protects the identity and the interest of all whistle-blowers. Anonymous reporting will also be attended to and anonymity honoured.

All newly recruited employees are briefed on the existence of the Policy during induction programme.

It has also been a standard item in the agenda of the quarterly meeting of the ARMC to review any entries in the register of whistle-blowing, and progress of investigation, if it remains outstanding.

The Whistle-blowing Policy is reviewed by the ARMC once every two years to assess the effectiveness of the processes in place and to ensure that the said policy is updated with any related changes in legal and regulatory requirements. The last review was in February 2019.

CORPORATE GOVERNANCE REPORT

Provision 10.2

ARMC Membership

The ARMC comprises the following three Directors, all of whom are Non-Executive and the majority, including the Chairman, are independent:

Mr Basil Chan, Chairman	(Independent Director, appointed on 18 March 2020)
Dr Lee Kwok Cheong	(Independent Director)
Mr Tommy Teo Zhi Zhuang	(Non-Executive Director)

During the year, the ARMC held five (5) scheduled meetings, which all members attended.

Provision 10.3

Expertise of ARMC Members

The ARMC members bring with them invaluable professional expertise in the accounting and financial management domains.

The Chairman of the ARMC, Mr Basil Chan, is a Chartered Accountant and is a fellow member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), a fellow member of the Institute of Singapore Chartered Accountants ("ISCA") and a Fellow of the Singapore Institute of Directors ("FSID"). The other members of the ARMC have many years of experience in business management and finance services. The Board is satisfied that the members of the ARMC have recent and relevant accounting or related financial management expertise and experience to discharge the ARMC functions.

Cooling-off Period for Partners or Directors of the Company's Auditing Firm

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the ARMC.

Provision 10.4

Internal Auditors

The ARMC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors ("IA").

The Company has outsourced its internal audit function to PricewaterhouseCoopers Risk Services Pte. Ltd. (PWC). The Board has approved the recommendation of the ARMC to engage PWC as IA of the Company. The ARMC assesses the adequacy of the IA function through the review of PWC's internal audit plan and the quality of its report. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the ARMC. The IA's primary line of reporting is to the Chairman of the ARMC.

Internal Audit Function

The Company's internal audit function is independent of the activities it audits. The IA, PWC, is staffed with professionals with relevant qualifications and experience. Our engagement with PWC stipulates that its work shall comply with the PWC's Internal Audit Services Methodology which is aligned with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

The internal audit was conducted based on a two-year internal audit plan starting September 2018 that was approved by the ARMC. The two-year internal audit plan entails a review of the major functions or business units of the Group.

Having reviewed the audit plan of PWC, the ARMC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

Adequacy and Effectiveness of Internal Audit Function

The ARMC reviews the adequacy of the internal audit function to ensure that internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The ARMC also reviews the IA's reports and remedial actions implemented by Management. The ARMC was satisfied that the internal control functions were adequate and effective.

Provision 10.5

Meeting with External and Internal Auditors

During the year, the Company's internal and external auditors were invited to attend the ARMC meetings and make presentations as appropriate. They also met separately with the ARMC without the presence of Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

Provision 11.1

Sufficient Information to Shareholders

The Company believes in providing sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that may have a material impact on the price or value of its shares.

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements via SGXNET and the reports/circulars sent to all shareholders. All resolutions tabled at general meetings are put to vote by poll voting.

Shareholders are also informed of the rules and voting procedures governing such meetings.

Effective Shareholders' Participation

To facilitate shareholders' effective participation at General Meetings, the Company holds its General Meetings at a location which is considered convenient and accessible to shareholders. All shareholders of the Group receive annual report, circulars and notices of all shareholders' meetings. The notices are advertised in the newspapers and made available on SGXNET.

The Group fully supports the Code's principle to encourage shareholders' participation in and vote at all the general meetings. The Company's Constitution allows the appointment of not more than two proxies by shareholders to attend the AGM and vote on his/their behalf. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the General Meetings as proxies without being constrained by the two-proxy requirement.

CORPORATE GOVERNANCE REPORT

However, in view of the COVID-19 outbreak, the COVID-19 (Temporary Measures) Order 2020 sets out the alternative arrangements in respect of holding of general meetings of companies. As a consequence, the Company's AGM was conducted and held by electronic means through a live webcast and shareholders were given an option to watch the "live" webcast or listen to the "live" audio feeds on 29 May 2020.

Shareholders participated the AGM via electronic means, and their questions in relation to any resolution set out in the notice of AGM were sent to the Company in advance of the AGM. The Company had received questions from the Securities Investors Association of Singapore ("SIAS") and a few shareholders and the Company had on 28 May 2020 published on the SGXNET and on the Company's website the Company's responses to all questions submitted in advance by the shareholders and questions raised by SIAS.

Provision 11.2

Separate Resolutions at General Meetings

At the shareholders' meeting, the Board ensures that separate resolutions are proposed for approval on each distinct issue at General Meetings. Shareholders can vote either in person or through proxies.

Proxies for Nominee Companies

The Constitution of the Company allows all shareholders (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries such as the Central Provident Fund (CPF) agent bank nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

Provision 11.3

Attendees at General Meetings

The Chairman of the Board and its committees attend all General Meetings to address issues raised by shareholders. The Company's external auditors are also present to address any relevant queries from shareholders on the conduct of the audit and the preparation and contents of the auditors' report. Appropriate key management executives are also present at the General Meetings to respond, if necessary, to operational questions from shareholders.

The Directors' attendance at the General Meeting can be found on page 36 of this Annual Report.

Provision 11.4

The Company, however, has not implemented measure to allow shareholders who are unable to vote in person at the Company's AGM the option to vote in absentia, such as via mail, electronic mail or facsimile transactions as the authentication of shareholder indemnity information and other related security issues still remain a concern.

Provision 11.5

Minutes of General Meetings

The minutes of General Meetings, are available to shareholders at the registered office of the Company at 109 Defu Lane 10, Singapore 539225 during normal business hours upon written request. The minutes of General Meetings will be published on the Company's corporate website at <http://nera.net/agm-egm-minutes.html>.

CORPORATE GOVERNANCE REPORT

Provision 11.6

Dividend Policy

As at the date of this Report, the Company does not have a formal dividend policy in place as the Board intends to conserve cash for its operations. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results. The Company has proposed a Final Dividend (tax exempt one tier) of 0.5 Singapore cent per ordinary share for the financial year ended 31 December 2020, payment of which is subject to shareholders' approval at the forthcoming AGM.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

Provisions 12.1, 12.2 and 12.3

Communication with Shareholders

In line with the continuous disclosure obligations under the listing rules of the SGX-ST and the Singapore Companies Act, Chapter 50, the Board informs shareholders promptly of all major developments that may have material impact on the Group.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is being released to the public through the Company's announcements via the SGXNET.

Timely Information to Shareholders

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Following amendments to the SGX-ST Listing Rules which took effect on 7 February 2020, the Company has decided not to continue with quarterly reporting commencing from FY2020 and has instead released the financial statements of the Company and the Group on a half-yearly basis. In between half-yearly financial results, the Company provides business updates to its shareholders to keep them abreast of the Company's development and environment.

In addition, in line with the Company's corporate social responsibility initiatives and sustainability strategy, the Company has implemented the use of electronic communications in FY2020 and shareholders can download its Annual Report from the Company's website. Nevertheless, shareholders who wish to receive a printed copy of the Annual Report could complete and forward the Annual Report Request Form (which could be downloaded from the SGXNET) to the Company within the stipulated timeframe.

Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. The Company provides regular briefings to analysts on its quarterly and full year results.

Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's General Meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation.

All resolutions at AGMs are put to vote by poll to allow greater transparency and more equitable participation by shareholders. An independent scrutineer, Corporate Republic Advisory Pte. Ltd. appointed by the Company to ensure the satisfactory procedure of the electronic polling process and to direct and supervise the counting of votes during the last Annual General Meeting held in 2020.

CORPORATE GOVERNANCE REPORT

Regular Dialogue with Shareholders

General Meetings have been and are still the principal forum for dialogue with shareholders. The Company also communicates with its shareholders, both institutional and retail, on a regular basis. Annual Reports and Notices of the General Meetings are forwarded to all shareholders of the Company. Notices of the General Meetings are also advertised in the newspaper.

All Directors, including chairpersons of the ARMC, NC and RC are encouraged to be present at the General Meetings. At the General Meetings, shareholders are given the opportunity to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. To further enhance its communication with investors, the Company maintains a corporate website which includes a dedicated Investor Relations section. (<http://www.nera.net/>).

In view of the COVID-19 pandemic, Notice of the AGM, Letter to Shareholders detailing the alternative arrangements for the AGM held on 29 May 2020 and Annual Report Request Form were published on both SGXNET and the Company's website. Shareholders could request for printed copy of the Annual Report by submitting the Request Form to the Company.

The Chairman, CEO and CFO were present in person at the virtual 2020 AGM proceedings, while the rest of the Directors joined the 2020 AGM by way of video conference. The Minutes of the AGM was published on both SGXNET and the Company's website after the AGM.

The Company's website also contains the latest and past Annual Reports, quarterly results and results' presentation slides as presented to analysts. The Company's Investor Relations contact is also reflected on the website, to enable shareholders to contact the Company, if required.

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

Provisions 13.1 and 13.2

Relationship with stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staffs, regulators, shareholders and vendors. During FY2020, the Company's strategy and keys areas of focus in relation to the management of stakeholder relationships can be found under Sustainability Report on page 19.

Provision 13.3

Communications with stakeholders

The Company's Investor Relations contact is reflected on the website, to enable stakeholders to contact the Company, if required.

OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

CORPORATE GOVERNANCE REPORT

Dealings in Securities – Rule 1207(19) of the Listing Manual

The Company has adopted a policy on securities dealing by Directors and officers of the Company and its subsidiaries (comprising Directors and Key Personnel) in the form of a Code of Best Practices on Security Dealings (the "Code") to govern and regulate transactions relating to securities in the Company. The Code is based on the best practices on dealings in securities issued by SGX-ST and has been circulated to all relevant parties.

The Company issues circulars informing them that they, while in possession of price-sensitive information, must not trade in the listed securities of the Company one month before the announcement of the Company's full year results or two weeks before quarterly results and ending on the date of the announcement of such results. They are also informed not to deal in the Company's securities on short-term considerations.

The Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions. The Board is satisfied with the Group's commitment in compliance with the Code.

The Directors and senior management are aware, and a new Director or senior management staff will be briefed, that the Company should comply with the best practice pursuant to Rule 1207(19)(c) of the Listing Manual in not dealing in its securities during the restricted trading periods. The Company has complied with Rule 1207(19)(c) of the Listing Manual.

Material Contracts

Pursuant to Rule 1207(8) of the Listing Manual, no material contract had been entered to by the Company or its subsidiaries involving the interests of the CEO, each Director or Controlling Shareholder.

Interested Party Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported to the ARMC and the transactions are carried out at arm's length and under normal commercial terms. There are no interested person transactions for the financial year ended 31 December 2020.

CODE OF CONDUCT AND PRACTICES

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practice and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheets and statements of changes in equity of the Company for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets and statements of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Wong Su-Yen (Chairman)
Beck Tong Hong
Basil Chan
Lee Kwok Cheong
Tan Choon Hong
Tommy Teo Zhi Zhuang

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations as stated below:

Name of directors	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares of The Company				
Beck Tong Hong	68,000	68,000	–	–
Nera (Philippines), Inc.				
Ordinary shares of Peso 100 each				
Beck Tong Hong	1*	1*	–	–
P.T. Nera Indonesia				
Ordinary shares of US\$2,000 each				
Beck Tong Hong	1*	1*	–	–
Nera Telecommunications (India) Pvt. Ltd.				
Ordinary shares of 10 Rupees each				
Beck Tong Hong	5,000*	5,000*	–	–
Nera Telecommunications (Myanmar) Company Limited				
Ordinary shares of US\$100 each				
Beck Tong Hong	1*	1*	–	–
Nera Telecommunications (Pakistan) Private Limited				
Ordinary shares of 100 Pakistan Rupees each				
Beck Tong Hong	1*	1*	–	–
Nera (Thailand) Limited				
Preference shares of 100 Thai Baht each				
Beck Tong Hong	1*	1*	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and on 21 January 2021.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment if later, or at the end of the financial year or on 21 January 2021.

* Shares are held in trust for the Company.

DIRECTORS' STATEMENT

5. Share plan

At an Extraordinary General Meeting held on 29 April 2014, shareholders approved the Nera Telecommunications Performance Share Plan 2014 ("NeraTel PSP 2014") for the granting of fully-paid ordinary shares of the Company or their equivalent cash value or combinations thereof, upon the satisfaction of certain prescribed performance condition(s), to eligible directors and other employees.

The NeraTel PSP 2014 is administered by the Remuneration Committee (the "Committee") comprising three directors, Wong Su-Yen, Lee Kwok Cheong and Tan Choon Hong.

Since the commencement of the NeraTel PSP 2014 till the end of the financial year:

- No shares have been granted to the controlling shareholders of the Company and their associates
- No participant has received 5% or more of the total shares available under the plan
- No shares have been granted to directors and employees of the holding company and its subsidiaries
- No shares that entitle the holder to participate, by virtue of the plan, in any share issue of any other corporation have been granted
- No shares have been granted at a discount

There were no shares granted under the NeraTel PSP 2014 during the financial year.

6. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditor
- Met with the external and internal auditors, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness, independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

DIRECTORS' STATEMENT

6. Audit and Risk Management Committee (Continued)

- Reported actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

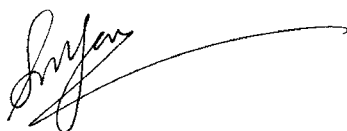
The ARMC convened five meetings during the year with full attendance from all members. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Corporate Governance Report.

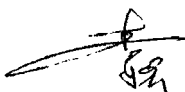
7. Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,



Wong Su-Yen
Director



Beck Tong Hong
Director

Singapore
29 March 2021

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheets and the statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) SFRS(I) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

Key audit matters (Continued)

Revenue recognition

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. These assessments required management to apply significant judgment and make assumptions and estimates in measuring costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion. The subjectivity and complexity involved in these assessments can significantly impact the results of the Group. Accordingly, we have determined this to be a key audit matter.

Our audit procedures included, amongst others:

- Evaluated the design and tested the effectiveness of selected internal controls with respect to project management, project cost estimation and budgeting process, and accounting for revenue from contracts.
- Evaluated the Group's procedures and processes for recognising revenue from contracts with customers. We assessed the basis for the identification of performance obligations and whether they are satisfied over time or at a point in time. Our assessment include examining project documents and reviewing, on a sample basis, contractual terms and conditions and discussed with management on the performance obligations identified.
- Assessed contract revenues recognised and project costs incurred, on a sample basis, by comparing against the relevant contracts and supporting documents such as sales invoices, customer acceptance and supplier invoices.
- Evaluated the key inputs used by management in their estimation of the total cost to complete, on a sample basis, by comparing to supporting documentation such as supplier quotations.
- Assessed the arithmetic accuracy of the revenue and profit recognised based on the stage of completion calculations made for individually significant projects.
- Discussed with management, finance or project heads the progress of significant outstanding projects to understand if there is any known disputes, variation order claims, technical issues or other significant developments and events that could impact the estimated costs to complete the projects.
- Assessed whether the estimates showed any evidence of management bias based on our assessment of the historical accuracy of management's estimates in previous periods, identification and analysis of changes in assumptions from prior periods, and assessed the consistency of assumptions across projects.
- Evaluated the presentation and assessed the adequacy of the disclosure of significant accounting policies for revenue from contracts with customers, judgment and methods used in estimating revenue, contract assets, contract liabilities, capitalised contract costs, and transaction price allocated to remaining performance obligation.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

Key audit matters (Continued)

Provision for warranty

As of 31 December 2020, the provision for warranty amounted to \$859,000 (2019: \$1,222,000). A provision for expected warranty claims on goods and services sold in the past 12 months is recognised based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty was based on current sales level and current information available about the utilisation rate. Depending on the complexity of the network and integration process involved, management exercised significant judgment in determining the amount of warranty provision to be recorded at year end.

Our audit procedures included, amongst others:

- Assessed the key assumptions applied by the management in determining the present obligations under the contracts. This includes analysing the underlying contracts in place, reviewing the reasonableness of provision by checking to historical utilisation trends, and through inquiry of operations personnel.
- Assessed the consistency of management's bases and assumptions for determining the provision for warranty applied throughout the Group.
- Checked the arithmetic accuracy of management's computation of the provision for warranty.
- Evaluated the presentation and adequacy of Note 14 Provision for warranty.

Recoverability of trade receivables and contract assets

Trade receivables and contract asset balances were significant to the Group as they represent 61% of the total assets of the consolidated balance sheet. Trade receivables and contract assets amounted to \$64,409,000 and \$34,410,000 respectively as at 31 December 2020, against which an allowance for expected credit loss ("ECL") and impairment of \$2,061,000 and \$2,026,000 had been made respectively. As at 31 December 2020, 34% of the trade receivables are aged more than 90 days.

The collectability of trade receivables is a key element of the Group's working capital management. Managed on an ongoing basis by local management under the oversight of Group management, the terms of the Group's contracts with customers are complex and could lead to disputes with customers, resulting in long overdue trade receivables.

The Group determines ECL and impairment of trade receivables and contract assets by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors and economic environment. Management has considered various factors such as past due balances, recent historical payment patterns and credit loss patterns over a period, debtors' financial ability to repay, existence of disputes, economic environment and forecast of future macro-economic conditions where the debtors operate, taking into consideration COVID-19 impact and any other available information concerning the creditworthiness of debtors. These assessments required management to apply significant judgment and accordingly, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

Key audit matters (Continued)

Recoverability of trade receivables and contract assets (Continued)

Our audit procedures included, amongst others:

- Assessed the Group's processes and controls relating to the monitoring of aged trade receivables and contract assets to identify collection risks.
- Evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed the data and information that management has used to make forward-looking adjustments.
- Requested for confirmations and checked for evidence of receipts subsequent to the year end from selected customers.
- We assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, through analyses of ageing of receivables to identify collection risk, reviewing historical payment patterns and correspondences with customers on expected settlement dates, taking into consideration of their specific profiles and risks.
- Checked the arithmetic accuracy of management's computation of ECL and impairment.
- Assessed the adequacy of the disclosures on the trade receivables, contract assets, expected credit losses and the related risks such as credit risk and liquidity risk in Note 9 Trade receivables and Note 34 Financial risk management objectives and policies.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

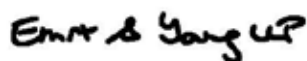
Auditor's responsibilities for the audit of the financial statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Beng Lee, Ken.



Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2021

BALANCE SHEETS

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	4	6,235	4,294	370	364
Right-of-use assets	16	4,165	4,696	2,912	3,120
Intangible assets	5	835	795	720	709
Investments in subsidiaries	6	–	–	5,971	3,971
Long term trade and other receivables	10,17	648	473	–	415
Deferred tax assets	25	806	1,494	239	567
		<u>12,689</u>	<u>11,752</u>	<u>10,212</u>	<u>9,146</u>
Current assets					
Stocks	7	6,074	9,728	3,844	3,375
Contract assets	8	34,410	40,121	12,971	12,671
Trade receivables	9	64,409	63,528	13,489	21,536
Other receivables, deposits and prepayments	10	21,650	20,384	16,544	15,469
Amounts due from subsidiaries					
- trade	11	–	–	19,736	17,821
- non-trade	11	–	–	17,567	8,901
Fixed deposits	28	659	2,259	–	–
Cash and bank balances	28	22,458	10,745	10,393	3,112
		<u>149,660</u>	<u>146,765</u>	<u>94,544</u>	<u>82,885</u>
Current liabilities					
Trade payables	12	32,112	38,592	8,916	13,398
Other payables and accruals	13	7,108	7,726	3,791	4,053
Contract liabilities	8	21,661	24,896	16,805	15,935
Amounts due to subsidiaries (trade)	11	–	–	39	163
Short-term borrowings	15	28,500	16,500	28,500	16,500
Lease liabilities	16	714	652	124	160
Provision for taxation		1,024	694	225	–
Provision for warranty	14	859	1,222	563	867
		<u>91,978</u>	<u>90,282</u>	<u>58,963</u>	<u>51,076</u>
Net current assets		<u>57,682</u>	<u>56,483</u>	<u>35,581</u>	<u>31,809</u>
Non-current liabilities					
Lease liabilities	16	3,578	4,001	2,890	3,013
Defined benefit obligation	38	537	470	–	–
		<u>4,115</u>	<u>4,471</u>	<u>2,890</u>	<u>3,013</u>
Net assets		<u>66,256</u>	<u>63,764</u>	<u>42,903</u>	<u>37,942</u>
Equity attributable to equity holders of the Company					
Share capital	18	29,909	29,909	29,909	29,909
Revenue reserve		38,930	36,978	12,994	8,033
Translation reserve	19	(2,953)	(3,528)	–	–
Other reserve		370	405	–	–
		<u>66,256</u>	<u>63,764</u>	<u>42,903</u>	<u>37,942</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
Revenue	8	131,118	144,386
Cost of sales		<u>(101,285)</u>	<u>(111,574)</u>
Gross profit		29,833	32,812
Distribution and selling expenses		(15,400)	(18,505)
Administrative expenses		(9,722)	(9,165)
Other income	20	<u>1,094</u>	<u>129</u>
Profit from operating activities	21	5,805	5,271
Finance income	23	254	332
Finance expenses	24	<u>(826)</u>	<u>(491)</u>
Profit before tax		5,233	5,112
Tax	25	<u>(1,472)</u>	<u>(1,167)</u>
Profit after tax		<u>3,761</u>	<u>3,945</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		575	404
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		<u>(35)</u>	<u>(14)</u>
Other comprehensive income for the year, net of tax		<u>540</u>	<u>390</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>4,301</u></u>	<u><u>4,335</u></u>
Earnings per share attributable to owners of the Company (cents per share)			
Basic	26 (a)	1.04	1.09
Diluted	26 (a)	<u>1.04</u>	<u>1.09</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company				Total equity \$'000
	Share capital (Note 18) \$'000	Revenue reserve \$'000	Translation reserve (Note 19) \$'000	Other reserve \$'000	
	Group				
At 1 January 2020	29,909	36,978	(3,528)	405	63,764
Profit for the year	–	3,761	–	–	3,761
Other comprehensive income for the year	–	–	575	(35)	540
Total comprehensive income for the year	–	3,761	575	(35)	4,301
<u>Contributions by and distributions to owners</u>					
Dividends (Note 27)	–	(1,809)	–	–	(1,809)
Total contributions by and distributions to owners	–	(1,809)	–	–	(1,809)
At 31 December 2020	<u>29,909</u>	<u>38,930</u>	<u>(2,953)</u>	<u>370</u>	<u>66,256</u>
At 1 January 2019	29,909	40,271	(3,932)	419	66,667
Profit for the year	–	3,945	–	–	3,945
Other comprehensive income for the year	–	–	404	(14)	390
Total comprehensive income for the year	–	3,945	404	(14)	4,335
<u>Contributions by and distributions to owners</u>					
Dividends (Note 27)	–	(7,238)	–	–	(7,238)
Total contributions by and distributions to owners	–	(7,238)	–	–	(7,238)
At 31 December 2019	<u>29,909</u>	<u>36,978</u>	<u>(3,528)</u>	<u>405</u>	<u>63,764</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Company			
At 1 January 2020	29,909	8,033	37,942
Profit for the year	–	6,770	6,770
Total comprehensive income for the year	–	6,770	6,770
<u>Contributions by and distributions to owners</u>			
Dividends (Note 27)	–	(1,809)	(1,809)
Total contributions by and distributions to owners	–	(1,809)	(1,809)
At 31 December 2020	<u>29,909</u>	<u>12,994</u>	<u>42,903</u>
At 1 January 2019	29,909	13,365	43,274
Profit for the year	–	1,906	1,906
Total comprehensive income for the year	–	1,906	1,906
<u>Contributions by and distributions to owners</u>			
Dividends (Note 27)	–	(7,238)	(7,238)
Total contributions by and distributions to owners	–	(7,238)	(7,238)
At 31 December 2019	<u>29,909</u>	<u>8,033</u>	<u>37,942</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Profit before tax		5,233	5,112
Adjustments for:			
Amortisation of intangible asset	5	88	88
Bad debts written off		38	81
Depreciation of property, plant and equipment	4	668	758
Depreciation of right-of-use assets	16	971	957
Interest expense	24	826	491
Interest income	23	(254)	(332)
Net fair value loss on derivatives	21	55	48
Net gain on disposal of property, plant and equipment	21	(7)	(16)
Net (write-back)/allowance for contract assets	8	(77)	2,094
Stocks write-down	7	169	430
Net (write-back)/allowance for doubtful trade debts	9	(54)	1,484
Net provision/(write-back) for warranty	14	119	(97)
Reduction of accrued dispute claims from a former employee		–	(1,258)
Pension cost		48	211
Operating profit before working capital changes		<u>7,823</u>	<u>10,051</u>
Decrease/(increase) in:			
Stocks		3,574	7,741
Contract assets		5,767	(6,467)
Trade receivables		(1,507)	(4,565)
Other receivables, deposits and prepayments		(1,919)	(3,734)
Increase/(decrease) in:			
Trade payables		(6,474)	5,334
Other payables and accruals		(491)	(2,994)
Contract liabilities		(3,315)	(12,865)
Provision for warranty		(486)	(690)
Effect of exchange rates changes		566	(9)
Cash generated from/(used in) operations		<u>3,538</u>	<u>(8,198)</u>
Income tax refund/(paid)		120	(2,367)
Interest paid		(494)	(274)
Benefits paid out from pension fund	38	(33)	(40)
Net cash flows generated from/(used in) operating activities		<u>3,131</u>	<u>(10,879)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		8	22
Purchase of property, plant and equipment	4	(2,241)	(969)
Purchase of intangible assets	5	(130)	–
Interest received		246	269
Net cash flows used in investing activities		<u>(2,117)</u>	<u>(678)</u>
Cash flows from financing activities			
Dividends paid to shareholders of the Company	27	(1,809)	(7,238)
Proceeds from bank loans		49,000	28,600
Repayment of bank loans		(37,000)	(17,600)
Repayment of lease liabilities		(1,008)	(819)
Net cash flows generated from financing activities		<u>9,183</u>	<u>2,943</u>
Net increase/(decrease) in cash and cash equivalents		<u>10,197</u>	<u>(8,614)</u>
Effect of exchange rates changes on cash and bank balances		(91)	65
Cash and cash equivalents at beginning of year		12,914	21,463
Cash and cash equivalents at end of year	28	<u><u>23,020</u></u>	<u><u>12,914</u></u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 109 Defu Lane 10, Singapore 539225.

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. The principal activities of the subsidiaries are shown in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The consolidated 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 year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Early adoption of Amendment to SFRS(I) 16 Leases: COVID-19-Related Rent Concessions

The Group elected to early adopt the amendments to SFRS(I) 16 Leases: COVID-19 Related Rent Concessions which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification provided certain conditions were met. The effect of applying this practical expedient is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency

The consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on divestiture of the subsidiary.

(b) Consolidated financial statements

On consolidation, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On divestiture of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, leasehold building, leasehold improvements, plant and other equipment, furniture and fittings, motor vehicles and equipment held for leasing are measured at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold building	-	18 years
Leasehold improvements	-	10 years
Plant and other equipment	-	5 to 7 years
Furniture and fittings	-	5 to 10 years
Motor vehicles	-	5 years
Equipment held for leasing	-	2 to 5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

Brand

"NERA" brand name which was acquired, is capitalised and amortised on a straight-line basis over a useful life of 20 years. It is tested for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation period and method are reviewed at each financial year end.

Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over their useful lives of 3 to 5 years.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value and include all costs in bringing the stocks to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of stocks to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.15 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and Malaysian companies in the Group make contributions to the Central Provident Fund and Employees Provident Fund schemes respectively, which are defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(b) Defined benefit plans (Continued)

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.16 Leases

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and building	-	2 to 24 years
Plant and other equipment	-	1 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.17(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.17 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 2.17(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.17 Revenue (Continued)

(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.

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.

(d) Rental income

Rental income arising from operating leases on equipment is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

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.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to income, it may be presented as a credit in profit or loss, either separately or under a general heading such as "Other Income". Alternatively, they are deducted in reporting the related expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.19 Income taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.19 Income taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2.21 Segment reporting

For management purposes, the Group is organised on a world-wide basis into two major operating businesses (divisions) which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment accounting policies are the same as the policies of the Group as disclosed in the preceding paragraphs. The Group generally accounts for inter-segment sales transfers as if the sales or transfers were to third parties at current market prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (Continued)

2.22 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's 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.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets at 31 December 2020 are \$1,024,000 (2019: \$694,000) and \$806,000 (2019: \$1,494,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. Significant accounting judgments and estimates (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Revenue from contracts

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. These assessments required management to apply significant judgment and making assumptions and estimates in measuring costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion.

The carrying amounts of the assets and liabilities from contracts arising at the end of each reporting period are disclosed in Note 8 to the financial statements.

(ii) Recoverability of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 9.

The carrying amount of trade receivables and contract assets as at 31 December 2020 are \$64,409,000 and \$34,410,000 (2019: \$63,528,000 and \$40,121,000) respectively.

(iii) Provision for warranty

The Group recognises provision for warranty when the product is sold or service is provided. Initial recognition is based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty were based on current sales level and current information available about the expected warranty claims. The Group's provisions for warranty at 31 December 2020 was \$859,000 (2019: \$1,222,000). The warranty provision will be reversed if not utilised upon expiry of warranty period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. Property, plant and equipment

Group	Leasehold building \$'000	Leasehold improvements \$'000	Plant and other equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment held for leasing \$'000	Assets under construction \$'000	Total \$'000
Cost								
At 1 January 2019	5,150	1,532	4,869	836	924	866	-	14,177
Additions	-	85	240	5	2	-	2,621	2,953
Reclassification to intangible assets (Note 5)	-	-	(104)	(5)	-	-	-	(109)
Disposals/written off	-	-	(24)	-	(45)	-	-	(69)
Currency realignment	-	13	60	23	(8)	27	18	133
At 31 December 2019 and 1 January 2020	5,150	1,630	5,041	859	873	893	2,639	17,085
Additions	-	43	232	96	-	-	2,157	2,528
Disposals/written off	-	(53)	(1,652)	(78)	(93)	-	-	(1,876)
Currency realignment	-	19	6	-	(7)	(27)	68	59
At 31 December 2020	5,150	1,639	3,627	877	773	866	4,864	17,796
Accumulated depreciation								
At 1 January 2019	5,150	1,006	4,205	436	770	463	-	12,030
Charge for the year	-	137	333	78	38	184	-	770
Reclassification to intangible assets (Note 5)	-	-	(12)	-	-	-	-	(12)
Disposals/written off	-	-	(24)	-	(39)	-	-	(63)
Currency realignment	-	3	53	9	(8)	9	-	66
At 31 December 2019 and 1 January 2020	5,150	1,146	4,555	523	761	656	-	12,791
Charge for the year	-	136	267	89	34	142	-	668
Disposals/written off	-	(53)	(1,651)	(77)	(94)	-	-	(1,875)
Currency realignment	-	6	4	1	(6)	(28)	-	(23)
At 31 December 2020	5,150	1,235	3,175	536	695	770	-	11,561
Net carrying amount								
At 31 December 2019	-	484	486	336	112	237	2,639*	4,294
At 31 December 2020	-	404	452	341	78	96	4,864*	6,235

* During the year, the Group purchased equipment amounting to \$2,225,000 (2019: \$2,639,000) which are held by Nera (Philippines), Inc. The equipment are currently classified in assets under construction and they were acquired for the purpose of a government project in the Philippines.

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$2,528,000 (2019: \$2,953,000). The cash outflow on acquisition of property, plant and equipment amounted to \$2,241,000 (2019: \$969,000). The remaining amount of \$287,000 (2019: \$1,984,000) were unpaid and is recorded in other payables as at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. Property, plant and equipment (Continued)

	Leasehold building \$'000	Leasehold improvements \$'000	Plant and other equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
Company						
Cost						
At 1 January 2019	5,150	744	2,390	295	369	8,948
Additions	–	29	117	–	–	146
At 31 December 2019 and 1 January 2020	5,150	773	2,507	295	369	9,094
Additions	–	–	160	–	–	160
Disposals/written off	–	–	(1,611)	–	(58)	(1,669)
At 31 December 2020	5,150	773	1,056	295	311	7,585
Accumulated depreciation						
At 1 January 2019	5,150	722	2,187	232	254	8,545
Charge for the year	–	5	145	12	23	185
At 31 December 2019 and 1 January 2020	5,150	727	2,332	244	277	8,730
Charge for the year	–	6	113	11	23	153
Disposals/written off	–	–	(1,610)	–	(58)	(1,668)
At 31 December 2020	5,150	733	835	255	242	7,215
Net carrying amount						
At 31 December 2019	–	46	175	51	92	364
At 31 December 2020	–	40	221	40	69	370

As at 31 December 2020, the leasehold building of the Group and the Company consists of the following:

Location	Purpose	Approximate land area	Approximate gross floor area	Tenure of lease
109 Defu Lane 10, Singapore 539225	Office, workshop cum warehouse	3,875 sq. metre	3,246 sq. metre	30 years expiring 30 September 2042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5. Intangible assets

	Brand \$'000	Software \$'000	Total \$'000
Group			
Cost			
At 1 January 2019	1,289	–	1,289
Reclassification from property, plant and equipment (Note 4)	–	109	109
At 31 December 2019 and 1 January 2020	1,289	109	1,398
Additions	–	130	130
Currency realignment	–	(2)	(2)
At 31 December 2020	1,289	237	1,526
Accumulated amortisation			
At 1 January 2019	515	–	515
Reclassification from property, plant and equipment (Note 4)	–	12	12
Amortisation	65	11	76
At 31 December 2019 and 1 January 2020	580	23	603
Amortisation	64	24	88
At 31 December 2020	644	47	691
Net carrying amount			
At 31 December 2019	709	86	795
At 31 December 2020	645	190	835
Company			
Cost			
At 1 January 2019, 31 December 2019 and 1 January 2020	1,289	–	1,289
Additions	–	77	77
At 31 December 2020	1,289	77	1,366
Accumulated amortisation			
At 1 January 2019	515	–	515
Amortisation	65	–	65
At 31 December 2019 and 1 January 2020	580	–	580
Amortisation	64	2	66
At 31 December 2020	644	2	646
Net carrying amount			
At 31 December 2019	709	–	709
At 31 December 2020	645	75	720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5. Intangible assets (Continued)

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 10 years.

Software relates to acquired computer software licences and the useful life is estimated to be 3 to 5 years.

Amortisation expense is recorded in 'Other expenses' line item in profit and loss.

6. Investments in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted shares	5,869	5,869
Loan to a subsidiary	2,000	–
	<u>7,869</u>	<u>5,869</u>
Impairment loss	(1,898)	(1,898)
Carrying amount after impairment loss	<u>5,971</u>	<u>3,971</u>
Movement in impairment loss:		
At 1 January	1,898	770
Charge for the year	–	1,128
At 31 December	<u>1,898</u>	<u>1,898</u>

Loan to a subsidiary which form part of the Company's net investments in subsidiaries, is unsecured, bear interest rates of 3.14% (2019: Nil) and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiaries, they are stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Investments in subsidiaries (Continued)

The details and the principal activities of the subsidiaries are:

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2020	2019	2020	2019
			%	%	\$'000	\$'000
Nera Networks (S) Pte Ltd ^(B)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	100	100	1,000	1,000
Nera (Thailand) Limited ^{(*) (ii)}	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	100	100	1,406	1,406
Nera (Philippines), Inc. ^(*)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Philippines	100	100	1,128	1,128
Nera Infocom (M) Sdn. Bhd. ^(*)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
P.T. Nera Indonesia ^(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	347	347

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Investments in subsidiaries (Continued)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2020	2019	2020	2019
			%	%	\$'000	\$'000
Nera Telecommunications (Australia) Pty Ltd ^(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589
Nera Telecommunications (India) Pvt. Ltd. ^(**)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	India	100	100	570	570
Nera (Malaysia) Sdn. Bhd. ^(*)	Sales, installation and maintenance of communications equipment	Malaysia	100	100	404	404
Nera Telecommunications (Myanmar) Company Limited ^(#)	Service, maintenance and leasing	Myanmar	100	100	133	133
Nera Telecommunications (Vietnam) Co., Ltd. ^(#)	Installation, maintenance, service and repair of information communications and telecommunications equipment	Vietnam	100	100	67	67
					5,869	5,869

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Investments in subsidiaries (Continued)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2020	2019	2020	2019
			%	%	\$'000	\$'000
Held through Nera Networks (S) Pte Ltd						
Nera Telecommunications AS ^(#) ⁽ⁱ⁾	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	100	100	–	–
Nera Telecommunications Maroc S.A.R.L AU ^(**) ⁽ⁱ⁾	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	100	100	–	–
Nera Telecommunications (Pakistan) (Private) Limited ^(#) ⁽ⁱ⁾	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	100	–	–
Nera Telecommunications FZ-LLC ^(**) ⁽ⁱ⁾	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	United Arab Emirates	100	100	–	–
Nera Networks Nigeria Limited ^(#) ⁽ⁱ⁾	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	100	100	–	–
Nera Telecommunications Holding (Thailand) Co., Ltd. ^(#) ⁽ⁱ⁾ ⁽ⁱⁱⁱ⁾	Investment holding	Thailand	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. Investments in subsidiaries (Continued)

- (B) Audited by Ernst & Young LLP, Singapore.
(*) Audited by member firms of Ernst & Young Global in the respective countries.
(#) Audited by other CPA firms in the respective countries.
(**) No requirement for statutory audit.
(i) Cost of investment is not stated as the subsidiaries are not directly held by the Company (Nera Telecommunications Ltd).
(ii) The Company holds 49% of the ordinary shares in the subsidiary while the remaining 51% preference shares is held by its subsidiary, Nera Telecommunications Holdings (Thailand) Co. Ltd.
(iii) The Group holds 49% of the ordinary shares in the subsidiary while the remaining 51% is held by a preference shareholder. The preference shareholder is entitled to one vote per 30 shares held, fixed non-cumulative preferred dividend at a rate of 1% of paid-up value of the shares and has preferred right to receive such dividend and paid-up value prior to ordinary shares. Nera Telecommunications Holding (Thailand) Co., Ltd. is treated as a subsidiary of the Group as the Group has majority voting rights.

As required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Audit and Risk Management Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

In 2019, impairment losses of \$1,128,000 was recognised to write-down the investment in Nera (Philippines), Inc. There was no provision of impairment losses made during the year.

7. Stocks

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Network equipment	6,074	9,728	3,844	3,375

At 31 December 2020, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to \$57,449,000 (2019: \$57,802,000) inclusive of stocks net write-down of \$169,000 (2019: \$430,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. Revenue

(a) Disaggregation of revenue

Segments	WIN		NI		Total revenue	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Primary geographical markets						
Singapore	3,571	6,942	52,497	57,771	56,068	64,713
Indonesia	2,758	3,245	17,174	14,342	19,932	17,587
Malaysia	2,084	4,458	16,522	14,915	18,606	19,373
Morocco	8,042	5,894	–	–	8,042	5,894
Pakistan	5,816	8,529	1,914	3,057	7,730	11,586
Philippines	2,334	3,767	2,991	7,033	5,325	10,800
Thailand	2,600	2,311	2,290	2,824	4,890	5,135
Australia	–	–	2,044	1,250	2,044	1,250
Other EMEA countries	4,982	3,361	–	–	4,982	3,361
Others (including China)	3,209	3,724	290	963	3,499	4,687
	<u>35,396</u>	<u>42,231</u>	<u>95,722</u>	<u>102,155</u>	<u>131,118</u>	<u>144,386</u>
Major product or service lines						
Sale of equipment	11,969	9,424	25,655	27,238	37,624	36,662
Rendering of services	5,283	7,976	43,491	42,100	48,774	50,076
Turnkey project	18,144	24,831	26,576	32,817	44,720	57,648
	<u>35,396</u>	<u>42,231</u>	<u>95,722</u>	<u>102,155</u>	<u>131,118</u>	<u>144,386</u>
Timing of transfer of goods or services						
At a point in time	11,969	9,424	25,655	27,238	37,624	36,662
Over time	23,427	32,807	70,067	74,917	93,494	107,724
	<u>35,396</u>	<u>42,231</u>	<u>95,722</u>	<u>102,155</u>	<u>131,118</u>	<u>144,386</u>

(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 stand-alone selling prices are determined based on estimated cost plus margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. Revenue (Continued)

(b) Judgment and methods used in estimating revenue (Continued)

(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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables (Note 9)	64,409	63,528	13,489	21,536
Contract assets	34,410	40,121	12,971	12,671
Contract liabilities	21,661	24,896	16,805	15,935

The Group has recognised a net write-back of impairment losses on receivables arising from contracts with customers amounting to \$54,000 (2019: net impairment losses of \$1,484,000).

The Group has recognised a net write-back of expected credit losses on contract assets amounting to \$77,000 (2019: net impairment losses of \$2,094,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group billed and received consideration ahead of the provision of services and delivering of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

8. Revenue (Continued)

(c) Contract assets and contract liabilities (Continued)

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Contract assets reclassified to receivables	<u>31,388</u>	<u>32,019</u>	<u>5,286</u>	<u>9,095</u>

(ii) Significant changes in contract liabilities are explained as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>18,781</u>	<u>19,661</u>	<u>6,467</u>	<u>10,226</u>

(d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 is \$135,194,000.

The Group expects to recognise \$123,552,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2020 in 2021 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. Trade receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	66,470	65,821	13,849	21,877
Less: Allowance for impairment of trade receivables	(2,061)	(2,293)	(360)	(341)
Total trade receivables	64,409	63,528	13,489	21,536
Add:				
Other receivables and deposits (excluding advance to suppliers, staff advances, prepayments and tax recoverable) (Note 10)	2,686	1,858	399	64
Cash and bank balances (Note 28)	22,458	10,745	10,393	3,112
Fixed deposits (Note 28)	659	2,259	–	–
Amounts due from subsidiaries	–	–	37,303	26,722
Long term trade receivables (Note 17)	138	415	–	415
Total financial assets carried at amortised cost	90,350	78,805	61,584	51,849

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At balance sheet date, retention sums relating to contracts included in trade receivables of the Group and the Company are \$6,310,000 and \$58,000 (2019: \$7,315,000 and \$1,926,000) respectively.

At the balance sheet date, trade receivables for the Group arising from export sales amounting to \$1,933,000 (2019: \$2,641,000) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

As at 31 December, the following amounts denominated in a currency other than the respective subsidiaries functional currency are included in the trade receivables for the Group and the Company:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
US dollar	12,665	12,763	3,417	4,779
Other currencies	101	69	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. Trade receivables (Continued)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Movement in allowance accounts:		
At 1 January	2,293	801
Charge for the year	168	1,740
Written back	(222)	(256)
Written off	(199)	–
Currency realignment	21	8
At 31 December	<u>2,061</u>	<u>2,293</u>

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Movement in allowance accounts:		
At 1 January	2,094	–
Charge for the year	–	2,094
Written back	(77)	–
Currency realignment	9	–
At 31 December	<u>2,026</u>	<u>2,094</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

10. Other receivables, deposits and prepayments

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Advances to suppliers	16,422	15,980	15,146	15,096
Deposits	2,138	1,459	114	52
Prepayments	1,463	513	999	309
Staff advances	9	19	–	–
Tax recoverable	1,580	2,072	–	–
Other debtors	548	399	285	12
	<u>22,160</u>	<u>20,442</u>	<u>16,544</u>	<u>15,469</u>
Non-current	510	58	–	–
Current	<u>21,650</u>	<u>20,384</u>	<u>16,544</u>	<u>15,469</u>
	<u>22,160</u>	<u>20,442</u>	<u>16,544</u>	<u>15,469</u>

Staff advances and other debtors are unsecured and non-interest bearing.

11. Amounts due from/(to) subsidiaries (trade and non-trade)

The non-trade balances are unsecured, repayable on demand and are to be settled in cash. Included in non-trade balances are advances to subsidiaries of \$14,151,000 (2019: \$7,805,000) that bears interest from 2.422% to 6.402% per annum (2019: 3.500% to 6.402% per annum). Other balances due from/(to) subsidiaries do not bear any interest.

12. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in trade payables are accrued project costs amounting to \$8,573,000 (2019: \$11,304,000) and a fair value loss on forward currency contracts amounting to \$55,000 (2019: \$48,000) which has been recognised in profit or loss as at 31 December 2020.

As at 31 December, the following amounts denominated in a currency other than the respective subsidiaries functional currency are included in trade payables for the Group and the Company:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
US dollar	10,885	12,938	5,650	7,105
Euro	4	539	–	411
Thai baht	27	121	27	121
Norwegian krone	154	193	–	–
Other currencies	<u>427</u>	<u>354</u>	<u>13</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. Other payables and accruals

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Accrued payroll and staff expenses	3,536	4,572	2,687	3,137
Other accrued operating expenses	1,652	1,813	1,104	916
Other creditors	1,589	986	–	–
Withholding tax payables	331	355	–	–
Total other payables and accruals	7,108	7,726	3,791	4,053
Add:				
Trade payables	32,112	38,592	8,916	13,398
Amounts due to subsidiaries	–	–	39	163
Borrowings (Note 15)	28,500	16,500	28,500	16,500
Less:				
Withholding tax payables	(331)	(355)	–	–
Total financial liabilities carried at amortised cost	67,389	62,463	41,246	34,114

14. 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:

- 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;
- the Group continues to work on projects and install equipment for customers in environments that are considerably more challenging;
- the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and
- there is a mismatch of the duration of the warranty coverage

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 January	1,222	1,996	867	1,058
Provision for the year	769	1,588	563	867
Write-back of provision	(650)	(1,685)	(386)	(479)
Utilised during the year	(485)	(688)	(481)	(579)
Currency realignment	3	11	–	–
At 31 December	859	1,222	563	867

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. Provision for warranty (Continued)

The Group may from time to time in the ordinary course of business be subject to claims or settlement with customers and if the amounts arising do not fall within the provision for warranty, the charges will be taken to cost of sales, as appropriate.

15. Borrowings

	Effective %	Maturities	Group		Company	
			2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Short-term borrowings (unsecured):						
Singapore dollar floating rate bank loans	1.60% to 1.76%	January 2021, February 2021, March 2021	28,500	–	28,500	–
Singapore dollar floating rate bank loans	2.94% to 2.95%	January 2020	–	16,500	–	16,500
			<u>28,500</u>	<u>16,500</u>	<u>28,500</u>	<u>16,500</u>

A reconciliation of liabilities arising from financing activities is as follows:

	1 Jan 2020 \$'000	Cash flows \$'000	New leases \$'000	Foreign exchange movement \$'000	Others \$'000	31 Dec 2020 \$'000
Short-term borrowings (unsecured):						
- current	16,500	12,000	–	–	–	28,500
Lease liabilities	<u>4,653</u>	<u>(1,008)</u>	<u>398</u>	<u>1</u>	<u>248</u>	<u>4,292</u>

	1 Jan 2019 \$'000	Cash flows \$'000	31 Dec 2019 \$'000
Short-term borrowings (unsecured):			
- current	5,500	11,000	16,500
Lease liabilities	<u>5,472</u>	<u>(819)</u>	<u>4,653</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16. Leases

The Group has lease contracts for various items of plant, machinery and other equipment used in its operations. Leasehold land and building generally have lease terms between 2 and 24 years. Leases of plant and other equipment generally have lease terms between 1 and 5 years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Leasehold land and building \$'000	Plant and other equipment \$'000	Total \$'000
Cost			
At 1 January 2019, 31 December 2019 and 1 January 2020	5,414	231	5,645
Additions	445	–	445
Currency realignment	(18)	(1)	(19)
At 31 December 2020	5,841	230	6,071
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	849	108	957
Currency realignment	(8)	–	(8)
At 31 December 2019 and 1 January 2020	841	108	949
Charge for the year	891	80	971
Currency realignment	(14)	–	(14)
At 31 December 2020	1,718	188	1,906
Net carrying amount			
At 31 December 2020	4,123	42	4,165
At 31 December 2019	4,573	123	4,696
Company			
Company	Leasehold land \$'000	Plant and other equipment \$'000	Total \$'000
Cost			
At 1 January 2019, 31 December 2019 and 31 December 2020	3,141	215	3,356
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	132	104	236
At 31 December 2019 and 1 January 2020	132	104	236
Charge for the year	133	75	208
At 31 December 2020	265	179	444
Net carrying amount			
At 31 December 2020	2,876	36	2,912
At 31 December 2019	3,009	111	3,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16. Leases (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 January	4,653	5,226	3,173	3,356
Additions	398	–	–	–
Accretion of interest (Note 24)	248	203	124	131
Payments	(1,008)	(819)	(283)	(314)
Currency realignment	1	43	–	–
At 31 December	<u>4,292</u>	<u>4,653</u>	<u>3,014</u>	<u>3,173</u>
Current	714	652	124	160
Non-current	3,578	4,001	2,890	3,013
Total lease liabilities	<u>4,292</u>	<u>4,653</u>	<u>3,014</u>	<u>3,173</u>

The maturity analyses of lease liabilities are disclosed in Note 34.

The following are the amounts recognised in profit or loss:

	Group	
	2020 \$'000	2019 \$'000
Depreciation expense of right-of-use assets	971	957
Interest expense on lease liabilities	248	203
Expense relating to short-term leases (included in cost of sales)	–	4
Expense relating to leases of low-value assets (included in administrative expenses)	29	26
Total amount recognised in profit or loss	<u>1,248</u>	<u>1,190</u>

The Group has total cash outflows for leases of \$1,008,000 in 2020 (2019: \$819,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. Long term trade receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross receivable	1,136	1,954	423	1,954
Less: Unearned finance income	(79)	(95)	(8)	(95)
At 31 December	<u>1,057</u>	<u>1,859</u>	<u>415</u>	<u>1,859</u>
Of which:				
Current	919	1,444	415	1,444
Non-current	138	415	–	415
At 31 December	<u>1,057</u>	<u>1,859</u>	<u>415</u>	<u>1,859</u>

Long term trade receivables bear interest at 4.5% to 8.0% (2019: 4.5%) per annum. Included in trade receivables is the current portion of the long term trade receivables (Note 9).

18. Share capital

	Group and Company			
	2020 \$'000	2019 \$'000	Number of shares	
			2020 '000	2019 '000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	<u>29,909</u>	<u>29,909</u>	<u>361,897</u>	<u>361,897</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

19. Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2020 \$'000	2019 \$'000
At 1 January	(3,528)	(3,932)
Current year translation	575	404
At 31 December	<u>(2,953)</u>	<u>(3,528)</u>
Net effect of exchange differences arises from:		
Translation of financial statements of foreign operations	<u>575</u>	<u>404</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. Other income

	Group	
	2020	2019
	\$'000	\$'000
Amortisation of intangible asset	(88)	(88)
Foreign exchange (loss)/gain, net	(1,019)	39
Government grants	1,822	48
Net gain on disposal of property, plant and equipment	7	16
Others	372	114
	<u>1,094</u>	<u>129</u>

21. Profit from operating activities

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

	Group	
	2020	2019
	\$'000	\$'000
Audit fees to:		
Auditors of the Company	140	198
Audit fees paid to other member firms of EY Global	49	54
Other auditors	40	47
Bad debts written off	38	81
Non-audit fees to:		
Auditors of the Company	20	43
Other auditors	24	22
Write-back for doubtful trade receivables	(222)	(256)
Impairment loss on trade receivables	168	1,740
Foreign exchange loss, net – forward currency contracts	55	48
Foreign exchange loss/(gain), net – others	964	(87)
Net gain on disposal of property, plant and equipment	<u>(7)</u>	<u>(16)</u>

22. Personnel expenses and employee benefits

	Group	
	2020	2019
	\$'000	\$'000
Wages, salaries and bonuses	14,172	14,152
Pension contributions	1,689	2,219
Other personnel benefits	1,513	836
Termination benefits	31	29
	<u>17,405</u>	<u>17,236</u>

Personnel expenses include directors and executive officers' remuneration as shown in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. Finance income

	Group	
	2020	2019
	\$'000	\$'000
Interest income from:		
Bank deposits	74	144
Long term trade receivables	180	188
	<u>254</u>	<u>332</u>

24. Finance expenses

	Group	
	2020	2019
	\$'000	\$'000
Interest expense	578	288
Interest on lease liabilities	248	203
	<u>826</u>	<u>491</u>

25. Tax

Major components of income tax expense for the year ended 31 December are:

	Group	
	2020	2019
	\$'000	\$'000
Consolidated income statement:		
Current income tax:		
Current income taxation	1,075	925
(Over)/under provision in respect of previous years	(312)	288
Deferred income tax:		
Current year	545	49
Prior year	164	(95)
Income tax expense recognised in profit and loss	<u>1,472</u>	<u>1,167</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Tax (Continued)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

	Group	
	2020 \$'000	2019 \$'000
Profit before tax from continuing operations	5,233	5,112
Tax at 17%	890	869
Tax effect of expenses that are not deductible in determining taxable profit	1,189	621
(Over)/under provision in respect of prior years	(148)	193
Difference in tax rates applicable to subsidiaries	(132)	(82)
Deferred tax assets not recognised by subsidiaries	433	548
Tax effect of income not subject to tax	(609)	(399)
Effect of change in tax rate	(54)	(5)
Tax exemption, incentives and rebates	(35)	(40)
Recognition of previously unrecognised tax losses	(67)	(366)
Others	5	(172)
Income tax expense	1,472	1,167

Deferred tax as at 31 December related to the following:

	Group		Consolidated income statement		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax liabilities:						
Differences in depreciation of property, plant and equipment for tax purposes	(58)	(20)	38	(55)	(58)	(18)
Difference in amortisation of intangible assets	(122)	(121)	1	(10)	(122)	(121)
Right-of-use assets	32	18	(14)	(18)	17	9
	(148)	(123)			(163)	(130)
Interest income receivables	(125)	–	125	–	(118)	–
General provisions	789	1,217	428	386	520	558
Tax losses	218	349	131	(349)	–	139
Retirement benefit#	72	51	–	–	–	–
Net deferred tax assets	806	1,494			239	567
Net deferred tax expense/ (credit)			709	(46)		

Deferred tax on retirement benefit amounting to \$21,000 (2019: \$17,000) is recorded in 'Other comprehensive income', under the equity section of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. Tax (Continued)

Changes in corporate tax rate from financial year 2020 and 2019 are as follows:

- Indonesia: from 25% to 22% (2019: 25%)
- Norway: 22% (2019: from 23% to 22%)
- Pakistan: 29% (2019: from 30% to 29%)

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately \$6,530,000 (2019: \$5,335,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting year, no deferred tax liability (2019: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to \$5,422,000 (2019: \$5,527,000). The deferred tax liability is estimated to be \$510,000 (2019: \$551,000).

Tax consequences of proposed dividends

There are no income tax consequences (2019: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

26. 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 year.

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 year (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 years ended 31 December:

	Group	
	2020	2019
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	<u>3,761</u>	<u>3,945</u>
Weighted average number of ordinary shares for basic and diluted earnings per share computation	<u>361,897</u>	<u>361,897</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26. Earnings per share (Continued)

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the year, 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 26(a) above.

27. Dividends

	Group and Company	
	2020	2019
	\$'000	\$'000
Declared and paid during the financial year		
<i>Dividends on ordinary shares:</i>		
- An interim exempt (one-tier) dividend paid in respect of the current financial year of Nil (2019: 0.5 cent) per share	–	1,809
- A final exempt (one-tier) dividend paid in respect of the previous financial year of 0.5 cent (2018: 1.5 cents) per share	1,809	5,429
	<u>1,809</u>	<u>7,238</u>
Proposed but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
- A final exempt (one-tier) dividend for the current financial year of 0.5 cent (2019: 0.5 cent) per share	1,809	1,809
	<u>1,809</u>	<u>1,809</u>

28. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	659	2,259	–	–
Cash and bank balances	22,458	10,745	10,393	3,112
Deposits pledged	(97)	(90)	–	–
Cash and cash equivalents in the cashflow statement	<u>23,020</u>	<u>12,914</u>	<u>10,393</u>	<u>3,112</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 2.28% (2019: 0.01% to 3.00%) per annum. Included in cash and cash equivalents are amounts totaling \$97,000 (2019: \$90,000) pledged in accordance to a contractual arrangement and for purpose of bankers' guarantees issued.

Fixed deposits of the Group and the Company were made for a period of 30 days depending on the immediate cash requirements of the Group and the Company, and earned interests at the respective fixed deposit rates. The effective interest rates of fixed deposits were 0.05% to 2.64% (2019: 0.50% to 3.13%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28. Cash and cash equivalents (Continued)

Cash and deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
US dollar	2,769	1,382	1,475	402
AU dollar	697	222	697	222
Euro	96	40	28	27
Libyan dollar	–	214	–	–
Norwegian krone	85	211	–	1
Other currencies	245	–	–	–

29. Employee share plan

In financial year 2014, Share plan under the Nera Telecommunications Performance Share Plan 2014 ("NeraTel PSP 2014") to eligible directors and other employees of the Company was approved by the shareholders.

During the financial year, no shares (2019: Nil) were granted under the employee share plan.

30. Commitments

(a) Capital commitments

There are no capital expenditure contracted as at the balance sheet date.

(b) Non-cancellable operating lease commitments – as lessor

As at 31 December 2020, the Group has commitments under operating leases for equipment. The leases have remaining tenure of between 1 and 2 years. Operating lease income included in the consolidated statement of comprehensive income during the year amounted to \$379,000 (2019: \$357,000).

Future minimum rental receivables under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2020 \$'000	2019 \$'000
Not later than one year	311	379
Later than one year but not later than five years	256	567
	<u>567</u>	<u>946</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31. Contingent liabilities

Guarantees

	Group and Company	
	2020	2019
	\$'000	\$'000
Bankers' guarantees issued by banks on behalf of subsidiaries	3,188	4,130

32. Related party disclosures

Compensation of key management personnel

	Group	
	2020	2019
	\$'000	\$'000
Directors of the Company:		
Directors' fees	279	270
Directors' remuneration	895	657
Defined contribution benefits	17	17
Key management:		
Key management's remuneration	1,300	1,057
Defined contribution benefits	65	55

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

33. 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 satellite communications, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33. Segment information (Continued)

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.

2020	WIN \$'000	NI \$'000	Adjustments \$'000	Notes	Total \$'000
Revenue	35,396	95,722			131,118
Cost of sales	(26,554)	(74,731)			(101,285)
Gross profit	8,842	20,991			29,833
Distribution and selling expenses	(4,952)	(10,448)			(15,400)
Administrative expenses	(2,822)	(6,900)			(9,722)
Other income	179	915			1,094
Profit from operating activities	1,247	4,558			5,805
Finance income					254
Finance expenses					(826)
Profit before tax					5,233
Tax					(1,472)
Net profit for the year					3,761
Other information					
Segment assets	47,410	68,856	46,083	A	162,349
Segment liabilities	19,447	39,477	37,169	B	96,093
Capital expenditure	132	2,396			2,528
Depreciation and amortisation	634	1,093			1,727
Other non-cash (income)/expenses (*)	(180)	375			195

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33. Segment information (Continued)

Allocation basis and transfer pricing (Continued)

2019	WIN \$'000	NI \$'000	Adjustments \$'000	Notes	Total \$'000
Revenue	42,231	102,155			144,386
Cost of sales	(29,692)	(81,882)			(111,574)
Gross profit	12,539	20,273			32,812
Distribution and selling expenses	(5,915)	(12,590)			(18,505)
Administrative expenses	(3,018)	(6,147)			(9,165)
Other (expenses)/income	(59)	188			129
Profit from operating activities	3,547	1,724			5,271
Finance income					332
Finance expenses					(491)
Profit before tax					5,112
Tax					(1,167)
Net profit for the year					3,945
Other information					
Segment assets	48,770	74,806	34,941	A	158,517
Segment liabilities	22,791	46,572	25,390	B	94,753
Capital expenditure	867	2,086			2,953
Depreciation and amortisation	616	1,187			1,803
Other non-cash (income)/expenses (*)	(216)	2,950			2,734

(*) Other non-cash (income)/expense includes net provision/(write-back) for warranty, stocks write-down, net (write-back)/allowance for doubtful trade debts, net (write-back)/allowance for contract assets, bad debts written off and reduction of accrued dispute claims from a former employee.

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:

	2020 \$'000	2019 \$'000
Deferred tax assets	806	1,494
Other receivables, deposits and prepayments	22,160	20,443
Cash and cash equivalents	22,458	10,745
Fixed deposits	659	2,259
	46,083	34,941

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33. Segment information (Continued)

Allocation basis and transfer pricing (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (Continued)

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

	2020 \$'000	2019 \$'000
Defined benefit obligation	537	470
Other payables and accruals	7,108	7,726
Borrowings	28,500	16,500
Provision for taxation	1,024	694
	<u>37,169</u>	<u>25,390</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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore	56,068	64,713	4,003	4,608
Indonesia	19,932	17,587	1,045	615
Malaysia	18,606	19,373	93	142
Morocco	8,042	5,894	42	65
Pakistan	7,730	11,586	255	354
Philippines	5,325	10,800	5,882	3,973
Thailand	4,890	5,135	341	412
Australia	2,044	1,250	142	50
Other EMEA countries	4,982	3,361	61	33
Others (including China)	3,499	4,687	19	6
	<u>131,118</u>	<u>144,386</u>	<u>11,883</u>	<u>10,258</u>

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

Information about a major customer

Revenue from one major customer amounted to \$22,760,000 (2019: \$23,321,000), arising from revenue by the WIN and NI segments (2019: WIN and NI segments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, liquidity risk and credit risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit and risk management committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly US dollar and Euro. Approximately 20% (2019: 20%) of the Group's turnover and 59% (2019: 56%) of the Group's purchases are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to \$3,892,000 (2019: \$2,069,000) and \$2,200,000 (2019: \$652,000) for the Group and the Company respectively.

The Group uses forward currency contracts to mitigate the currency exposures on transactions in excess of \$100,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward currency contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. These investments are not hedged as the respective currency positions are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, AU dollar and Euro exchange rates (against SGD), with all other variables held constant, of the Group's profit before tax.

	Group	
	2020	2019
	\$'000	\$'000
US dollar -		
- Strengthened 3% (2019: 3%)	180	1,094
- Weakened 3% (2019: 3%)	(180)	(1,094)
AU dollar -		
- Strengthened 3% (2019: 3%)	21	6
- Weakened 3% (2019: 3%)	(21)	(6)
Euro -		
- Strengthened 5% (2019: 5%)	7	43
- Weakened 5% (2019: 5%)	(7)	(43)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from cash and cash equivalents and borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest income from cash assets placed with banks with all other variables held constant, of the Group's profit before tax.

	Group	
	Increase/ (decrease) basis points	Effect on profit before tax \$'000
2020		
US dollar bank placements	(100)	(9)
AU dollar bank placements	(100)	(2)
Euro bank placements	(100)	–
Singapore dollar bank borrowings	(100)	285
US dollar bank placements	100	37
AU dollar bank placements	100	7
Euro bank placements	100	2
Singapore dollar bank borrowings	100	(285)
2019		
US dollar bank placements	(100)	(11)
AU dollar bank placements	(100)	(1)
Euro bank placements	(100)	–
Singapore dollar bank borrowings	(100)	165
US dollar bank placements	100	19
AU dollar bank placements	100	2
Euro bank placements	100	1
Singapore dollar bank borrowings	100	(165)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The principal method the Group uses to manage liquidity risk arising from financial liabilities is maintaining an adequate level of cash and cash equivalents and committed stand-by credit facilities with banks. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table below analyses the Group's financial assets and liabilities and certain derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual carrying undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	2020				2019			
	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Group								
Financial assets:								
Trade receivables	64,409	138	–	64,547	63,528	415	–	63,943
Other receivables and deposits (excluding advances to suppliers, staff advances, prepayments and tax recoverable)	2,176	510	–	2,686	1,800	58	–	1,858
Cash and cash equivalents	22,458	–	–	22,458	10,745	–	–	10,745
Fixed deposits	659	–	–	659	2,259	–	–	2,259
Derivative financial instruments								
- Forward currency contracts	5,949	–	–	5,949	6,732	–	–	6,732
Total undiscounted financial assets	95,651	648	–	96,299	85,064	473	–	85,537
Financial liabilities:								
Trade payables	32,112	–	–	32,112	38,592	–	–	38,592
Other payables and accruals (excluding withholding tax payables)	6,777	–	–	6,777	7,371	–	–	7,371
Borrowings	28,586	–	–	28,586	16,542	–	–	16,542
Lease liabilities	714	1,077	2,501	4,292	652	1,399	2,602	4,653
Derivative financial instruments								
- Forward currency contracts	6,086	–	–	6,086	6,814	–	–	6,814
Total undiscounted financial liabilities	74,275	1,077	2,501	77,853	69,971	1,399	2,602	73,972
Total net undiscounted financial assets/ (liabilities)	21,376	(429)	(2,501)	18,446	15,093	(926)	(2,602)	11,565

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	2020				2019			
	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000	1 year or less \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Company								
Financial assets:								
Trade receivables	13,489	–	–	13,489	21,536	415	–	21,951
Other receivables and deposits (excluding advances to suppliers, prepayments and tax recoverable)	399	–	–	399	64	–	–	64
Amounts due from subsidiaries	37,303	–	–	37,303	26,722	–	–	26,722
Cash and cash equivalents	10,393	–	–	10,393	3,112	–	–	3,112
Derivative financial instruments								
- Forward currency contracts	5,949	–	–	5,949	6,732	–	–	6,732
Total undiscounted financial assets	67,533	–	–	67,533	58,166	415	–	58,581
Financial liabilities:								
Trade payables	8,916	–	–	8,916	13,398	–	–	13,398
Other payables and accruals	3,791	–	–	3,791	4,053	–	–	4,053
Amounts due to subsidiaries	39	–	–	39	163	–	–	163
Borrowings	28,586	–	–	28,586	16,542	–	–	16,542
Lease liabilities	124	389	2,501	3,014	160	410	2,603	3,173
Derivative financial instruments								
- Forward currency contracts	6,086	–	–	6,086	6,814	–	–	6,814
Total undiscounted financial liabilities	47,542	389	2,501	50,432	41,130	410	2,603	44,143
Total net undiscounted financial assets/ (liabilities)	19,991	(389)	(2,501)	17,101	17,036	5	(2,603)	14,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities.

	2020				2019			
	1 year or less	1-5 years	> 5 years	Total	1 year or less	1-5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company								
Financial guarantees in relation to contracts	<u>2,026</u>	<u>605</u>	<u>1,452</u>	<u>4,083</u>	<u>2,786</u>	<u>219</u>	<u>1,125</u>	<u>4,130</u>

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the customer;
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments and in significant financial difficulties. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2020 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions and expected inflation rates.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geography:

- (i) Singapore

	Contract Assets \$'000	Trade receivables Days past due			Total \$'000
		Current \$'000	Less than 90 days \$'000	More than 90 days \$'000	
31 December 2020					
Gross carrying amount	12,971	5,830	4,225	4,405	27,431
Loss allowance provision	–	23	–	462	485
31 December 2019					
Gross carrying amount	14,561	8,088	4,768	9,905	37,322
Loss allowance provision	–	340	–	165	505

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

(ii) Other geographical area

	Contract Assets \$'000	Trade receivables Days past due			Total \$'000
		Current \$'000	Less than 90 days \$'000	More than 90 days \$'000	
31 December 2020					
Gross carrying amount	23,465	24,695	9,051	18,264	75,475
Loss allowance provision	2,026	154	44	1,378	3,602
31 December 2019					
Gross carrying amount	27,654	22,163	5,653	15,244	70,714
Loss allowance provision	2,094	13	51	1,724	3,882

Information regarding loss allowance movement of trade receivables are disclosed in Note 9.

During the year, the Group wrote-off \$38,000 (2019: \$81,000) of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the balance sheet date are as follows:

Customers' profile

By country

% of total trade receivables	Group		Company	
	2020	2019	2020	2019
≥ 25	–	Singapore	Singapore	Singapore
>10 and <25	Singapore, Indonesia, Malaysia and Morocco	Malaysia and Morocco	–	–
≤ 10	Philippines and others	Indonesia, Philippines and others	Pakistan, Philippines and others	Pakistan, Philippines and others

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Customers' profile (Continued)

By industry

	Group				Company			
	2020		2019		2020		2019	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
Telecommunications	39,563	61	37,419	59	10,907	80	15,700	73
Government agencies	17,778	28	14,054	22	1,090	8	1,764	8
Media and broadcasting	2,289	4	1,507	2	266	2	133	1
Financial institutions	355	1	1,916	3	223	2	1,750	8
Multi-industry conglomerates	944	1	3,302	5	643	5	1,428	6
Hospitality	825	1	1,930	3	294	2	629	3
Others	2,655	4	3,400	6	66	1	132	1
	<u>64,409</u>	<u>100</u>	<u>63,528</u>	<u>100</u>	<u>13,489</u>	<u>100</u>	<u>21,536</u>	<u>100</u>

At the balance sheet date,

- 57% (2019: 55%) of the Group's trade receivables in Malaysia (2019: Malaysia) are due from a reputable telecommunication service provider; and
- 32% (2019: 36%) of the Group's trade receivables are due from 3 major customers in the Telecommunication industry.

35. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

35. Fair value of assets and liabilities (Continued)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			Total \$'000	
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000		
	At 31 December 2020				
	Financial liabilities				
Derivatives – Forward currency contracts	–	137	–	137	
At 31 December 2019					
Financial liabilities					
Derivatives – Forward currency contracts	–	82	–	82	

(c) Level 2 fair value measurements

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

(d) Assets and liabilities not measured at fair value, for which fair value is disclosed

There are no assets and liabilities not measured at fair value at 31 December 2020 and 2019 but for which fair value is disclosed.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents (Note 28), trade receivables (Note 9), other receivables and deposits (Note 10), amount due from/(to) subsidiaries (Note 11), trade payables (Note 12), other payables and accruals (Note 13) and short-term borrowings (Note 15).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short-term in nature, market interest rate instruments.

(f) Fair value of financial instrument classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

There are no financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

36. Derivatives

	Group					
	Contract/ notional amount \$'000	2020		Contract/ notional amount \$'000	2019	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Forward currency contracts	5,949	–	137	6,732	–	82

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar (2019: US dollar), against SGD for which firm commitments existed at the balance sheet date, extending to May 2021 (2019: April 2020).

The Group does not apply hedge accounting.

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 50%. The Group includes within net debt, only loans and borrowings, less cash and cash equivalents. Capital refers to equity attributable to the equity holders of the Company.

	Group	
	2020 \$'000	2019 \$'000
Borrowings (Note 15)	28,500	16,500
Less: Cash and cash equivalent (Note 28)	(23,020)	(12,914)
Net debts	5,480	3,586
Capital:		
Equity attributable to equity holders of the Company	66,256	63,764
Capital and net debt	71,736	67,350
Gearing ratio	8%	5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. Defined benefit obligation

Retirement plans

Nera (Thailand) Limited and P.T. Nera Indonesia have unfunded, non-contributory defined benefit retirement plans while Nera (Philippines), Inc. has funded, non-contributory defined benefit plans covering all their qualified employees. The provision for post-employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method, and is in pursuant of Republic Act 7641 in Philippines, Labor Law No. 13/2003 in Indonesia, and Legal Severance Pay Law in Thailand. The Group's latest actuarial valuation reports are dated 31 December 2020.

The retirement plan for Nera (Philippines), Inc. requires contributions to be made to separately administered funds. The funds are administered by a local bank. Subject to the specific instructions provided by the company in writing, the company directs the local bank to hold, invest, and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain investments in unit investment trust fund.

Long service awards

Nera (Thailand) Limited and P.T. Nera Indonesia have an award in a form of cash award during active employment for employees who have completed certain years of services.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	216	161	55	35	646	619	917	815
Fair value of plan assets	(380)	(345)	-	-	-	-	(380)	(345)
Net (asset)/liability arising from defined benefit obligation	<u>(164)</u>	<u>(184)</u>	<u>55</u>	<u>35</u>	<u>646</u>	<u>619</u>	<u>537</u>	<u>470</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. Defined benefit obligation (Continued)

Changes in present value of the defined benefit obligation are as follows:

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 January	162	109	35	15	619	433	816	557
Interest cost	7	9	1	1	51	39	59	49
Current service cost	26	15	15	12	115	155	156	182
Remeasurement losses/(gains):								
Actuarial changes arising from changes in financial assumptions	27	44	-	5	73	43	100	92
Actuarial changes due to experience adjustment	(11)	(16)	5	(1)	(6)	(21)	(12)	(38)
Recognition of actuarial loss	-	-	-	-	2	-	2	-
Effects of curtailment	-	-	-	-	(134)	-	(134)	-
Effects of benefit changes	-	-	-	-	(20)	-	(20)	-
Benefit paid out	-	(2)	-	-	(33)	(38)	(33)	(40)
Exchange differences	5	2	(1)	3	(21)	8	(17)	13
At 31 December	<u>216</u>	<u>161</u>	<u>55</u>	<u>35</u>	<u>646</u>	<u>619</u>	<u>917</u>	<u>815</u>

Changes in fair value of plan assets are as follows:

	Philippines plan	
	2020 \$'000	2019 \$'000
At 1 January	345	247
Benefits paid	-	(1)
Interest income	15	20
Remeasurement gains/(losses):		
Return on plan assets	9	8
Effect of asset ceiling	-	66
Exchange differences	11	5
At 31 December	<u>380</u>	<u>345</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. Defined benefit obligation (Continued)

The fair values of the plan assets by each class as at the end of the reporting period are as follows:

	2020 \$'000	2019 \$'000
Investments in unit investment trust fund ("UITF") – Philippines plan	380	345

Investments in UITF are ready-made investments that allow the pooling of funds that are managed by a local bank.

The plan asset's carrying amount approximates its fair value since these are marked-to-market.

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2020	2019
<i>Discount rates:</i>		
Philippines plan	2.62%	4.04%
Thailand plan	1.96%	1.94%
Indonesia plan	7.20%	8.00%
<i>Future salary increases:</i>		
Philippines plan	6.00%	6.00%
Thailand plan	5.00%	5.00%
Indonesia plan	8.00%	8.00%

	2020 %	2019 %
<i>Mortality rate</i>		
Philippines plan	1994 US Group Annuity Mortality (GAM) Table, Male and Female	1994 US Group Annuity Mortality (GAM) Table, Male and Female
Thailand plan	105% of Thai Mortality Ordinary Table 2017	105% of Thai Mortality Ordinary Table 2017
Indonesia plan	Mortality Table of Indonesia 2019	Mortality Table of Indonesia 2011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. Defined benefit obligation (Continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase/ (decrease)	31 December 2020		
		Philippines plan	Thailand plan	Indonesia plan
Discount rates	(Actual + 1.00%)	–	–	(75)
	(Actual - 1.00%)	–	–	88
	(Actual + 0.50%)	(10)	(8)	–
	(Actual - 0.50%)	11	1	–
Future salary increases	(Actual + 1.00%)	21	6	88
	(Actual - 1.00%)	(18)	(12)	(76)

	Increase/ (decrease)	31 December 2019		
		Philippines plan	Thailand plan	Indonesia plan
Discount rates	(Actual + 1.00%)	–	–	(69)
	(Actual - 1.00%)	–	–	80
	(Actual + 0.50%)	(8)	(5)	–
	(Actual - 0.50%)	8	1	–
Future salary increases	(Actual + 1.00%)	16	4	80
	(Actual - 1.00%)	(14)	(8)	(70)

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The average duration of the defined benefit obligation at the end of the reporting period is 14 years (2019: 13 years).

39. Events occurring after balance sheet date

Arbitration proceedings against Sandvine Corporation

On 10 January 2020, the Company commenced arbitration proceedings (the "Arbitration") against Sandvine Corporation ("Sandvine"), a company incorporated in Ontario, Canada for the sum of US\$3.8 million. The Arbitration is in respect of contractual disputes between the Company and Sandvine for the provision of equipment and services by Sandvine to the Company.

The Company is currently working with the lawyers in connection with the Arbitration, and will take all necessary steps to enforce and protect its rights. The Arbitration is on-going at the date of this report.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 29 March 2021.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2021

Issued and fully paid-up capital	-	\$29,909,152.00
Total number of shares	-	361,897,000
Number of treasury shares	-	Nil
Class of Shares	-	Ordinary
Voting Rights (excluding treasury shares)	-	One Vote Per Share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.11	35	0.00
100 - 1,000	181	4.08	157,451	0.04
1,001 - 10,000	2,206	49.78	13,832,017	3.82
10,001 - 1,000,000	2,024	45.67	110,949,466	30.66
1,000,001 AND ABOVE	16	0.36	236,958,031	65.48
TOTAL	4,432	100.00	361,897,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	194,711,439	53.80
2	DBS NOMINEES PTE LTD	10,393,400	2.87
3	RAFFLES NOMINEES (PTE) LIMITED	4,506,600	1.25
4	CITIBANK NOMINEES SINGAPORE PTE LTD	4,395,400	1.21
5	TAN BOON KHAK HOLDINGS PTE LTD	4,075,000	1.13
6	POH KHENG MUI (FU QINGMEI)	3,152,600	0.87
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,000,600	0.83
8	OCBC NOMINEES SINGAPORE PTE LTD	2,782,900	0.77
9	PHILLIP SECURITIES PTE LTD	1,817,600	0.50
10	TAN ENG YAM HOLDINGS PTE LTD	1,509,100	0.42
11	TAN LENG OEI	1,213,550	0.34
12	ANG JUI KHOON	1,143,300	0.32
13	TAN SECK WEI	1,135,550	0.31
14	MAYBANK KIM ENG SECURITIES PTE. LTD	1,059,900	0.29
15	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,059,092	0.29
16	KIM LENG TEE INVESTMENTS PTE LTD	1,002,000	0.28
17	OCBC SECURITIES PRIVATE LTD	991,500	0.27
18	CHOW HUNG THOW	900,000	0.25
19	LEE YONG DENG	880,000	0.24
20	ROSIE D/O PILLAI MRS ROSIE CHANDRADAS	763,400	0.21
	TOTAL	240,492,931	66.45

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Asia Systems Ltd ¹	193,173,439	53.38	–	–
Canopus Asia Systems, L.P. ²	–	–	193,173,439	53.38
PGA Partners Ltd ³	–	–	193,173,439	53.38
Ashish Jaiprakash Shastry ⁴	–	–	193,173,439	53.38

Notes:

- 193,173,439 shares held by Asia Systems Ltd ("**ASL**") are registered in the name of UOB Kay Hian Pte Ltd.
- Canopus Asia Systems, L.P. ("**Canopus**") owns 100% of ASL and is deemed to be interested in all the shares held by ASL in the Company.
- PGA Partners Ltd ("**PGA**") is the general partner of and controls Canopus. PGA is deemed to be interested in the shares held via by ASL.
- Mr Ashish Jaiprakash Shastry owns all the issued share capital of PGA and he is deemed to be interested in the shares held by ASL.

PUBLIC FLOAT

Based on information available to the Company as at 16 March 2021, approximately 46.60% of the total number of issued shares of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be convened and held by way of electronic means on Tuesday, 27 April 2021 at 1.00 pm for the purpose of transacting the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a Final Dividend (tax exempt one-tier) of 0.5 cent per ordinary share for the financial year ended 31 December 2020. **(Resolution 2)**
3. To re-elect Mr Tan Choon Hong retiring pursuant to Regulation 94 of the Company's Constitution. **(Resolution 3)**
[See Explanatory Note (i)]
4. To re-elect Mr Beck Tong Hong retiring pursuant to Regulation 94 of the Company's Constitution. **(Resolution 4)**
[See Explanatory Note (ii)]
5. To re-elect Mr Tommy Teo Zhi Zhuang retiring pursuant to Regulation 94 of the Company's Constitution. **(Resolution 5)**
[See Explanatory Note (iii)]
6. To approve the payment of Directors' fees of S\$278,581 for the financial year ended 31 December 2020. (FY2019: S\$270,000) **(Resolution 6)**
[See Explanatory Note (iv)]
7. To approve the payment of Directors' fees of S\$270,000 for the financial year ending 31 December 2021, to be paid quarterly in arrears. **(Resolution 7)**
[See Explanatory Note (v)]
8. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:-

9. **Authority to issue shares** **(Resolution 9)**
"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Rules of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:
 - (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vi)]

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to grant awards and issue shares under the Performance Share Plan** **(Resolution 10)**

"That approval be and is hereby given to the directors to grant awards in accordance with the provisions of the Nera Telecommunications Performance Share Plan 2014" (the "**Share Plan**") to allot and issue from time to time such number of shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plan, provided that the aggregate number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered or to be delivered pursuant to the awards granted under the Share Plan shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and that such authority, shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vii)]

11. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Chan Wan Mei and Gan Lee Teng
Joint Company Secretaries

Singapore,
5 April 2021

Explanatory Notes:

- (i) Ordinary Resolution 3 is to re-elect Mr Tan Choon Hong who will be retiring by rotation under Regulation 94 of the Company's Constitution and if he is re-elected, he will remain as a member of the Nominating and Remuneration Committees. Mr Tan is considered a Non-Independent and Non-Executive director. Key information on Mr Tan is found on page 9 of the Annual Report.
- (ii) Ordinary Resolution 4 is to re-elect Mr Beck Tong Hong who will be retiring by rotation under Regulation 94 of the Company's Constitution and if he is re-elected, he will remain as the Chief Executive Officer and Executive Director of the Company. Mr Beck is considered a Non-Independent Director. Key information on Mr Beck is found on page 8 of the Annual Report.
- (iii) Ordinary Resolution 5 is to re-elect Mr Tommy Teo Zhi Zhuang who will be retiring by rotation under Regulation 94 of the Company's Constitution and if he is re-elected, he will remain as a member of the Audit and Risk Management Committee. Mr Teo is considered a Non-Independent and Non-Executive Director. Key information on Mr Teo is found on page 10 of the Annual Report.
- (iv) Ordinary Resolution 6 is to seek approval for the payment of S\$278,581 to all Non-Executive Directors as Directors' Fees for the financial year ended 31 December 2020 (FY2019: S\$270,000). The exact amount of director's fees to be received by each Director for the financial year ended 31 December 2020 is disclosed in full in the Annual Report.
- (v) Ordinary Resolution 7 is to seek approval for the payment of S\$270,000 to all Non-Executive Directors as Directors' Fees for the financial year ending 31 December 2021, to be paid quarterly in arrears.

NOTICE OF ANNUAL GENERAL MEETING

- (vi) The Proposed Resolution 9, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares at the time this Ordinary Resolution is passed. The total number of issued shares excluding treasury shares of the Company shall be the total number of issued shares excluding treasury shares at the time this Ordinary Resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issues consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (vii) The Proposed Resolution 10, if passed, will empower the Directors effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Share Plan, approved by shareholders on 29 April 2014 and was last renewed at the Annual General Meeting of the Company on 29 May 2020, and to allot and issue shares in the capital of the Company pursuant to the Share Plan, provided that the aggregate number of shares issued and to be issued under the Share Plan does not exceed 10% of the total number of issued shares excluding treasury shares in the capital of the Company from time to time.

Notes:

- (a) The Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on SGXNet and the Company's Investor Relations ("**IR**") website at the URL <http://www.nera.net/publications.html>, and also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
- (b) Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (in particular, arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Letter to Shareholders dated 5 April 2021 ("**Letter to Shareholders**"). This Letter to Shareholders may be accessed at the Company's IR website at the <http://www.nera.net/publications.html>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
- (c) Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's IR website at the URL <http://www.nera.net/publications.html>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as a proxy for that Resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 15 April 2021.

- (d) The Chairman of the Meeting, as proxy, need not be a member of the Company.
- (e) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (i) if submitted by post, be deposited at the office of the Company's Polling Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623; or
 - (ii) if submitted electronically, be submitted via email to the Company's Polling Agent at NeratelAGM2021@boardroomlimited.com,

in either case, not less than 72 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

- (f) The Annual Report 2020 may be accessed at the Company's IR website at the URL <http://www.nera.net/publications.html>.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tan Choon Hong, Mr Beck Tong Hong and Mr Tommy Teo Zhi Zhuang will be seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 27 April 2021 ("AGM") (the "Retiring Directors").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
Date of Appointment	28 January 2013	8 November 2017	27 February 2018
Date of last re-appointment	18 April 2018	18 April 2018	18 April 2018
Age	46	49	38
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Tan Choon Hong for re-appointment as Non-Executive Director of the Company. The Board have reviewed and concluded that he possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Beck Tong Hong for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that he possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Tommy Teo Zhi Zhuang for re-appointment as Non-Executive Director of the Company. The Board have reviewed and concluded that he possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of the Nominating and Remuneration Committees	Executive Director and Chief Executive Officer	Member of the Audit and Risk Management Committee

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
Professional qualifications	<ul style="list-style-type: none"> Chartered Financial Analyst Master of Engineering and Bachelor of Arts, Cambridge University 	<ul style="list-style-type: none"> Diplôme d'Ingénieur in Electrical and Electronics Engineering degree from Ecole Supérieure d'Ingénieurs en Génie Électrique Diplôme d'Etudes Approfondies in Optoelectronics from Institut National des Sciences Appliquées de Rouen 	Bachelor of Business Administration (with Distinction) from the Ross School of Business at the University of Michigan.
Working experience and occupation(s) during the past 10 years	<p>2011 – Present Chief Executive Officer, Northstar Advisors Pte Ltd</p> <p>2007 – 2011 Director, C S Partners Pte Ltd</p>	<p>Jul 2017–Present CEO, Nera Telecommunications Ltd</p> <p>Oct 2016–Jul 2017 Acting CEO, Nera Telecommunications Ltd</p> <p>Sept 2013–Oct 2016 Vice President (Network Infrastructure), Nera Telecommunications Ltd</p> <p>2011–2013 Vice President of Product Management (Digital Services, Mobile and Internet Solutions), PT Smartfren Telecom Tbk/ Excite Indonesia</p> <p>2006–2011 Deputy Director (Consumer Products-Mobile), Singapore Telecommunications Pte Ltd</p>	<p>2019 to present Managing Director, Vulcan Capital Singapore Management Pte Ltd</p> <p>2013 to 2019 Executive Director, Northstar Advisors Pte Ltd</p> <p>2011 to 2012 Investment Banker, Citi Global Investment Banking</p> <p>2009 to 2011 Investment Banker, Perella Weinberg Partners</p>
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years)	<p>Directorships</p> <ul style="list-style-type: none"> • ERA Realty Network Pte Ltd • ERA Singapore Pte Ltd • Electronic Realty Associates Pte Ltd • Realty Partners Investments Pte Ltd • Coldwell Banker Real Estate (S) Pte Ltd • Coldwell Banker Commercial Real Estate (S) Pte Ltd • Realty Partners Group Pte Ltd • APAC Realty Pte Ltd <p>Other Principal Commitments</p> <ul style="list-style-type: none"> • Samudra Energy Limited • Privilege Mission Inc. • APAC Realty 3 • Windsor Nusantara Partners • NTH GP Limited • The Thai Credit Retail Bank PCL • Nusantara Healthcare Holdings 	Nil	<ul style="list-style-type: none"> • APAC Investment 2 Pte. Ltd • APAC Investment Pte. Ltd. • APAC Realty 1 • APAC Realty 2 • APAC Realty 3 • APAC Realty Limited • APAC Realty Pte Ltd • Asia Infra Networks Holdings Ltd • Asia Infra Networks Ltd • Asia Pacific Realty Holdings Ltd • Asia Pacific Realty Partners Pte Ltd • Asia Payments Finance Ltd • Bright Peak Ventures Inc • Canopus Asia Capital Limited • Canopus Oeconomus Limited • Canopus Realty Ltd • Canopus Securities Limited • Canopus Tower Limited • Casa Decora Investments Ltd • Central Cascadia Ltd • Coldwell Banker Commercial Real Estate (S) Pte Ltd • Coldwell Banker Real Estate (S) Pte Ltd • Electronic Realty Associates Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
Present	<p>Directorships</p> <ul style="list-style-type: none"> • Realty International Associates Pte Ltd • Northstar Advisors Pte Ltd • APAC Realty Limited <p>Other Principal Commitments</p> <ul style="list-style-type: none"> • Advance Wealth Finance Ltd • Polaris Capital Investment Limited • Asia Systems Ltd • ERA Real Estate Consulting (Shanghai) Co., Ltd • Northstar IV Technology Holdings Inc. • Modern Retail Group Limited • Modern Retail Holdings Limited • Modern Retail Finance Limited • Modern Retail Partners Limited • Modern Retail Treasury Ltd 	Nil	<ul style="list-style-type: none"> • Emerging Asia Finance Limited • ERA Realty Network Pte Ltd • ERA Singapore Pte Ltd • eRealty Analytics Limited • Gochean Holdings Incorporated • Go-Jek Singapore Pte Ltd • Jubilee Analytics Ltd • Langford Universal Finance Ltd • Modern Retail Group Limited • NTH Gemma Inc • PT Multi Adiprakarsa Manunggal • Realty Partners Group Pte Ltd • Realty Partners Investments Pte Ltd • Rufaida Holdings Limited • SEA Maritime Finance Limited • Silverwater Capital • Sirius Asia Financial Limited • Ubiquitous Traders Inc • Vibrant Colors Development Limited • Waterbay Investment Limited • Winlord Enterprises Ltd <ul style="list-style-type: none"> • Managing Director, Vulcan Capital • Vulcan Capital Singapore Management Pte Ltd • Vulcan Capital Singapore • Greenhouse Pte Ltd • Qapita Fintech Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
	<ul style="list-style-type: none"> • Nusantara FMCG Limited • Nusantara FMCG Holdings • Arcadia Infrastructure Investment • Asia Ventures Limited • Telco Tower Holdings • Precision Solutions Partners • Precision Solutions Group • Precision Solutions Limited • Precision Solutions Holdings • APAC Realty 1 • APAC Realty 2 • Asia Pacific Realty Holdings Ltd • Attadale Investment Limited • PGA Realty Partners Ltd • Northstar Samudra Holdings I Incorporated • Northstar Samudra Holdings II Incorporated • Northstar Samudra Holdings III Incorporated • NSI SLP GP Limited • Orion Capital Ltd • Archipelago Tourism Holdings • Archipelago Toursm Limited • Star Engineering Limited • Akasya Holdings Limited • Windsor Nusantara Holdings • Windsor Nusantara Group • Redcliff Enterprise Overseas Ltd • Amberley Investment Group Limited • Northstar Tambang Persada Ltd • Spearwood Limited 		

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</p>			
<p>a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	No	No	No
<p>b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
c) Whether there is any unsatisfied judgment against him?	No	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
<p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No	No
	No	No	No
	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN CHOON HONG	MR BECK TONG HONG	MR TOMMY TEO ZHI ZHUANG
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only			
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not Applicable	Not Applicable	Not Applicable

PROXY FORM

IMPORTANT

1. The Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of the Annual General Meeting will not be sent to members. Instead, the Notice of the Annual General Meeting will be sent to members by electronic means via publication on SGXNet and the Company's Investor Relations ("IR") website at the URL <http://www.nera.net/publications.html>, and also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (in particular, arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Letter to Shareholders dated 5 April 2021. This Letter may be accessed at the Company's IR website at the URL <http://www.nera.net/publications.html>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.**
4. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 15 April 2021.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 5 April 2021.
6. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.

*I/We _____ (Name) _____ (NRIC/Passport/Co. Reg. No.)

of _____ (Address)

being a *member/members of Nera Telecommunications Ltd (the "Company") hereby appoint the **Chairman of the Meeting** as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be convened and held by way of electronic means on Tuesday, 27 April 2021 at 1.00 pm and at any adjournment thereof.

*I/We direct the Chairman of the Meeting to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder.

No.	Ordinary Resolutions	For [#]	Against [#]	Abstain [#]
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and the Independent Auditor's Report thereon.			
2.	To declare a Final Dividend (tax exempt one-tier) of 0.5 cent per ordinary share for the financial year ended 31 December 2020.			
3.	To re-elect Mr Tan Choon Hong as Director.			
4.	To re-elect Mr Beck Tong Hong as Director.			
5.	To re-elect Mr Tommy Teo Zhi Zhuang as Director.			
6.	To approve the payment of Directors' fees of S\$278,581 for the financial year ended 31 December 2020.			
7.	To approve the payment of Directors' fees of S\$270,000 for the financial year ending 31 December 2021.			
8.	To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.			
9.	To authorise Directors to allot and issue shares.			
10.	To authorise Directors to grant award and issue shares under the Performance Share Plan.			

* Delete accordingly

[#] If you wish the Chairman of the Meeting as your proxy to cast all your votes 'For' or 'Against' a Resolution, please tick (✓) in the 'For' or 'Against' box provided in respect of that Resolution. Alternatively, please indicate the number of votes 'For' or 'Against' in the 'For' or 'Against' box in respect of that Resolution. If you wish the Chairman of the Meeting as your proxy to 'Abstain' from voting on a Resolution, please tick (✓) in the 'Abstain' box provided in respect of that Resolution. Alternatively, please indicate the number of Shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the 'Abstain' box in respect of that Resolution. In the absence of specific directions in respect of a Resolution, the appointment of the Chairman of the Meeting as your proxy for that Resolution will be treated as invalid.

Dated this _____ day of _____ 2021

Total number of shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s)/Common Seal

IMPORTANT. Please read notes overleaf.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you only have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. This proxy form may be accessed at the Company's IR website at the URL <http://www.nera.net/publications.html>, and will also be made available on SGXNet at the URL <https://www2.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as a proxy for that Resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 15 April 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the office of the Company's Polling Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623; or
 - (b) if submitted electronically, be submitted via email to the Company's Polling Agent at NeratelAGM2021@boardroomlimited.com,

in either case, not less than 72 hours before the time appointed for the Annual General Meeting.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor is not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment) appointing the Chairman of the Meeting as proxy. In addition, in the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2021.



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