

NERA
NERA TELECOMMUNICATIONS LTD

CONNECTING THE FUTURE

ANNUAL REPORT
2019



TABLE OF CONTENTS

- 01** HARNESSING DIGITAL, ENABLING TRANSFORMATION
- 03** CHAIRMAN'S STATEMENT
- 05** CEO'S STATEMENT
- 06** GEOGRAPHICAL PRESENCE
- 07** CORPORATE INFORMATION
- 08** BOARD OF DIRECTORS
- 12** SENIOR MANAGEMENT
- 13** FINANCIAL HIGHLIGHTS
- 14** BUSINESS SEGMENTS
- 16** SUSTAINABILITY REPORT
- 37** CORPORATE GOVERNANCE REPORT
- 66** FINANCIAL STATEMENTS
- 147** SHAREHOLDINGS STATISTICS
- 149** ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION



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. Moving forward, we will continue to provide multi-domain technological solutions, with a greater emphasis on cybersecurity, data analytics and network automation, and grow alongside our customers.





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 (“NeraTel” or the “Group”) for the year ended 31 December 2019 (“FY2019”).

ECONOMIC BACKDROP AND OUTLOOK

The year 2019 has been fraught with uncertainty, where the US-China trade war and Brexit ambiguities dominated headlines. The US Federal Reserve had cut interest rate three times over the span of the year, while signs of the easing trade conflict and certainty of Brexit late in the year led to a rally in equities, cumulating in a robust but tumultuous year for global stock markets.

The International Monetary Fund’s initial projection of a 3.3% global growth in the January 2020 World Economic Outlook is expected to be downgraded in the April 2020 World Economic Outlook as a result of the impact of the fast-spreading coronavirus (“Covid-19”) on the global economy.

Ahead of an imminent global recession, the US Federal Reserve cut interest rates at an emergency meeting in March 2020, the second time since the financial crisis of 2008, aiming for a target range of 0% to 0.25%, down 1 percentage point from a range of 1% to 1.25%.

FINANCIAL HIGHLIGHTS

Against this backdrop, for FY2019, the Group’s revenue decreased by 13.3% to \$144.4 million from \$166.5 million¹ in the corresponding period a year ago (“FY2018”). Profit before tax decreased by 49.2% from \$10.1 million¹ to \$5.1 million, with lower operating expenses partially offsetting the impact of lower gross profit. Mainly in line with lowered revenue, net profit decreased by 37.3% to \$3.9 million from \$6.3 million¹ over the same period.

Basic earnings per ordinary share for the year, based on the net profit from continuing operations attributable to shareholders, were recorded at 1.09 Singapore cents compared to 1.74 Singapore cents¹ in FY2018. Net Asset Value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, was recorded at 17.62 Singapore cents compared to 18.42 Singapore cents in FY2018.

NeraTel’s cash and cash equivalents remained healthy at \$12.9 million as at 31 December 2019. Shareholders’ equity stood at \$63.8 million at the end of the reporting period.

DIVIDEND

The Board is pleased to recommend a final one-tier tax exempt dividend of 0.5 Singapore cents per ordinary share for FY2019. Including the interim one-tier tax exempt cash dividend of 0.5 Singapore cents per share paid on 10 September 2019, total dividends will amount to 1.0 Singapore cent per share for FY2019.

The final proposed dividend, if approved at the forthcoming Annual General Meeting, will be paid to shareholders at a date to be announced later.

LOOKING AHEAD

The outlook is expected to be challenging, given the macroeconomic and geopolitical uncertainties, coupled with the Covid-19 situation. Notwithstanding the weaker outlook as a result of the global pandemic, businesses and organisations are implementing and embracing business continuity plans such as remote working, which is likely to drive growth in data traffic in the near future.

Globally, we see that with increased internet penetration, interconnected systems and data traffic, cyberattacks are becoming more impactful and resulting in massive losses. The improved accuracy and frequency of cyber threats across different parts of the Asia-Pacific region is one of the predominant factors that is anticipated to drive the demand for various cybersecurity solutions.

Indeed, cybersecurity is a critical enabler for digitalisation. NeraTel is placing a greater focus on this segment and nurturing cybersecurity professionals to equip them with the required specialised expertise in anticipation of the growing market. This includes tailoring cybersecurity solutions for a wide range of sectors from financial services to telecommunication, healthcare, public sector, and others. Extending beyond cybersecurity, the Group will also explore opportunities in areas such as data analytics and network automation, where demand is expected to be driven by the 5G rollout in the region.

ACKNOWLEDGEMENTS

Navigating through the challenges of the previous year and those that lie ahead would not be possible without the support and contributions of many. We would like to express our gratitude to Mr Tan Lye Huat, who will retire as Independent Director at the forthcoming Annual General Meeting, for his invaluable contributions over the years. Mr Tan has served as a member of the Board since January 2013 and has been an outstanding Chairman of the Audit and Risk Management Committee for over seven years. We would also like to welcome Mr Basil Chan, who was appointed as Non-Executive Independent Director and Chairman of the Audit and Risk Management Committee on 18 March 2020.

On behalf of the Board, I would like to thank our shareholders, valued customers and business partners for their confidence and continued support, and express a special note of appreciation to the Board of Directors, management and staff for their dedication and commitment.



MS WONG SU-YEN
Chairman

¹ Please refer to pages 144-146 for the explanation on the restatement.



CEO'S STATEMENT

BUSINESS REVIEW

In FY2019, NeraTel focused on navigating through industry-wide challenges while actively managing operational costs. The Group achieved revenue of \$144.4 million and net profit of \$3.9 million for FY2019, a 13.3% and 37.3% decrease over the previous corresponding year, respectively.

As part of the Group's ongoing strategy, we have made good progress in our efforts to diversify our customer base and broaden our revenue streams. Notwithstanding the industry headwinds, NeraTel has continued to leverage on its key competencies and secured approximately \$153.8 million of order in-take in FY2019, supported mainly by the Network Infrastructure ("NI") business. Of the total order in-take, the government, transport and utilities ("GTU") sector saw a growing proportion of contracts, which accounted for 27.0% in FY2019, as compared to 14.3% in FY2018.

Profit before tax for FY2019 decreased by 49.2% from \$10.1 million¹ to \$5.1 million, mainly due to lower gross profit, partially offset by lower operating expenses. At the end of the year, the Group held cash and cash equivalents of \$12.9 million as compared to \$21.5 million in FY2018.

The NI business segment, which remains as the Group's largest revenue contributor at 70.8%, saw an 8.6% decrease in revenue to \$102.2 million in FY2019 mainly due to a slowdown in the capital expenditure spending from the Service Provider markets. The Group recorded lower revenue contribution from Singapore, Malaysia and the Philippines, partially offset by higher revenue from Indonesia.

The WIN business segment, which contributed to the remaining 29.2% of the Group's total revenue, recorded a 22.8% decrease in sales to \$42.2 million mainly due to weaker performance from Europe, the Middle East and Africa markets, partially offset by higher revenue from Singapore.

BUSINESS OUTLOOK

Looking ahead, the global Covid-19 pandemic is expected to have an adverse impact on the global economy. Countries worldwide are implementing and tightening containment measures, which are forcing some businesses to shut down operations and reduce capital expenditures. Supply chains of IT solutions might also be adversely affected. In fact, at the time of the printing of this report, a global economic recession is looming, with analysts worldwide slashing their already grim forecasts. Notwithstanding the ongoing situation, we continue to focus on our growth strategy and objectives as we navigate through these challenging times.

Near to Medium-Term Business Vertical

Countries in the Asia-Pacific region have been making progress towards the commercial deployment of 5G, at varying stages. With the upcoming 5G rollout in more parts of Asia-Pacific, the cybersecurity market is expected to expand in tandem with the increase in the adoption of smart devices and data consumption.

During the year under review, we are pleased to have secured cybersecurity contracts with new and repeat customers. All these serve to endorse NeraTel's competencies and commitment in delivering quality products and we will tap on our end-to-end solutions and look for opportunities in this evolving economy.

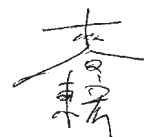
Incubators

5G is set to bring about an age of new and exciting opportunities in the longer term. With the growing data size, an increasing number of organisations and businesses are adopting data analytics solutions to enable better decision-making processes. Likewise, the increase in data traffic and network slicing will also require new approaches towards network and service-related processes. In anticipation of these evolving market dynamics, we will work towards the development of our data analytics and network automation capabilities in order to cater to the longer-term market demand in these domains.

In summary, NeraTel will tap and focus on our cybersecurity expertise, while at the same time develop our data analytics and network automation capabilities to position the Group as an all-encompassing solution provider in the long-term. Our future plans and strategies are largely dependent on the performance of the overall economy as well as the speed of adoption of new technologies, and we will monitor the global economic and industry developments closely as we pave the way forward.

WORDS OF APPRECIATION

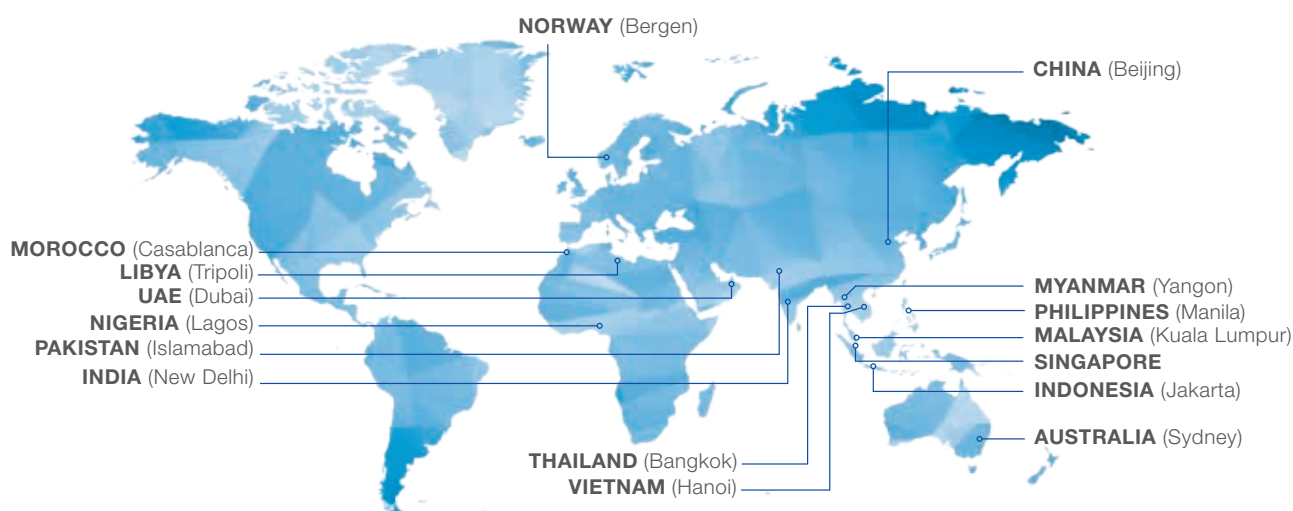
As we prepare to navigate the challenging global economic situation we will remain focused on ensuring our business sustainability and building our long-term competencies. I would like to take this opportunity to extend my appreciation to our valued customers, business partners and shareholders for their 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

¹ Please refer to pages 144-146 for the explanation on the restatement.

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
- P.T. Nera Indonesia, Indonesia
- Nera (Thailand) Limited, Thailand
- Nera (Philippines), Inc., Philippines
- Nera Telecommunications (Myanmar) Company Limited, 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, Thailand

REPRESENTATIVE OFFICE

- Nera Telecommunications Ltd, Beijing, Representative Office, China

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms Wong Su-Yen*, Chairman
 Mr Beck Tong Hong***
 Mr Basil Chan* (Appointed on 18 March 2020)
 Dr Lee Kwok Cheong*
 Mr Tan Choon Hong**
 Mr Tan Lye Huat*
 Mr Tommy Teo Zhi Zhuang**

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Basil Chan, Chairman (Appointed on 18 March 2020)
 Dr Lee Kwok Cheong
 Mr Tommy Teo Zhi Zhuang

NOMINATING COMMITTEE

Ms Wong Su-Yen, Chairman
 Mr Tan Choon Hong
 Mr Tan Lye Huat

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
 (A division of Tricor Singapore Pte Ltd)
 80 Robinson Road #11-02
 Singapore 068898
 Tel: (65) 6236 3333
 Fax: (65) 6236 3405

AUDITORS

Ernst & Young LLP
 One Raffles Quay
 North Tower, Level 18
 Singapore 048583
 Partner-in-charge: Ms Yeow Hui Cheng
 (appointed with effect from financial year ended
 31 December 2018)

PRINCIPAL BANKERS

DBS Bank Ltd
 The Hongkong and Shanghai Banking Corporation Limited
 RHB Bank Berhad
 Hong Leong Bank Berhad

* Independent Non-Executive Director

** Non-Executive Director

*** Executive Director

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 26 April 2017*

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 a Director at MediaCorp, Yoma Strategic Holdings, and NTUC First Campus. She is a Fellow and Vice-Chairman of the Governing Council of the Singapore Institute of Directors, and a Director at the National Kidney Foundation, Singapore, and The Teng Ensemble.

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 17 years of working experience in business management, product management and large scale programme management. He had worked in PT Smartfren 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 after 14 years of service and is 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 Pte. Ltd., and Singapore Association for Mental Health.

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 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 TAN LYE HUAT

*Independent Director since 28 January 2013
Chairman, Audit and Risk Management Committee
from 2 April 2013 to 18 March 2020
Member, Nominating Committee since 2 April 2013
Last re-elected on 23 April 2019*

Mr Tan had previously been engaged in corporate governance advocacy, consulting and training work under HIM Governance Private Limited including, until recently, being the Regional Adviser of Governance for Owners LLP as well as volunteering at a number of other governance-related associations.

Besides senior professional and management experiences in the banking, audit and commercial sectors, Mr Tan sits on the boards of other Singapore listed companies, namely, SP Corporation Limited, Japan Foods Holding Ltd, Neo Group Limited and Dynamic Colours Limited.

Mr Tan is a life member of the Institute of Singapore Chartered Accountants ("ISCA"), Fellow of the Association of Chartered Certified Accountants ("FCCA"), member of the Australian Institute of Company Directors ("AICD") as well as a Chartered Director Fellow ("C. Dir FloD") of the Institute of Directors ("IOD, UK"). He attended the Executive Management Program at Columbia University and the International Directors' Course at INSEAD.

Mr Tan will retire as Independent Director at the forthcoming Annual General Meeting.



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 APAC Realty Limited.

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

BOARD OF DIRECTORS



MR BASIL CHAN

*Independent Director since 18 March 2020
Chairman, Audit and Risk Management Committee
since 18 March 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 is currently 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") and was formerly a member of the Audit and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS"). He is currently 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, Global Invacom Group Limited and Memories Group Ltd. In the last 3 years, he previously sat on the Board of Singapore eDevelopment Ltd, SBI Offshore Ltd and Yoma Strategic Holdings Ltd.

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 is the Senior Financial Controller. She is responsible for financial and reporting matters for the Group and supports the Group's investor relations. She has more than 20 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 is the Senior Vice President of Network Infrastructure. He is responsible for the Group's entire Network Infrastructure business. He has more than 20 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.

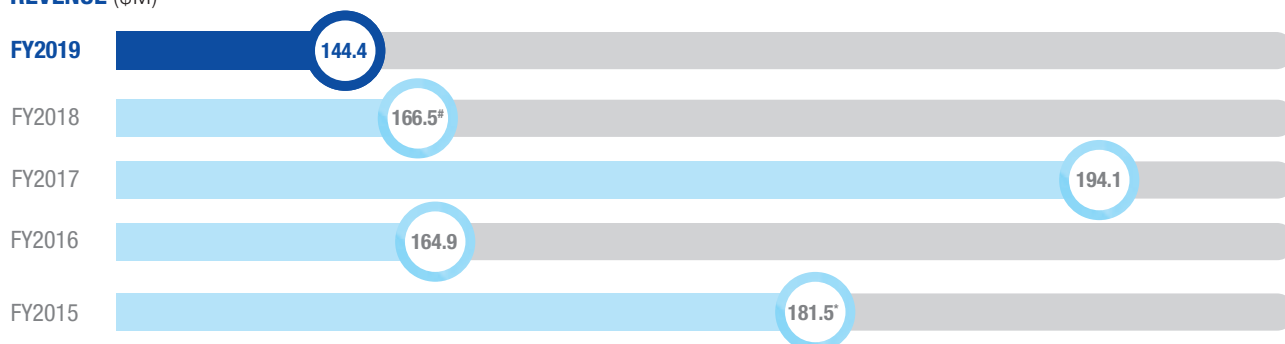
MR LINGGAJAYA BUDIMAN is the Country Manager for PT Nera Indonesia. He is responsible for the Group's business in Indonesia. Prior to joining Nera, Mr Budiman worked in Berca Group, Indonesia in varied roles, the most recent being the Managing Director/Chief Operating Officer of the group. Prior to Berca Group, Mr Budiman was with Telkomsigma assuming roles as Head of Product Management, Business Partnership, e-Business and New Solution Development. He brings with him extensive experience in areas of business operations, marketing, sales/commercial, product management and business development in multiple industries such as telecommunication, banking and information technology. Mr Budiman graduated with a Bachelor of Science in Industrial Engineering Specialized in Operation & Production Management, from Purdue University West Lafayette, Indiana, USA.

MR TAN KOK ANN ALAN is the Vice President of Group Human Resources & Administration. He is responsible for overseeing the Human Resources & Administrative functions. He brought with him more than 20 years of regional HR experience in the Asia Pacific, from mid-size to larger foreign MNC firms. His areas of specialised expertise include providing HR consulting services to all senior stakeholders, strategic HR planning, Compensation and Benefits, Workplace Transformation, Labor 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.

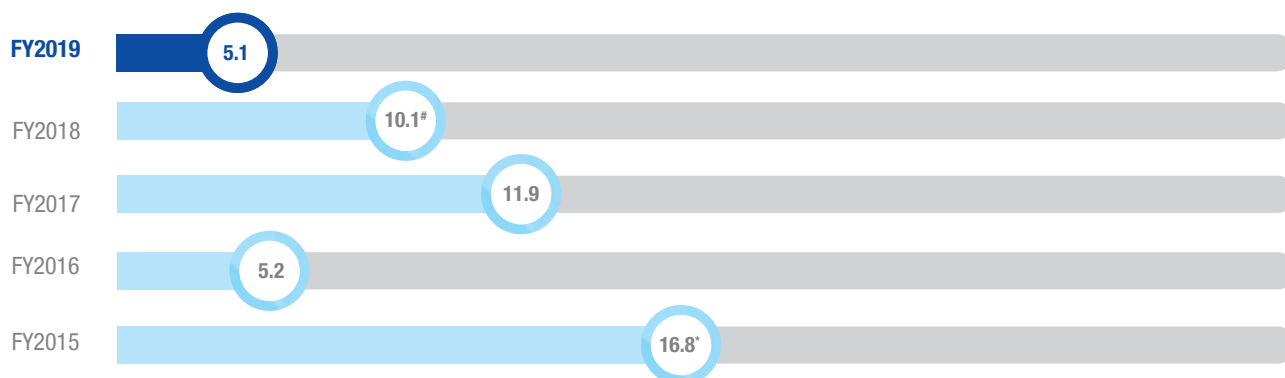
MR NG MENG YEOW EZEKIEL TEDDY is the Deputy Head of the Wireless Infrastructure Networks. He is responsible for the Group's Wireless Infrastructure Networks business. He has more than 20 years of experiences in the Information Technology industry with track records in business development, sales and 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.

FINANCIAL HIGHLIGHTS

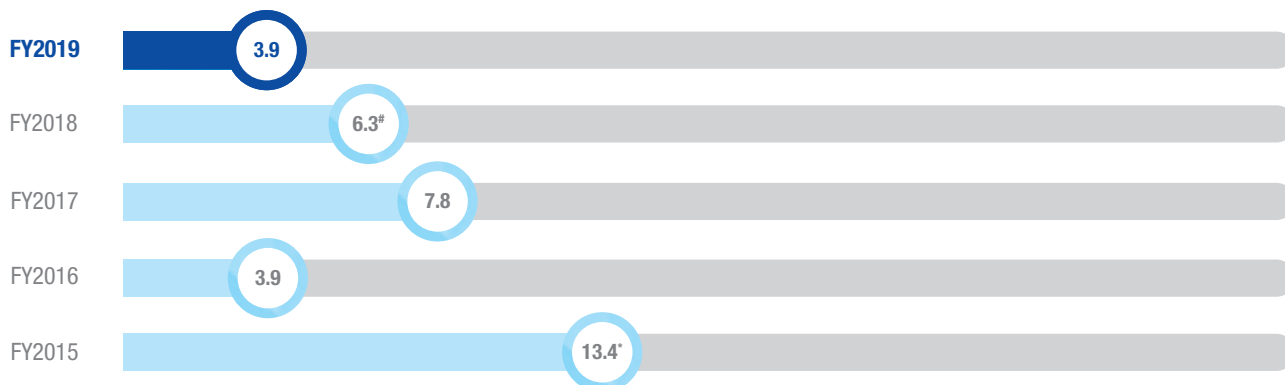
REVENUE (\$M)



PROFIT BEFORE TAX (\$M)



PROFIT AFTER TAX (\$M)



* Includes Payment Solutions business which was divested in FY2016

Please refer to pages 144-146 for the explanation on the restatement

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 clients over a range of sectors, such as Service Providers, ISPs, Broadcasters, Enterprises, Government Organisations, Offshore and Utilities. Specifically, our WIN portfolio covers in-building mobile coverage solutions, outdoor mobile coverage enhancement, RF access network optimisation, benchmarking, 3G/4G/LTE base stations, licensed and unlicensed point-to-point, and point-to-multi-point microwave radio. We provide solutions such as 3G/4G data offloading, RAN benchmarking, optimisation and QoS with our end-to-end solutions, which are designed to suit the needs of green field and brown field deployments.

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 requirement 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 enhances value relative to its cost.

Radio Access Network (RAN)

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. With 3G/4G data offloading solutions via Wi-Fi becoming more popular with operators, we are well positioned to capture market share by leveraging on our unique and comprehensive solution offerings. We take great pride in being highly versatile in providing the best-in-class solutions. This versatility allows us to easily tailor our solutions to our clients' needs and to meet the demands of the 5G environment.

Building Analytics and Internet of Things (IoT)

With the advent of IoT devices, NeraTel's Building Analytics solution is able to collect data on the cost of operations and energy usage of any building. In addition, NeraTel's advanced Fault Detection and Diagnosis as well as Predictive Maintenance capabilities complement the Building Management System by enabling our clients to reduce their operational cost and energy consumption. Moreover, these solutions include Facility and Real Estate Management which allow our clients to achieve not only productivity through Smart Manpower Scheduling, but also their environmental sustainability goals and reduce carbon footprint. It is also a solution that fits well into any Smart Building or Smart Real Estate initiative.

Turnkey Solution and Projects

We maintain our strategy of undertaking long-term, comprehensive projects that span their project complete life-cycles. Our highly trained and experienced teams provide expertise in planning, designing, installation, commissioning and testing of solutions, inclusive of comprehensive post-sales service and support.

NETWORK INFRASTRUCTURE (NI)

The combined forces of new disruptive technologies and innovations are changing the world of business dramatically. This wide-ranging disruption is 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. NeraTel employs technologies and solutions to support our customers with a technological framework that is flexible and adaptable to their changing business requirements. This framework covers technologies, tools and processes necessary for our customers' digital transformation.

Multi-Cloud

More and more companies are beginning to understand the benefits of cloud technologies and cloud platform is therefore, gradually becoming the primary platform for any company to develop and host both new and existing IT enterprise applications. Customers can also speed up its digital transformation by leveraging on cloud technologies such as cloud hosting services, big data analytics, and even cloud-native application development platforms.

BUSINESS SEGMENTS:

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, which are critical factors in driving growth for these businesses while they embark on digital transformation. Our cloud solutions also enable customers to run workloads across the most appropriate cloud environments with the goals of cost savings and performance optimisation. In addition, our cloud management tools enable the monitoring and control of cloud resources in a multi-cloud environment.

Cybersecurity

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

To meet this growing need, we are expanding our cybersecurity portfolio to include IoT, Operational Technology ("OT") and IP network security. NeraTel provides a comprehensive suite of industry-leading security solutions, including Next Generation Firewall, Intrusion Prevention Systems, Web Application Firewall ("WAF"), Encryption, Security Information and Event Management ("SIEM"), and Privilege Access Management ("PAM"). Our cybersecurity solution suite delivers the capabilities to automate asset discovery, classification and management, continuous monitoring of access and changes, risk assessment of on-going processes and policies enforcements.

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

Intent-based Networking

Networking will become a more prevalent connector, as more businesses adopt a multi-cloud approach in their operations. NeraTel delivers an intent-based networking platform that delivers an agile, reliable and highly available infrastructure, connecting the customers' workloads across their private data centers and the public/hybrid cloud.

NeraTel also represents leading edge networking vendors to deliver intent-based networking architectures, which allows our customers' IT stakeholders to establish policies that specify the network's business intent, auto-prescribe the requirements, and automate the processes. Through these solutions, our customers can streamline and automate their network to enable faster network changes, quick 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, DC 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 long haul systems, metro DWDM applications, optical multi-service platforms, and mobile front/back-haul solutions. 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 OTT platform and services to the broadcasters and service providers. Our range of products includes content creation, acquisition, IP video transport solutions, encoders/multiplexers, transmission and complete network management system.

Automation

NeraTel works closely with our customers to develop automated solutions that allows them to navigate and manage services across their multi-cloud infrastructure. This enables our customers to mature towards intelligent systems that is capable of making optimal decisions while actively learning from their environment.

NeraTel's automation suite enables our customers' IT team to support their organisation's business requirements to digitise business processes.

NeraTel's Consulting Services assist our customer to outline the IT business processes and identify the most appropriate automation governance model, change management plan, and deployment strategy.

SUSTAINABILITY REPORT

1. BOARD STATEMENT

Our sustainability agenda is led by our Board of Directors, which oversees and ensures that we pursue our commercial objectives, and remains a responsible and sustainable organisation. Information on the Board, Corporate Governance Model, Board Committees and their Terms of Reference is available in the Corporate Governance Report of this Annual Report.

We interact with a large number of stakeholders. We empower all our business and functional units to regularly engage with their respective stakeholders on their chosen platforms to ensure that key issues impacting our stakeholders are addressed in our practices and business strategies.

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 factors which are shown in this report.

A summary of our sustainability performance in FY2019 is as follows:

Total customer satisfaction	Inclusive workplace and talent development	Occupational health and safety
<ul style="list-style-type: none"> No material changes in our market presence Our operations in Singapore are certified under ISO 9001: 2015 	<ul style="list-style-type: none"> 29% of our employees are females 9% of our workforce is above 50 years old Certified professionals accounted for around 31% of total workforce Training expenditure per employee is \$510 44% of the employees and 36% of the managers have more than 5 years of service with us 	Zero incident of workplace accident
Electricity and water conservation	Sustainable business performance	Emphasis on code of ethics
<ul style="list-style-type: none"> Electricity consumption rate is 5,766 kWh per employee Water consumption rate is 8.75 cu M per employee 	We reported a decline in revenue and profits due to market conditions	Zero incident of fraud incident
Robust corporate governance framework		
Singapore Governance and Transparency Index score assessed by National University of Singapore Business School is 85		

SUSTAINABILITY REPORT

2. INTRODUCTION

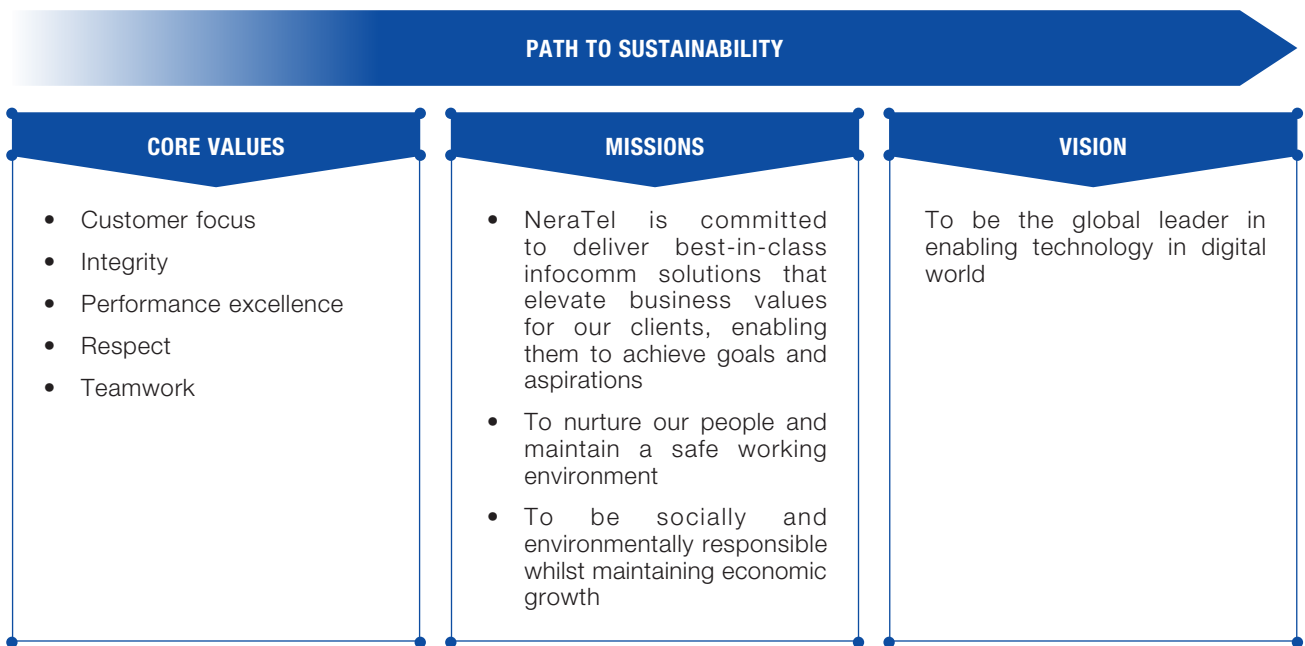
We are seeing the age of digital transformation and disruption. Unparalleled changes have been taking place in the way we communicate, and conduct business, which in turn changes the way we live.

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 system integrator and solution 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, MISSIONS AND CORE VALUES



Our vision and missions are driven by our core values and the path to sustainability is closely aligned with our vision, missions and core values as our sustainability factors and strategies will 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, missions and core values.

SUSTAINABILITY REPORT

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.

5. REPORTING PERIOD AND COVERAGE

This reporting period is for our financial year ended 31 December 2019 (“FY2019” or “reporting period”) and a report will be published annually.

This report covers Singapore, Malaysia and Philippines operations (collectively known as the “Operations”) which contributed approximately 66% (FY2018: 61%¹ – Singapore and Malaysia only) of our total revenue for the reporting period. We target to increase the coverage of our Report to at least 75% of our total revenue by financial year ending 31 December 2020 (“FY2020”).

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	FREQUENCY OF ENGAGEMENT	ENGAGEMENT CHANNEL
1	Communities	Ongoing	Initiate various campaigns to help the communities
2	Customers	Ongoing	Communicate with customers through various channels such as meetings, events, email communications, phone calls and teleconferences
3	Employees	Annually	Conduct staff evaluation sessions
		Quarterly	Conduct town hall meetings
4	Regulators	Ad-hoc	Attend consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange
5	Shareholders	<ul style="list-style-type: none"> • Annually • Quarterly 	Convey timely, full and credible information to shareholders through announcement on SGXNET, our website (http://www.nera.net), annual general meetings and annual reports
6	Vendors	Ongoing	Communicate with vendors through emails, meetings, events and regular vendor conferences

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

¹ Figure has been restated as a correction

SUSTAINABILITY REPORT

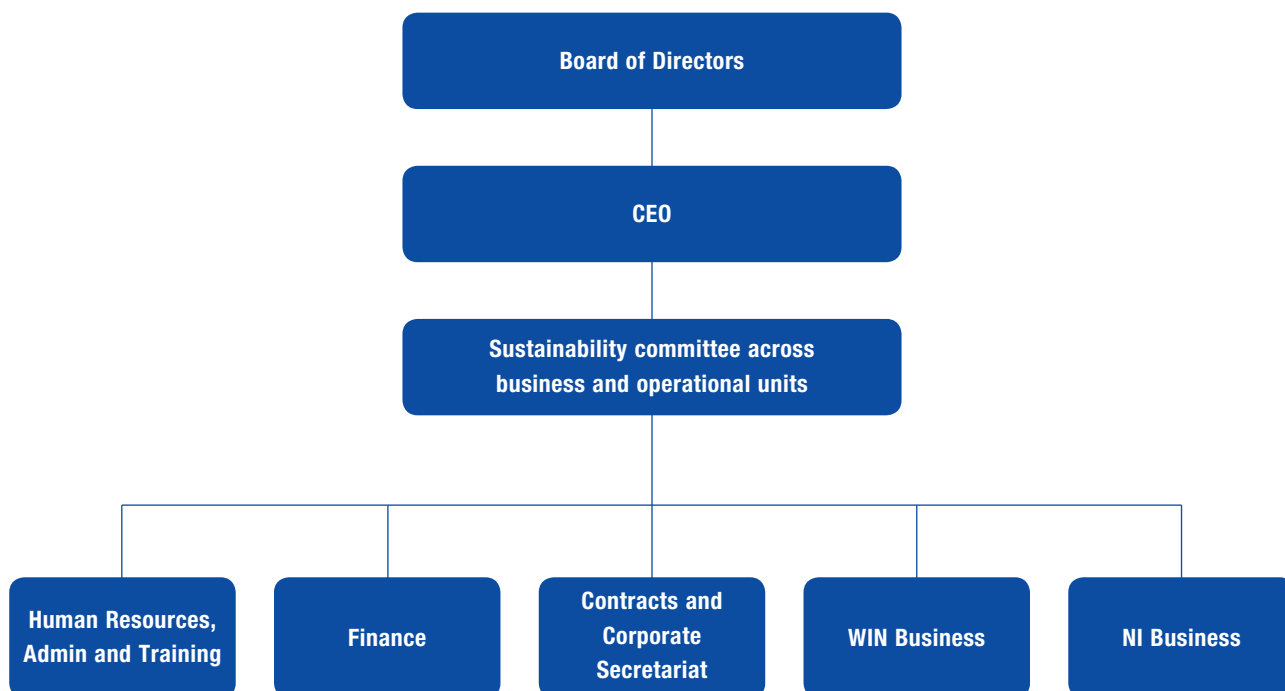
8. POLICY, PRACTICE AND PERFORMANCE REPORTING

8.1 REPORTING POLICY

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

8.2 REPORTING STRUCTURE

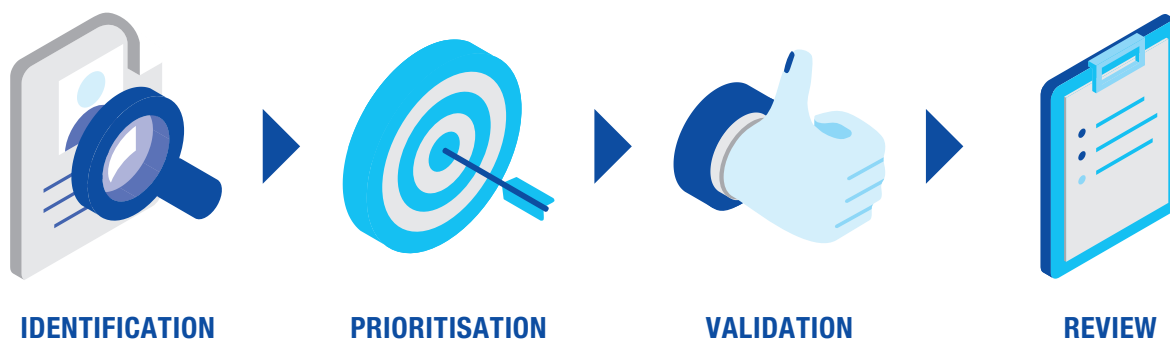
Our sustainability strategy is developed and directed by Senior Management in consultation with the Board of Directors (the "Board"). Our sustainability committee ("SC"), which includes Senior Management executives, is led by the Chief Executive Officer ("CEO"). The CEO leads the SC in reporting to the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



SUSTAINABILITY REPORT

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 sustainability report. Inter-relations are as shown in the chart below:



IDENTIFICATION
Identification of the material factors that are relevant to our business activities and data points for performance reporting

PRIORITISATION
Prioritisation of the material factors and identification of key sustainability factors to be reported

VALIDATION
Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the sustainability report content

REVIEW
Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organisational and external developments

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
I	High	Factors with high reporting priority are reported on in detail.
II	Medium	Factors with medium reporting priority are considered for inclusion in the report. They may not be included in this report if not material.
III	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 external stakeholders and potential impact on business.

SUSTAINABILITY REPORT

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.

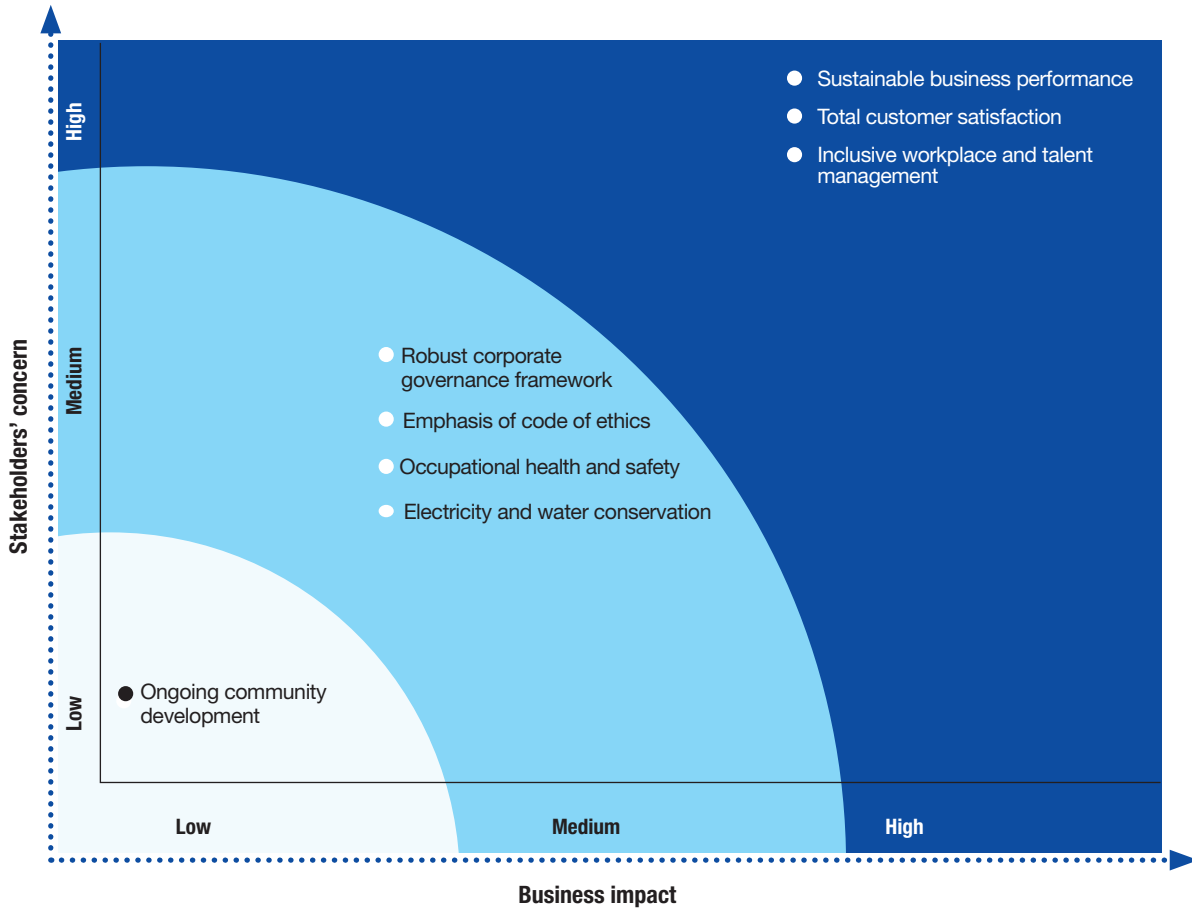
9. MATERIAL FACTORS

Our materiality assessment performed for FY2019 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	KEY STAKEHOLDER	REPORTING PRIORITY
GENERAL DISCLOSURE				
1	Total customer satisfaction	Deliver best-in-class infocomm solutions	Customers	I
SOCIAL				
2	Inclusive workplace and talent development	Nurture our people	Employees	I
3	Occupational health and safety	Maintain a safe working environment	Employees	II
4	Ongoing community development	Social responsibility	Communities	III
ENVIRONMENTAL				
5	Electricity and water conservation	Environmental responsibility	<ul style="list-style-type: none"> • Communities • Shareholders 	II
ECONOMIC				
6	Sustainable business performance	Maintain economic growth	Shareholders	I
7	Emphasis on code of ethics	Maintain economic growth	<ul style="list-style-type: none"> • Shareholders • Regulators 	II
GOVERNANCE				
8	Robust corporate governance framework	Maintain economic growth	<ul style="list-style-type: none"> • Shareholders • Regulators 	II

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 an international operation in 16 countries across 4 different continents. This geographical spread brings us close to the markets we serve and more importantly, to the customers we serve. Refer to page 6 for our geographical presence.

Nurture a team of highly trained and experienced employees

We are dependent on our highly trained and experienced teams to serve our customers by providing expertise in planning, designing, installation, commissioning and testing of solutions, inclusive of comprehensive post sales service and support management.

SUSTAINABILITY REPORT

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 customers.

For staff retention, refer to section 9.2 for further details.

Cultivate a long-term and sustainable relationship with our vendors

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

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 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 collected from various touchpoints such as sales teams and annual customer satisfaction surveys is mined to gather valuable insights into current and future customer 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.
- 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.

Target for FY2019	Performance in FY2019	Target for FY2020
Improve financial performance	<p>We reported a decline in revenue and profits due to market conditions.</p> <p>Nonetheless, we will continue to enhance our capabilities to increase the sales of our comprehensive range of security offerings and expand our differentiated and tailored solutions to reach out to a wider pool of customers.</p>	<ul style="list-style-type: none"> • Maintain or improve market presence • Adhere to the market standards for quality and safety of our products

SUSTAINABILITY REPORT

9.2 INCLUSIVE WORKPLACE AND TALENT MANAGEMENT

We have a workforce of 232 (As at 31 December 2018: 245¹) full-time employees for the Operations as at 31 December 2019.

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, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of effective talent management and equal opportunity in employment.

Inclusive workplace

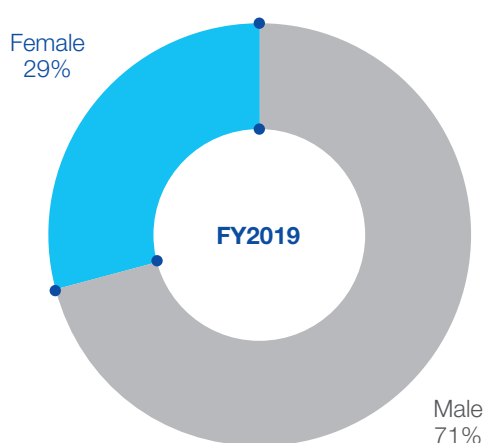
Our various cultures and inclusive values, where everyone is welcomed and treated equitably, not only augment but also enhance our customer commitment and ensure continuous improvement. The different perceptions, qualifications and experiences of our employees are of significance. It not only breeds successful collaboration amongst the employees, but also serve to reinforce our concepts, ideas, results and vigorous solutions.

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.

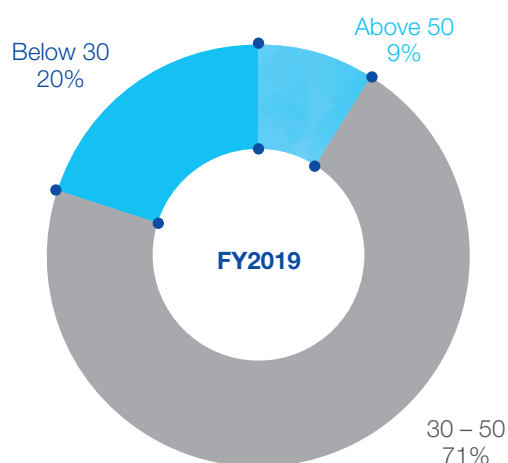
On gender diversity, we make a conscientious effort to balance our male-to-female employee ratio by hiring individuals based on the right competencies and skill sets. As at 31 December 2019, the percentage of female to total full-time employees is 29% (As at 31 December 2018: 28%).

On age diversity, matured workers are valued for their experience, knowledge and skills. As at 31 December 2019, 9% (As at 31 December 2018: 9%) of our workforce is above 50 years old.

GENDER DIVERSITY (ALL EMPLOYEES)



AGE DIVERSITY (ALL EMPLOYEES)



¹ Figure has been restated as a correction

SUSTAINABILITY REPORT

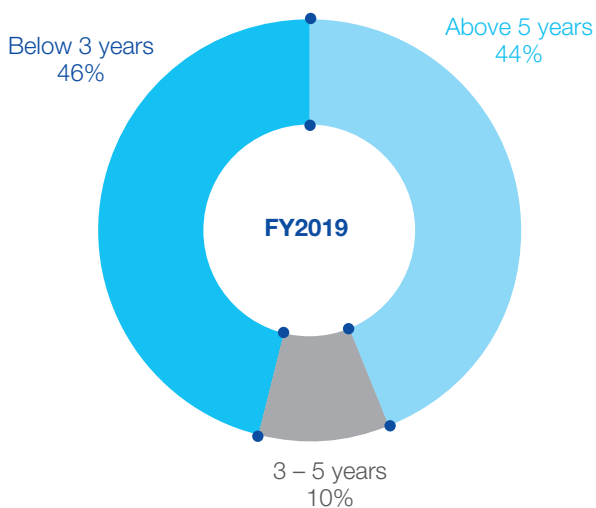
Talent management

Effective employee training programme 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 \$510 (FY2018: \$502¹) and our certified professionals as at 31 December 2019 accounted for around 31% of total workforce (As at 31 December 2018: 26%). The increase in the proportion of certified professionals is mainly due to the attendance on a certification course by a group of employees to cater to shifting business needs and focus.

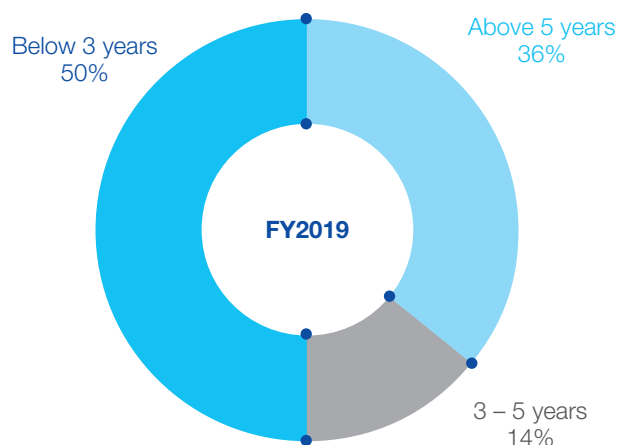
We will continue to invest in training and development to enhance our competencies, that is, not limited to functional skills but also in areas such as leadership capabilities, to build a smooth succession pipe-lining and also a high performing and achieving team.

On an overall basis, we track this factor through the employee retention rate. As at 31 December 2019, approximately 44% (As at 31 December 2018: 39%¹) of the employees and 36% (As at 31 December 2018: 40%¹) 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 FY2019	Performance in FY2019	Target for FY2020
Improve performance measures identified on staff retention	No material changes in staff 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

¹ Figure has been restated as a correction

SUSTAINABILITY REPORT

9.3 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 support 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
- Accidents are tracked and monitored regularly

Our operations in Singapore are OHSAS 18001, bizSAFE STAR and SafeContractor Accreditation certified and these certifications recognise our continuous efforts to incorporate safety as part of our business model.

We recorded zero workplace accident during the reporting period (FY2018: 3 non-fatal workplace injury²).

Target for FY2019	Performance in FY2019	Target for FY2020
Adhere to the market standards and best practices in operations	Market standards and best practices have been adopted in our operations and we achieved zero incident of workplace accident	Minimise the number of workplace accidents

9.4 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 corporates to embrace the spirit of giving. 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 were engaged in various initiatives to help the communities as follows:

[Chinese New Year 2019 Celebration at Bright Hill Evergreen Home](#)

Our employees celebrated the Chinese New Year with the residents of Bright Hill Evergreen Home, in which they engaged the old folks through Chinese New Year songs as well as a variety of games. Some of our volunteers brought along their family members to participate in this meaningful event, which helped to not only bring joy to the residents of the home, but also to spread awareness on the importance of giving back to the communities.



[Making a difference at Club Rainbow](#)

As part of the event at Club Rainbow, our employees dedicated their time to bring fun and joy to the children from the club. They spent a morning engaging in exciting culinary activities such as baking chocolate lava cakes with ice cream, as well as making freestyle sushi. The children also managed to make the longest coloured pasta with the help of the volunteers.



² 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

Apart from spending an enjoyable time with the children at the club, we also made a donation to fully support their cause in providing compassionate services to chronically ill children and their families.

Blood donation drive with Red Cross Society

Our employees participated in the blood donation drive at the Red Cross Society and their donation has played an important role in helping to contribute to the blood bank in hospitals that are used to save lives. Our employees understand the significance of their contribution and we encourage them to continue to participate in such worthy causes.



Target for FY2019	Performance in FY2019	Target for FY2020
Initiate various campaigns to help the communities	Initiated various campaigns to help the communities	Continue with existing community engagement campaigns

9.5 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)	
		FY2019	FY2018
Electricity	kWh	5,766	5,935
Water	cu M	8.75	10.62

The slight reduction in electricity and water consumption rate between FY2019 and FY2018 is mainly due to our energy and water conservation initiatives, such as:

- 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 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
- Use and deploy water efficient tap filters to cut down on water usage

Target for FY2019	Performance in FY2019	Target for FY2020
Reduce the energy and water consumption rate	We achieved slight reduction in both energy and water consumption rate	Reduce or maintain the energy and water consumption rate

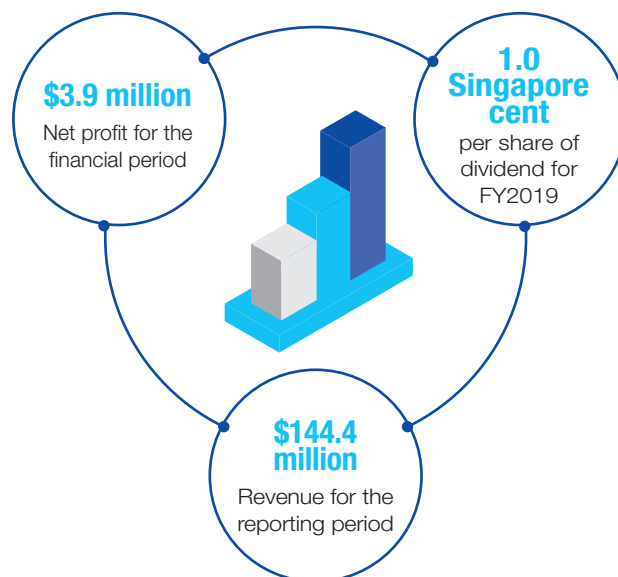
SUSTAINABILITY REPORT

9.6 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 FY2019, we recorded revenue of \$144.4 million (FY2018: \$166.5 million³) and a net profit after tax of \$3.9 million (FY2018: \$6.3 million³). For FY2019, an aggregate tax-exempt (one-tier) dividend of 1.0 cent (FY2018: 2.5 cents) per share has been declared.

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



Target for FY2019	Performance in FY2019	Target for FY2020
Improve our financial performance	We reported a decline in revenue and profits due to market conditions. Nonetheless, we will continue to enhance our capabilities to increase the sales of our comprehensive range of security offerings and expand our differentiated and tailored solutions to reach out to a wider pool of customers.	Maintain or improve our financial performance subject to market conditions

9.7 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.

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. An employee handbook is also in place to provide guidance to employees about the benefits and reflect the culture of the business. In FY2019, no fraud incidents⁴ have been reported (FY2018: zero).

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain zero incident of fraud	We achieved zero incident of fraud	Maintain zero incident of fraud

³ Please refer to pages 144-146 for the explanation on the restatement.

⁴ 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.

SUSTAINABILITY REPORT

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 in 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 and favourable results.




Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 85 for FY2019 (FY2018: 70).

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



Target for FY2019	Performance in FY2019	Target for FY2020
Improve our SGTI score	The SGTI increased by 15 points to 85 for the year 2019	Improve or maintain SGTI score

10 SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("SDGs"), which form an urgent call for action by all countries – developed and developing – in a global partnership. We believe that everyone plays an important part in advancing sustainable development and we have identified 5 SDGs which we can contribute to sustainability development through our business practices, products and services. The SDGs that we focus on and the related sustainability factors are as follows:

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 9.3 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>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p><u>Section 9.5 Electricity and water conservation</u> We strive to achieve environmental sustainability through regularly track and analyse 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 9.6 Sustainable business performance</u> We contribute to economic growth through creating long-term economic value for our shareholders.</p>

SUSTAINABILITY REPORT

SDG	Our effort
 <p>10 REDUCED INEQUALITIES</p>	<p>Reduce inequality within and among countries</p> <p><u>Section 9.2 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>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 9.7 Emphasis on code of ethics</u> We publicly state our commitments to work against corruption in all forms.</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>

11 GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURE		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 	14-15 22-23 105-107
102-3	Location of headquarters	• Notes to the Financial Statements > Corporate Information	81
102-4	Location of operations	Geographical Presence	6
102-5	Ownership and legal form	<ul style="list-style-type: none"> • Notes to the Financial Statements > Corporate Information • Notes to the Financial Statements > Investments in Subsidiaries • Shareholdings Statistics 	81 105-107 147-148

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
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 > Inclusive Workplace and Talent Development • Sustainability Report > Material Factors > Sustainable Business Performance • Balance Sheets • Consolidated Statement of Comprehensive Income 	13 24-25 28 76 77
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	24-25
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 was 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	29-30
102-13	Membership of associations	None	–

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
STRATEGY			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	16
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 	17 29 37-65
GOVERNANCE			
102-18	Governance structure of the organization	Corporate Governance Report	37-65
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	18
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	18
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	18
102-44	Key topics and concerns raised	<ul style="list-style-type: none"> • Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Total Customer Satisfaction 	18 22-23

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements > Investments in Subsidiaries	105-107
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	20
102-47	List of material topics	Sustainability Report > Material Factors	21-29
102-48	Restatements of information	<ul style="list-style-type: none"> • Sustainability Report > Reporting Period and Coverage • Sustainability Report > Material Factors > Inclusive Workplace and Talent Development • Sustainability Report > Material Factors > Sustainable Business Performance 	18 24-25 28
102-49	Changes in reporting	None	–
102-50	Reporting period	Sustainability Report > Reporting Period and Coverage	18
102-51	Date of most recent report	Annual Report 2018 > Sustainability Report	–
102-52	Reporting cycle	Sustainability Report > Reporting Period and Coverage	18
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	18

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
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 30-35
102-55	GRI content index	Sustainability Report > GRI Content Index	30-35
102-56	External assurance	We may seek external assurance in the future	–
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	21-29
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 19-21 21-29
103-3	Evaluation of management approach	Sustainability Report > Material Factors	21-29
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 	13 28 76 77

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Emphasis on Code of Ethics	28
CATEGORY: ENVIRONMENTAL			
302-3	Energy intensity	Sustainability Report > Material Factors > Electricity and Water Conservation	27
303-5	Water consumption	Sustainability Report > Material Factors > Electricity and Water Conservation	27
CATEGORY: SOCIAL			
403-9	Work-related injuries	Sustainability Report > Material Factors > Occupational Health and Safety	26
404-1	Average expenditure of training per year per employee	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	24-25
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	24-25
413-1	Operations with local community engagement, impact assessments, and development programmes	Sustainability Report > Material Factors > Ongoing Community Development	26-27



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 2019 (“FY2019”) 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 make 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 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 Directors.

During FY2019, Ms Wong Su-Yen, Mr Tan Lye Huat, Dr Lee Kwok Cheong and Mr Beck Tong Hong attended the courses, conferences and seminars listed below, with attendance hours totaling approximately 144 hours in aggregate.

ACRA-SGX-SID Audit Committee Seminar 2019
AICD Effective International Boards
ACCA Singapore Annual Conference 2019
A.T. Kearney Interview on Strategic Future Direction of a Director Institute
A.T. Kearney Perspectives from The Global Business Policy Council
CPA Australia Mitigating Real-World Bribery risks with Good Corporate Governance
CPA Australia Congress – Singapore
EY M&A in the Era of Complexity
EY Board Readiness for AGMs: Driving Enhanced Corporate Reporting with Technology
NACD Global Board Leaders’ Summit
NACD Chair/Lead Director Symposium
SAC Business Future: (Re)Discovering Stewardship
SID SGD 7 – Fundraising, Outreach and Advocacy
SID SGD 8 – Social Trends
SID Cyber Security Threats and Data Breaches
SID Fireside Chat – Go Big or Go Home?

CORPORATE GOVERNANCE REPORT

SID Directors Conference 2019
SID Navigating Through a Financial Fraud Investigation
SID LED 4 – Stakeholder Engagement
PwC Financial Instruments, Understanding the Basics

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

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.

CORPORATE GOVERNANCE REPORT

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.

Provisions 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 FY2019, the Company has held seven Board Meetings.

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 FY2019 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.

CORPORATE GOVERNANCE REPORT

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 2019 is set out below:

	Board Meetings	Audit and Risk Management Committee	Remuneration Committee	Nominating Committee	General Meeting
Number of meetings held in FY2019	7	4	1	1	1
Name of Directors	Number of meetings attended				
Ms Wong Su-Yen, Chairman	7/7	2/4*	1/1	1/1	1/1
Mr Beck Tong Hong	7/7	4/4*	1/1*	1/1*	1/1
Mr Basil Chan**	0/0	0/0	0/0	0/0	0/0
Dr Lee Kwok Cheong	6/7	4/4	1/1	1/1*	1/1
Mr Tan Choon Hong	7/7	4/4*	1/1	1/1	1/1
Mr Tan Lye Huat	7/7	4/4	0/1	1/1	1/1
Mr Tommy Teo Zhi Zhuang	7/7	4/4	1/1*	1/1*	1/1

* Attended as invitees

** Mr Basil Chan was appointed as Independent Director and Chairman of the Audit and Risk Management Committee on 18 March 2020.

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.

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.

CORPORATE GOVERNANCE REPORT

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, the Board comprises seven Directors, one of whom is an Executive Director, two of whom are non-Executive Directors and the remaining four 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, taking 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.

Out of seven Directors, four including the Chairman are independent. Mr Tan Lye Huat has notified the Company of his intention to retire at the forthcoming Annual General Meeting ("AGM") and upon Mr Tan Lye Huat's retirement, the Independent Directors will make up half of the Board.

The NC, having considered the assessment made by the Directors on the independent status of Ms Wong Su-Yen, Dr Lee Kwok Cheong, Mr Tan Lye Huat and 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 had 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, Mr Tan Lye Huat 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 years from the date of his 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 Beck Tong Hong	Executive Director and CEO	–	–	–
Mr Basil Chan	Independent Director	Chairman	–	–
Dr Lee Kwok Cheong	Independent Director	Member	–	Chairman
Mr Tan Choon Hong	Non-Executive Director	–	Member	Member
Mr Tan Lye Huat	Independent Director	–	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 Directors, excluding Mr Tan Lye Huat who will retire at the forthcoming AGM, 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 SID. 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 11 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Competency of the Board

To assist the NC in its annual review of the Directors' mix of skills, knowledge and experiences 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 communicate 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 benefits 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.

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 action 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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4: BOARD MEMBERSHIP

Provisions 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 Tan Lye Huat	(Independent Director)
Mr Tan Choon Hong	(Non-Executive Director)

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

The principal functions of the NC are:

- (a) To identify candidates, review nominations for both appointment and reappointment 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;
- (e) To assess the effectiveness of the Board and contribution of each director to the effectiveness of the Board; and
- (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.

CORPORATE GOVERNANCE REPORT

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

Mr Tan Lye Huat has notified the Company of his intention to retire at the forthcoming AGM. Accordingly, Mr Tan Lye Huat will cease to be a Director of the Company at the conclusion of the AGM and he shall ipso facto resign as a member of the NC. Accordingly, Mr Basil Chan shall be appointed as a member of the NC upon conclusion of the AGM.

The NC has recommended the nomination of the following Directors retiring under Regulations 94 and 100 of the Constitution of the Company, for re-election at the forthcoming AGM:

- (i) Ms Wong Su-Yen (Regulation 94)
- (ii) Mr Basil Chan (Regulation 100)

Upon re-election as Director, Ms Wong Su-Yen will remain as a Chairman of the Board and NC and member of the RC; and Mr Basil Chan will remain as the Chairman of the ARMC.

As at the date of this report, there is no Independent Director being appointed as Director into the Group's principal subsidiaries. The Board will inform the revised Board structures of the principal subsidiaries and the appointment of Independent Director into the principal subsidiaries as necessary.

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 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 years as recommended by the Code and SGX-ST Listing Rules.

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.

CORPORATE GOVERNANCE REPORT

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 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 11.

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;
- (c) Board processes;
- (d) Internal controls and risk management;
- (e) Board accountability to the shareholders;

CORPORATE GOVERNANCE REPORT

- (f) Performance of each Board Committee;
- (g) Board interaction with CEO/Senior Management; and
- (h) Board's Standards of Conduct.

For FY2019, 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 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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Provisions 6.1, 6.2 and 6.3

Remuneration Committee and Terms of Reference

The 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)

During the year, the RC held one 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 AGM;
- (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.

CORPORATE GOVERNANCE REPORT

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 FY2019, the RC has evaluated the extent to which the Executive Director and each of Key Management Personnel have 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.

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 2019. 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.

CORPORATE GOVERNANCE REPORT

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

	Chairman	Member
	\$	\$
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 parts, one part paid in the first year after financial year end and the other part paid in the second year after financial year end.

Employee Share Scheme

The long-term incentive scheme ("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 FY2019.

CORPORATE GOVERNANCE REPORT

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 2019. Shareholders' approval will be sought at the AGM for such payment to be made to the Directors.

Remuneration/Name of Directors	Fees (\$)	Salary (\$)	Bonus (\$)	Total ⁽¹⁾ (\$)
\$500,001 to \$750,000				
Remuneration paid to Executive Director/CEO Mr Beck Tong Hong	–	518,040	156,407	674,447
Below \$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 Tan Lye Huat	54,000	–	–	54,000
Mr Tommy Teo Zhi Zhuang	42,000	–	–	42,000
Total Directors' Remuneration	270,000 29%	518,040 55%	156,407 16%	944,447 100%

Note:

(1) Executive Director/CEO does not receive director's fee. His salary and bonus disclosed above include employer's CPF contributions for FY2019.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Management Personnel

Top five highest paid key executives of the Company who received remuneration in the \$250,000 and \$500,000 band and below \$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 \$250,000 to \$500,000 and below \$250,000
Ms Tan Geok Leng Jacqueline Senior Financial Controller	72%	28%	100%	\$250,000 – \$500,000
Mr Tan Cham Khain Orlando Senior Vice President, Infocomm and Network Infrastructure	74%	26%	100%	\$250,000 – \$500,000
Mr Linggajaya Budiman Country Manager, PT Nera Indonesia	67%	33%	100%	\$250,000 – \$500,000
Mr Ng Meng Yeow Ezekiel Teddy Deputy Head, Wireless Infrastructure Networks	69%	31%	100%	Below \$250,000
Mr Tan Kok Ann Alan ⁽³⁾ Vice President, Group Human Resources & Administration	100%	0%	100%	Below \$250,000
Total Remuneration of Top 5 Key Management Personnel	\$790,262 71%	\$322,171 29%	\$1,112,433 100%	

Notes:

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

(2) Bonus includes statutory contributions.

(3) Mr Tan Kok Ann Alan joined the Company on 05 December 2019.

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 \$100,000 during the year.

CORPORATE GOVERNANCE REPORT

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 ARMC in February 2015 to reflect its additional risk management functions. The ARMC oversees and ensures that such system have been appropriately implemented and monitored.

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 Risk Services Pte. Ltd. ("PwC") to conduct internal audit reviews based on the plan approved by the ARMC.

During the year, the ARMC also 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.

CORPORATE GOVERNANCE REPORT

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 2019 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 Senior Financial Controller that:

- (a) the financial records have been properly maintained and the financial statements for FY2019 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.

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

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;

CORPORATE GOVERNANCE REPORT

- (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 Senior Financial Controller 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
- (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 FY2019, 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.

CORPORATE GOVERNANCE REPORT

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 FY2019 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 FY2019, 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 ("KAM") as reported by the external auditors for FY2019.

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 concur with their determination of the revenue. The ARMC also discussed with the auditors on their work and is satisfied with the appropriateness of the revenue recognised in the consolidated financial statements of the Group for the financial year ended 31 December 2019.
Provisions for warranty	The ARMC reviewed the basis and adequacy of the provision for warranty and the judgment and estimates applied in its determination. Following the work and findings of the auditors, the ARMC concurred with Management that the provision for warranty is adequate for the financial year ended 31 December 2019.
Recoverability of trade receivables and contract assets	The ARMC assessed the recoverability of specific long overdue trade receivables and potential impairment of contract assets. It concurred with Management and the auditors on the adequacy of the provision for trade receivables and impairment of contract assets for the financial year ended 31 December 2019.

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.

CORPORATE GOVERNANCE REPORT

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 is of the view that the non-audit services (namely for tax compliance services) provided by the external auditors in FY2019 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 FY2019	<u>\$'000</u>	<u>% of Total Fees</u>
Total Audit Fees	252	85
Total Non-Audit Fees	43	15
Total Fees	<u>295</u>	<u>100</u>

The ARMC had recommended and the Board had accepted proposing to the shareholders, the re-appointment of EY 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.

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 mechanism by which concerns about; which includes but 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

The WBC consists of:

- CEO
- Vice President, Group Human Resources & Administration
- Senior Financial Controller

CORPORATE GOVERNANCE REPORT

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, has been disseminated to all staff via email and also posted on the Company's corporate website. A copy of the Whistle-blowing 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 and 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 Whistle-blowing 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.

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)	

Mr Tan Lye Huat was the ARMC Chairman during the financial year 2019; Mr Tan stepped down from the office of the ARMC Chairman and in place, Mr Basil Chan was appointed with effect from 18 March 2020.

During the year, the ARMC held four scheduled meetings, which all members attended.

CORPORATE GOVERNANCE REPORT

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 ICAEW, a fellow member of the ISCA and a Fellow of the SID. 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 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 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.

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.

CORPORATE GOVERNANCE REPORT

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 General Meetings 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.

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.

CORPORATE GOVERNANCE REPORT

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 to, if necessary, operational questions from shareholders.

The Directors’ attendance at the General Meetings can be found on page 41 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>.

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 cents per ordinary share for the financial year ended 31 December 2019, payment of which is subject to shareholders’ approval at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

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. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, Annual Reports are distributed to shareholders at least 14 days before each AGM.

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 AGM held in 2019.

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/>).

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.

CORPORATE GOVERNANCE REPORT

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 FY2019, the Company's strategy and key areas of focus in relation to the management of stakeholder relationships can be found under Sustainability Report on page 18.

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.

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 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.

CORPORATE GOVERNANCE REPORT

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 2019.

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 2019.

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 2019 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	(Appointed on 18 March 2020)
Lee Kwok Cheong	
Tan Choon Hong	
Tan Lye Huat	
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.

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	–	–

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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
<i>Nera (Philippines), Inc.</i>				
<i>Ordinary shares of Peso 100 each</i>				
Beck Tong Hong	1*	1*	–	–
<i>P.T. Nera Indonesia</i>				
<i>Ordinary shares of US\$2,000 each</i>				
Beck Tong Hong	1*	1*	–	–
<i>Nera Telecommunications (India) Pvt. Ltd.</i>				
<i>Ordinary shares of 10 Rupees each</i>				
Beck Tong Hong	5,000*	5,000*	–	–
<i>Nera Telecommunications (Myanmar) Company Limited</i>				
<i>Ordinary shares of US\$100 each</i>				
Beck Tong Hong	1*	1*	–	–
<i>Nera Telecommunications (Pakistan) Private Limited</i>				
<i>Ordinary shares of 100 Pakistan Rupees each</i>				
Beck Tong Hong	1*	1*	–	–
<i>Nera (Thailand) Limited</i>				
<i>Preference shares of 100 Thai Baht each</i>				
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 2020.

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 2020.

* 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 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

DIRECTORS' STATEMENT

6. AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

- 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
- 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.

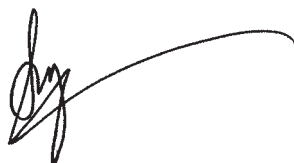
The ARMC convened four meetings during the year with full attendance from all members. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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
26 March 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019, 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 2019 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 2019

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 contain significant management estimates and judgment such as the measurement of 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 and accordingly we have determined this to be a key audit matter.

As part of our audit, we:

- evaluated the design and tested the effectiveness of selected internal controls with respect to project management, the project cost estimation and budgeting process, and accounting for revenue from contracts.
- evaluated the Group's procedures and processes for recognizing revenue from contracts with customers and assessed the basis for the identification of performance obligations and whether they are satisfied over time or at a point in time. These include examining project documents and reviewing, on a sample basis, contractual terms and conditions and discussion 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.
- obtained an understanding of the progress of significant outstanding projects by discussing with management, finance and project heads for 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 an assessment of the consistency of assumptions across projects.
- evaluated the presentation and 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 2019

KEY AUDIT MATTERS (CONTINUED)

Provisions for warranty

As of 31 December 2019, the provisions for warranty amounted to \$1,222,000 (2018: \$1,996,000). A provision is recognised for expected warranty claims on goods and services sold in the past 12 months 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 trend. Depending on the complexity of the network and integration process involved, management has to exercise significant judgment in determining the amount of warranty provision.

As part of our audit, we:

- assessed the key assumptions applied by the management in determining the present obligations under the contracts, amongst others, by analysing the underlying contracts in place, reviewing 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 arithmetic accuracy of management's computation of the provision for warranty.
- evaluated the presentation and adequacy of Note 14 Provision for warranty on the provisions.

Recoverability of trade receivables and contract assets

Trade receivables and contract asset balances were significant to the Group as they represent 65% of the total assets of the consolidated balance sheet. Trade receivables and contract assets amounted to \$63,528,000 and \$40,121,000 respectively as at 31 December 2019, against which an allowance for expected credit loss ("ECL") and impairment of \$2,293,000 and \$2,094,000 were made respectively. As at 31 December 2019, 38% 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, which is 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. These assessments involved significant management judgment and accordingly, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

KEY AUDIT MATTERS (CONTINUED)

Recoverability of trade receivables and contract assets (Continued)

As part of our audit, amongst other procedures, we:

- assessed the Group's processes and controls relating to the monitoring of trade receivables and contract assets and considered aging of trade receivables to identify collection risks.
- evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed 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.
- assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, notably through analyses of ageing of receivables and 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

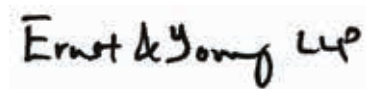
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Yeow Hui Cheng.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
26 March 2020

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		2019 \$'000	Company	
		2019 \$'000	2018 \$'000		2018 \$'000 (Restated)	1.1.2018 \$'000 (Restated)
Non-current assets						
Property, plant and equipment	4	4,294	2,147	364	403	457
Right-of-use assets	16	4,696	–	3,120	–	–
Intangible assets	5	795	774	709	774	838
Investments in subsidiaries	6	–	–	3,971	5,099	4,668
Long term trade and other receivables	10,17	473	1,727	415	1,687	762
Deferred tax assets	25	1,494	1,465	567	726	1,024
Derivative financial asset	40	–	–	–	–	1,952
		<u>11,752</u>	<u>6,113</u>	<u>9,146</u>	<u>8,689</u>	<u>9,701</u>
Current assets						
Stocks	7	9,728	17,802	3,375	11,186	10,005
Contract assets	8	40,121	35,684	12,671	15,065	16,225
Trade receivables	9	63,528	59,974	21,536	17,832	14,613
Other receivables, deposits and prepayments	10	20,384	17,368	15,469	11,721	8,141
Amounts due from subsidiaries						
– trade	11	–	–	17,821	15,436	16,522
– non-trade	11	–	–	8,901	5,677	8,523
Fixed deposits	28	2,259	3,528	–	2,467	–
Cash and bank balances	28	10,745	18,028	3,112	6,531	7,103
		<u>146,765</u>	<u>152,384</u>	<u>82,885</u>	<u>85,915</u>	<u>81,132</u>
Current liabilities						
Trade payables	12	38,592	32,146	13,398	11,704	10,249
Other payables and accruals	13	7,726	12,009	4,053	5,257	7,244
Contract liabilities	8	24,896	37,691	15,935	24,287	19,030
Amounts due to subsidiaries						
– trade	11	–	–	163	1,692	7
– non-trade	11	–	–	–	581	–
Short-term borrowings	15	16,500	5,500	16,500	5,500	11,300
Lease liabilities	16	652	–	160	–	–
Provision for taxation		694	2,178	–	1,251	1,618
Provision for warranty	14	1,222	1,996	867	1,058	1,550
		<u>90,282</u>	<u>91,520</u>	<u>51,076</u>	<u>51,330</u>	<u>50,998</u>
Net current assets		<u>56,483</u>	<u>60,864</u>	<u>31,809</u>	<u>34,585</u>	<u>30,134</u>
Non-current liabilities						
Lease liabilities	16	4,001	–	3,013	–	–
Defined benefit obligation	38	470	310	–	–	–
		<u>4,471</u>	<u>310</u>	<u>3,013</u>	<u>–</u>	<u>–</u>
Net assets		<u>63,764</u>	<u>66,667</u>	<u>37,942</u>	<u>43,274</u>	<u>39,835</u>
Equity attributable to equity holders of the Company						
Share capital	18	29,909	29,909	29,909	29,909	29,909
Revenue reserve		36,978	40,271	8,033	13,365	9,926
Translation reserve	19	(3,528)	(3,932)	–	–	–
Other reserve		405	419	–	–	–
		<u>63,764</u>	<u>66,667</u>	<u>37,942</u>	<u>43,274</u>	<u>39,835</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 2019

	Note	2019 \$'000	2018 \$'000 (Restated)
Revenue	8	144,386	166,500
Cost of sales		<u>(111,574)</u>	<u>(124,588)</u>
Gross profit		32,812	41,912
Distribution and selling expenses		(18,505)	(20,380)
Administrative expenses		(9,165)	(9,764)
Other income/(expenses)	20	<u>129</u>	<u>(1,809)</u>
Profit from operating activities	21	5,271	9,959
Finance income	23	332	322
Finance expenses	24	<u>(491)</u>	<u>(220)</u>
Profit before tax		5,112	10,061
Tax	25	<u>(1,167)</u>	<u>(3,771)</u>
Profit after tax		<u>3,945</u>	<u>6,290</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		404	235
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		<u>(14)</u>	<u>223</u>
Other comprehensive income for the year, net of tax		<u>390</u>	<u>458</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>4,335</u></u>	<u><u>6,748</u></u>
Earnings per share attributable to owners of the Company (cents per share)			
Basic	26 (a)	1.09	1.74
Diluted	26 (a)	<u>1.09</u>	<u>1.74</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 2019

	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 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>
At 1 January 2018	29,909	43,026	(4,167)	196	68,964
Profit for the year (as previously reported)	–	7,754	–	–	7,754
Adjustment (Note 40)	–	(1,464)	–	–	(1,464)
Profit for the year (as restated)	–	6,290	–	–	6,290
Other comprehensive income for the year	–	–	235	223	458
Total comprehensive income for the year (as restated)	–	6,290	235	223	6,748
<u>Contributions by and distributions to owners</u>					
Dividends (Note 27)	–	(9,047)	–	–	(9,047)
Dividends paid to preference shareholder by a subsidiary	–	(1,464)	–	–	(1,464)
Contributions by preference shareholder of a subsidiary	–	1,464	–	–	1,464
Refund of unclaimed dividends	–	2	–	–	2
Total contributions by and distributions to owners	–	(9,045)	–	–	(9,045)
At 31 December 2018	<u>29,909</u>	<u>40,271</u>	<u>(3,932)</u>	<u>419</u>	<u>66,667</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 2019

	Attributable to equity holders of the Company		
	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Company			
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>
At 1 January 2018 (as previously reported)	29,909	7,974	37,883
Effect of adjustment for fair value of derivative financial asset (Note 40)	–	1,952	1,952
At 1 January 2018 (as restated)	29,909	9,926	39,835
Profit for the year (as previously reported)	–	13,028	13,028
Adjustment (Note 40)	–	(544)	(544)
Total comprehensive income for the year (as restated)	–	12,484	12,484
<u>Contributions by and distributions to owners</u>			
Dividends (Note 27)	–	(9,047)	(9,047)
Refund of unclaimed dividends	–	2	2
Total contributions by and distributions to owners	–	(9,045)	(9,045)
At 31 December 2018 (as restated)	<u>29,909</u>	<u>13,365</u>	<u>43,274</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 2019

	Note	2019 \$'000	2018 \$'000 (Restated)
Cash flows from operating activities			
Profit before tax		5,112	10,061
Adjustments for:			
Amortisation of intangible asset	5	88	64
Bad debts written off		81	–
Depreciation of property, plant and equipment	4	758	642
Depreciation of right-of-use assets	16	957	–
Interest expense	24	491	220
Interest income	23	(332)	(322)
Net fair value loss on derivatives	21	48	34
Net gain on disposal of property, plant and equipment	21	(16)	(1)
Net allowance for contract assets	9	2,094	–
Stocks write-down/(write-back)	7	430	(5)
Net allowance/(write-back) for doubtful trade debts	9	1,484	(26)
Net write-back for warranty	14	(97)	(399)
Reduction of accrued dispute claims from a former employee		(1,258)	–
Pension cost	38	211	229
Operating profit before working capital changes		10,051	10,497
Decrease/(increase) in:			
Stocks		7,741	(1,190)
Contract assets		(6,467)	(133)
Trade receivables		(4,565)	13,319
Other receivables, deposits and prepayments		(3,734)	(2,844)
Increase/(decrease) in:			
Trade payables		5,334	1,284
Other payables and accruals		(2,994)	(1,335)
Contract liabilities		(12,865)	1,828
Provision for warranty		(690)	(405)
Effect of exchange rates changes		(9)	707
Cash (used in)/generated from operations		(8,198)	21,728
Income tax paid		(2,367)	(4,349)
Interest paid		(274)	(220)
Benefits paid out from pension fund	38	(40)	(5)
Net cash flows (used in)/generated from operating activities		(10,879)	17,154
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		22	–
Purchase of property, plant and equipment	4	(969)	(1,384)
Interest received		269	132
Decrease in deposits pledged		–	36
Net cash flows used in investing activities		(678)	(1,216)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	27	(7,238)	(9,047)
Dividends paid to preference shareholder by a subsidiary		–	(1,464)
Contributions by preference shareholder of a subsidiary		–	1,464
Refund of unclaimed dividends		–	2
Proceeds from bank loans		28,600	16,500
Repayment of bank loans		(17,600)	(22,300)
Repayment of lease liabilities		(819)	–
Net cash flows generated from/(used in) financing activities		2,943	(14,845)
Net (decrease)/increase in cash and cash equivalents		(8,614)	1,093
Effect of exchange rates changes on cash and bank balances		65	(200)
Cash and cash equivalents at beginning of year		21,463	20,570
Cash and cash equivalents at end of year	28	12,914	21,463

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 2019

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

The 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 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.16. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use-assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- 'Right-of-use assets' of \$5,671,000 were recognised and presented separately in the balance sheet.
- Additional lease liabilities of \$5,226,000 were recognised.
- 'Prepayments' of \$445,000 related to previous operating leases of were de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

Group	\$'000
Operating lease commitments as at 31 December 2018	7,694
Less: Commitments related to short-term leases	(252)
Less: Commitments related to leases of low-value assets	(83)
	<hr/> 7,359
Weighted average incremental borrowing rate	4.5%
Discounted operating lease commitments as at 1 January 2019	4,959
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	267
Lease liabilities as at 1 January 2019	<hr/> <hr/> 5,226

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 References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 <i>Definition of Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS (I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own 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 measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet 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 was measured.

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*

For consolidation purpose, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

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 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 90 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee benefits (Continued)

(b) Defined benefit plans (Continued)

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 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

(a) *As lessee (Continued)*

(ii) *Lease liabilities (Continued)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue (Continued)

(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 all criteria for acceptance have been satisfied.

(b) *Rendering of services*

(i) *Professional services*

The Group is in the business of providing design and engineering, installation and service of satellite infrastructure network and info-communications network infrastructure. Revenue from providing services is recognised over time, based on cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

(ii) *Maintenance services*

The Group provides maintenance services for network system and solutions. Maintenance revenue is recognised over time on a straight line basis over the specified contract period. Maintenance revenue received in advance is recognised as contract liabilities and recognised as income over the life of the maintenance contracts.

(c) *Turnkey project*

The Group is in the business of providing full suite of turnkey network and wireless solutions. The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue (Continued)

(c) *Turnkey project (Continued)*

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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes

(a) Current tax

Current 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 taxes are recognised in profit or loss except that tax relating to items recognised directly in equity is 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 income 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 temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 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 income tax assets are recognised for all deductible temporary differences, 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:

- where 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (Continued)

(b) *Deferred tax (Continued)*

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 reassessed 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.

Deferred income 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes 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:

- Where 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
- Receivables and payables that 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Derivative financial instruments (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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, apart from those involving estimations, which have the most significant effect on the amounts recognised in the 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 2019 are \$694,000 (2018: \$2,178,000) and \$1,494,000 (2018: \$1,465,000) respectively.

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 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 assessment contains significant management estimates and judgment such as the measurement of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(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 2019 are \$63,528,000 and \$40,121,000 (2018: \$59,974,000 and \$35,684,000) 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 2019 was \$1,222,000 (2018: \$1,996,000). 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 2019

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 2018	5,150	1,019	4,699	651	1,194	318	-	13,031
Additions	-	517	245	206	116	571	-	1,655
Disposals/written off	-	(2)	(20)	(19)	(337)	-	-	(378)
Currency realignment	-	(2)	(55)	(2)	(49)	(23)	-	(131)
At 31 December 2018 and 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	5,150	1,630	5,041	859	873	893	2,639	17,085
Accumulated depreciation								
At 1 January 2018	5,150	924	3,912	383	1,117	169	-	11,655
Charge for the year	-	86	355	68	34	99	-	642
Reclassification	-	-	-	-	-	206	-	206
Disposals/written off	-	(2)	(20)	(11)	(337)	-	-	(370)
Currency realignment	-	(2)	(42)	(4)	(44)	(11)	-	(103)
At 31 December 2018 and 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	5,150	1,146	4,555	523	761	656	-	12,791
Net carrying amount								
At 31 December 2018	-	526	664	400	154	403	-	2,147
At 31 December 2019	-	484	486	336	112	237	2,639*	4,294

* During the year, the Group purchased equipment amounting to \$2,639,000 which are held by Nera (Philippines), Inc. The equipment are currently work-in-progress 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 \$2,953,000 (2018: \$1,655,000). The cash outflow on acquisition of property, plant and equipment amounted to \$969,000 (2018: \$1,384,000). The remaining amount of \$1,984,000 (2018: \$271,000) were unpaid and is recorded in other payables as at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold building \$'000	Leasehold improvements \$'000	Plant and other equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At 1 January 2018	5,150	746	2,367	305	591	9,159
Additions	–	–	23	–	115	138
Disposals/written off	–	(2)	–	(10)	(337)	(349)
At 31 December 2018 and 1 January 2019	5,150	744	2,390	295	369	8,948
Additions	–	29	117	–	–	146
At 31 December 2019	5,150	773	2,507	295	369	9,094
Accumulated depreciation						
At 1 January 2018	5,150	719	2,023	228	582	8,702
Charge for the year	–	5	164	14	9	192
Disposals/written off	–	(2)	–	(10)	(337)	(349)
At 31 December 2018 and 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	5,150	727	2,332	244	277	8,730
Net carrying amount						
At 1 January 2018	–	27	344	77	9	457
At 31 December 2018	–	22	203	63	115	403
At 31 December 2019	–	46	175	51	92	364

As at 31 December 2019, 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

In FY2018, the security over leasehold building had been discharged after the repayment of non-current secured loans (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INTANGIBLE ASSETS

	Brand \$'000	Software \$'000	Total \$'000
Group			
Cost			
At 1 January 2018, 31 December 2018 and 1 January 2019	1,289	–	1,289
Reclassification from property, plant and equipment (Note 4)	–	109	109
At 31 December 2019	1,289	109	1,398
Accumulated amortisation			
At 1 January 2018	451	–	451
Amortisation	64	–	64
At 31 December 2018 and 1 January 2019	515	–	515
Reclassification from property, plant and equipment (Note 4)	–	12	12
Amortisation	65	11	76
At 31 December 2019	580	23	603
Net carrying amount			
At 31 December 2018	774	–	774
At 31 December 2019	709	86	795
			Brand \$'000
Company			
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019			1,289
Accumulated amortisation			
At 1 January 2018			451
Amortisation			64
At 31 December 2018 and 1 January 2019			515
Amortisation			65
At 31 December 2019			580
Net carrying amount			
At 1 January 2018			838
At 31 December 2018			774
At 31 December 2019			709

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 11 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES

	2019 \$'000	Company 31.12.2018 \$'000 (Restated)	1.1.2018 \$'000
Unquoted shares	5,869	5,869	5,438
Impairment loss	(1,898)	(770)	(770)
Carrying amount after impairment loss	3,971	5,099	4,668
Movement in impairment loss:			
At 1 January	770	770	770
Charge for the year	1,128	–	–
At 31 December	1,898	770	770

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		
			2019 %	31.12.18 %	1.1.18 %	2019 \$'000	31.12.18 \$'000 (Restated)	1.1.18 \$'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	100	1,000	1,000	1,000
Nera (Thailand) Limited ^(C) ^(D)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	100	100	100	1,406	1,406	975
Nera (Philippines), Inc. ^(E)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Philippines	100	100	100	1,128	1,128	1,128
Nera Infocom (M) Sch. Bhd. ^(F)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	100	225	225	225
P.T. Nera Indonesia ^(H)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	100	347	347	347

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest			Cost of Investment		
			2019 %	31.12.18 %	1.1.18 %	2019 \$'000	31.12.18 \$'000	1.1.18 \$'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	100	589	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	100	570	570	570
Nera (Malaysia) Sdn. Bhd. ^(†)	Sales, installation and maintenance of communications equipment	Malaysia	100	100	100	404	404	404
Nera Telecommunications (Myanmar) Company Limited ^(#)	Service, maintenance and leasing	Myanmar	100	100	100	133	133	133
Nera Telecommunications (Vietnam) Co., Ltd. ^(#)	Installation, maintenance, service and repair of info-communications and telecommunications equipment	Vietnam	100	100	100	67	67	67
						5,869	5,869	5,438
Held through Nera Networks (S) Pte Ltd								
Nera Telecommunications AS ^{(#) (®)}	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	100	100	100	-	-	-
Nera Telecommunications Maroc S.A.R.L AU ^{(†) (®)}	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	100	100	100	-	-	-
Nera Telecommunications (Pakistan) (Private) Limited ^{(#) (®)}	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	100	100	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest			Cost of Investment		
			2019 %	31.12.18 %	1.1.18 %	2019 \$'000	31.12.18 \$'000	1.1.18 \$'000
Nera Telecommunications FZ-LLC ^(*) (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	United Arab Emirates	100	100	100	-	-	-
Nera Networks Nigeria Limited ^(#) (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	100	100	100	-	-	-
Nera Telecommunications Holding (Thailand) Co., Ltd. ^(**) (#)(#)	Investment holding	Thailand	100	100	-	-	-	-

(β) 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. (See Note 40).

(iii) The Group held 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.

Impairment losses of \$1,128,000 (2018: Nil) was recognised to write-down the investment in Nera (Philippines), Inc. during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. STOCKS

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
Network equipment	9,728	17,802	3,375	11,186	10,005

At 31 December 2019, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to \$57,802,000 (2018: \$25,639,000) inclusive of stocks net write-down of \$430,000 (2018: net write-back of \$(5,000)).

8. REVENUE

(a) Disaggregation of revenue

Segments	WIN		NI		Total revenue	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	(Restated)				(Restated)	
Primary geographical markets						
Singapore	6,942	7,068	57,771	66,775	64,713	73,843
Malaysia	4,458	10,848	14,915	17,062	19,373	27,910
Philippines	3,767	3,609	7,033	9,419	10,800	13,028
Indonesia	3,245	4,932	14,342	5,226	17,587	10,158
Australia	–	–	1,250	4,783	1,250	4,783
Thailand	2,311	2,078	2,824	1,340	5,135	3,418
Pakistan	8,529	4,014	3,057	1,778	11,586	5,792
Morocco	5,894	7,542	–	–	5,894	7,542
Other EMEA countries	3,361	6,676	–	–	3,361	6,676
Others (including China)	3,724	7,918	963	5,432	4,687	13,350
	<u>42,231</u>	<u>54,685</u>	<u>102,155</u>	<u>111,815</u>	<u>144,386</u>	<u>166,500</u>
Major product or service lines						
Sale of equipment	9,424	12,392	27,238	38,135	36,662	50,527
Rendering of services	7,976	11,680	42,100	44,234	50,076	55,914
Turnkey project	24,831	30,327	32,817	29,446	57,648	59,773
Rental income	–	286	–	–	–	286
	<u>42,231</u>	<u>54,685</u>	<u>102,155</u>	<u>111,815</u>	<u>144,386</u>	<u>166,500</u>
Timing of transfer of goods or services						
At a point in time	9,424	12,392	27,238	38,135	36,662	50,527
Over time	32,807	42,293	74,917	73,680	107,724	115,973
	<u>42,231</u>	<u>54,685</u>	<u>102,155</u>	<u>111,815</u>	<u>144,386</u>	<u>166,500</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. REVENUE (CONTINUED)

(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 allocated the transaction price to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services based on their relative stand-alone selling prices. The standalone selling prices are determined based on estimated cost plus margin.

- (ii) Recognition of revenue from professional services and turnkey project over time

For rendering of professional services and turnkey projects where the Group satisfies its performance obligations over time, management has determined that cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relating to the total inputs expected to be incurred. The measurement of progress is based on the costs incurred to date as a proportion of the costs to be incurred to the satisfaction of the performance obligation.

The estimated total costs are based on contractual amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends for the amount incurred in its other similar services and projects.

- (iii) Estimating variable consideration for turnkey projects

In estimating the variable consideration for liquidated damages, the Group uses the most likely amount method to predict the liquidated damages. Management relies on historical experiences with similar turnkey projects, customers and geographical areas. Management has exercised significant judgment in estimating the amount of consideration to which it expects to be entitled and of which the amount are included in the contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainties are resolved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. REVENUE (CONTINUED)

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
Trade receivables (Note 9)	63,528	59,974	21,536	17,832	14,613
Contract assets	40,121	35,684	12,671	15,065	16,225
Contract liabilities	24,896	37,691	15,935	24,287	19,030

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to \$1,484,000 (2018: write-back of \$(26,000)).

The Group has recognised expected credit losses on contract assets arising from project billings in Philippines, which are credit impaired, amounting to \$2,094,000 (2018: Nil).

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.

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Contract assets reclassified to receivables	32,019	31,231	9,095	13,175
Changes in estimate of transaction price	–	876	–	847

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	19,661	30,926	10,226	17,166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. REVENUE (CONTINUED)

(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 2018 is \$125,734,000.

The Group expects to recognise \$135,194,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 in 2020 and 2021.

9. TRADE RECEIVABLES

	Group			Company	
	2019	2018	2019	31.12.2018	1.1.2018
	\$'000	\$'000	\$'000	\$'000	\$'000
				(Restated)	
Trade receivables	65,821	60,775	21,877	17,833	14,988
Less: Allowance for impairment of trade receivables	(2,293)	(801)	(341)	(1)	(375)
Total trade receivables	63,528	59,974	21,536	17,832	14,613
Add:					
Other receivables and deposits (excluding advance to suppliers, staff advances, prepayments and tax recoverable) (Note 10)	1,858	2,705	64	131	228
Cash and bank balances (Note 28)	10,745	18,028	3,112	6,531	7,103
Fixed deposits (Note 28)	2,259	3,528	–	2,467	–
Amounts due from subsidiaries	–	–	26,722	21,113	25,045
Long term trade receivables (Note 17)	415	1,687	415	1,687	762
Total financial assets carried at amortised cost	78,805	85,922	51,849	49,761	47,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. TRADE RECEIVABLES (CONTINUED)

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 \$7,315,000 and \$1,926,000 (2018: \$6,624,000 and \$1,451,000) respectively.

At the balance sheet date, trade receivables for the Group arising from export sales amounting to \$2,641,000 (2018: \$1,360,000) 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 entity's functional currency are included in the trade receivables for the Group and the Company:

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
US dollar	12,763	9,407	4,779	1,464	4,374
Euro	–	–	–	–	72
Other currencies	69	122	–	–	–

Expected credit losses

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

	Group	
	2019 \$'000	2018 \$'000
Movement in allowance accounts:		
At 1 January	801	924
Charge for the year	1,740	622
Written back	(256)	(648)
Written off	–	(83)
Currency realignment	8	(14)
At 31 December	2,293	801

The Group has recognised expected credit losses on contract assets (Note 8) arising from project billings in Philippines, which are credit impaired, amounting to \$2,094,000 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
Advances to suppliers	15,980	11,753	15,096	11,381	7,819
Deposits	1,459	1,658	52	22	20
Prepayments	513	583	309	209	79
Staff advances	19	–	–	–	–
Tax recoverable	2,072	2,367	–	–	15
Other debtors	399	1,047	12	109	208
	<u>20,442</u>	<u>17,408</u>	<u>15,469</u>	<u>11,721</u>	<u>8,141</u>
Non-current	58	40	–	–	–
Current	<u>20,384</u>	<u>17,368</u>	<u>15,469</u>	<u>11,721</u>	<u>8,141</u>
	<u>20,442</u>	<u>17,408</u>	<u>15,469</u>	<u>11,721</u>	<u>8,141</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 \$7,805,000 (2018: \$4,491,000) that bears interest from 3.500% to 6.402% per annum (2018: 3.190% to 4.270% 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 \$11,304,000 (2018: \$10,017,000) and a fair value loss on forward currency contracts amounting to \$48,000 (2018: \$34,000) which has been recognised in profit or loss as at 31 December 2019.

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

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
US dollar	12,938	12,795	7,105	6,935	5,509
Euro	539	764	411	456	214
Thai baht	121	–	121	–	106
Norwegian krone	193	169	–	53	–
Other currencies	354	–	2	–	25
	<u>354</u>	<u>–</u>	<u>2</u>	<u>–</u>	<u>25</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. OTHER PAYABLES AND ACCRUALS

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
Accrued payroll and staff expenses	4,572	8,607	3,137	4,748	6,290
Other accrued operating expenses	1,813	1,843	916	509	942
Other creditors	986	1,015	–	–	12
Withholding tax payables	355	544	–	–	–
Total other payables and accruals	7,726	12,009	4,053	5,257	7,244
Add:					
Trade payables	38,592	32,146	13,398	11,704	10,249
Amounts due to subsidiaries	–	–	163	2,273	7
Borrowings (Note 15)	16,500	5,500	16,500	5,500	11,300
Less:					
Withholding tax payables	(355)	(544)	–	–	–
Total financial liabilities carried at amortised cost	62,463	49,111	34,114	24,734	28,800

In FY2018, included in other payables and accruals was an accrual for dispute claims by a former employee. The labour authority in the subsidiary's country had issued a decision against the Company and its subsidiary and awarded the claim to the former employee. Subsequent to the decision, the Company filed an appeal against the authority's decision and the authority had dismissed the former employee's claim. The former employee then continued to file for an appeal to the Court of Appeals and the Company had already responded to that appeal.

The Court of Appeals had issued a decision against the former employee and a reduction on the accrual for dispute claims is recorded as part of administrative expenses in the current financial year.

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:

- (a) there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to be down;
- (b) the Group continues to work on projects and install equipment for customers in environment that are considerably more challenging;
- (c) the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and
- (d) there is a mismatch of the duration of the warranty coverage of at least six months or even longer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. PROVISION FOR WARRANTY (CONTINUED)

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

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
At 1 January	1,996	2,800	1,058	1,550	1,024
Provision for the year	1,588	2,836	867	2,099	1,430
Write-back of provision	(1,685)	(3,235)	(479)	(2,216)	(496)
Utilised during the year	(688)	(375)	(579)	(375)	(408)
Currency realignment	11	(30)	–	–	–
At 31 December	<u>1,222</u>	<u>1,996</u>	<u>867</u>	<u>1,058</u>	<u>1,550</u>

15. BORROWINGS

	Effective %	Maturities	Group		2019 \$'000	Company	
			2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
Short-term borrowings (unsecured):							
Singapore dollar floating rate bank loans	2.94% to 2.95%	January 2020	16,500	–	16,500	–	–
Singapore dollar floating rate bank loans	2.90% to 3.17%	January 2019	–	5,500	–	5,500	–
Singapore dollar floating rate bank loans	2.20% to 2.37%	January 2018	–	–	–	–	11,300
			<u>16,500</u>	<u>5,500</u>	<u>16,500</u>	<u>5,500</u>	<u>11,300</u>

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

	1 Jan 2019 (Restated)		Cash flows \$'000	31 Dec 2019 \$'000
	1 Jan 2019 \$'000	31 Dec 2019 \$'000		
Short-term borrowings (unsecured):				
– current	5,500	11,000	11,000	16,500
Lease liabilities	5,472	(819)	(819)	4,653
	<u>11,300</u>	<u>10,181</u>	<u>10,181</u>	<u>21,153</u>
Short-term borrowings (unsecured):				
– current	11,300	(5,800)	(5,800)	5,500
	<u>11,300</u>	<u>(5,800)</u>	<u>(5,800)</u>	<u>5,500</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	–	–	–
Impact upon adoption of SFRS(I) 16 Leases	5,440	231	5,671
Currency realignment	(26)	–	(26)
At 1 January 2019 (restated) and 31 December 2019	<u>5,414</u>	<u>231</u>	<u>5,645</u>
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	849	108	957
Currency realignment	(8)	–	(8)
At 31 December 2019	<u>841</u>	<u>108</u>	<u>949</u>
Net carrying amount			
At 31 December 2019	<u>4,573</u>	<u>123</u>	<u>4,696</u>
Company			
	Leasehold land \$'000	Plant and other equipment \$'000	Total \$'000
Cost			
At 1 January 2019	–	–	–
Impact upon adoption of SFRS(I) 16 Leases	3,141	215	3,356
At 1 January 2019 (restated) and 31 December 2019	<u>3,141</u>	<u>215</u>	<u>3,356</u>
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	132	104	236
At 31 December 2019	<u>132</u>	<u>104</u>	<u>236</u>
Net carrying amount			
At 31 December 2019	<u>3,009</u>	<u>111</u>	<u>3,120</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. LEASES (CONTINUED)

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

	Group 2019 \$'000	Company 2019 \$'000
At 1 January 2019	–	–
Impact upon adoption SFRS (I) 16 Leases	5,226	3,356
At 1 January 2019 (restated)	5,226	3,356
Accretion of interest (Note 24)	203	131
Payments	(819)	(314)
Currency realignment	43	–
As at 31 December 2019	<u>4,653</u>	<u>3,173</u>
	Group 2019 \$'000	Company 2019 \$'000
Current	652	160
Non-current	4,001	3,013
Total lease liabilities	<u>4,653</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 2019 \$'000
Depreciation expense of right-of-use assets	957
Interest expense on lease liabilities	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)	26
Total amount recognised in profit or loss	<u>1,190</u>

The Group has total cash outflows for leases of \$819,000 in FY2019.

17. LONG TERM TRADE RECEIVABLES

	Group		Company		
	2019 \$'000	2018 \$'000	2019 \$'000	31.12.2018 \$'000	1.1.2018 \$'000
Gross receivable	1,954	2,987	1,954	2,987	1,111
Less: Unearned finance income	(95)	(260)	(95)	(260)	(121)
At 31 December	<u>1,859</u>	<u>2,727</u>	<u>1,859</u>	<u>2,727</u>	<u>990</u>
Of which:					
Current	1,444	1,040	1,444	1,040	228
Non-current	415	1,687	415	1,687	762
At 31 December	<u>1,859</u>	<u>2,727</u>	<u>1,859</u>	<u>2,727</u>	<u>990</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. SHARE CAPITAL

	Group and Company			
	2019	2018	Number of shares	
	\$'000	\$'000	2019	2018
			'000	'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	
	2019	2018
	\$'000	\$'000
At 1 January	(3,932)	(4,167)
Current year translation	<u>404</u>	<u>235</u>
At 31 December	<u>(3,528)</u>	<u>(3,932)</u>
Net effect of exchange differences arises from:		
Translation of financial statements of foreign operations	<u>404</u>	<u>235</u>

20. OTHER INCOME/(EXPENSES)

	Group	
	2019	2018
	\$'000	\$'000
Amortisation of intangible asset	(88)	(64)
Foreign exchange gain/(loss), net	39	(1,725)
Government grants	48	66
Net gain on disposal of property, plant and equipment	16	1
Others	<u>114</u>	<u>(87)</u>
	<u>129</u>	<u>(1,809)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2019	2018
	\$'000	\$'000
Audit fees to:		
Auditors of the Company	198	154
Audit fees paid to other member firms of EY Global	54	55
Other auditors	47	77
Bad debts written off	81	–
Non-audit fees to:		
Auditors of the Company	43	31
Other auditors	22	10
Write-back for doubtful trade receivables	(256)	(648)
Impairment loss on trade receivables	1,740	622
Foreign exchange loss, net – forward currency contracts	48	34
Foreign exchange (gain)/loss, net – others	(87)	1,570
Net gain on disposal of property, plant and equipment	(16)	(1)

22. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	Group	
	2019	2018
	\$'000	\$'000
Wages, salaries and bonuses	14,152	18,911
Pension contributions	2,219	2,340
Termination benefits	29	–
Other personnel benefits	836	2,208
	17,236	23,459

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

23. FINANCE INCOME

	Group	
	2019	2018
	\$'000	\$'000
Interest income from:		
Bank deposits	144	132
Long term trade receivables	188	190
	332	322

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. FINANCE EXPENSES

	Group	
	2019	2018
	\$'000	\$'000
Interest expense	(288)	(220)
Interest on lease liabilities	(203)	–
	<u>(491)</u>	<u>(220)</u>

25. TAX

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

	Group	
	2019	2018
	\$'000	\$'000
Consolidated income statement:		
Current income tax:		
Current income taxation	925	2,731
Under/(over) provision in respect of previous years	288	(113)
Deferred income tax:		
Current year	49	650
Prior year	(95)	503
Income tax expense recognised in profit and loss	<u>1,167</u>	<u>3,771</u>

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	
	2019	2018
	\$'000	\$'000
Profit before tax from continuing operations	<u>5,112</u>	<u>10,061</u>
Tax at 17%	869	1,710
Tax effect of expenses that are not deductible in determining taxable profit	621	764
Under provision in respect of prior years	193	390
Difference in tax rates applicable to subsidiaries	(82)	(58)
Deferred tax assets not recognised by subsidiaries	548	1,169
Tax effect of income not subject to tax	(399)	(16)
Effect of change in tax rate	(5)	5
Tax exemption, incentives and rebates	(40)	(158)
Recognition of previously unrecognised tax losses	(366)	–
Others	(172)	(35)
Income tax expense	<u>1,167</u>	<u>3,771</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. TAX (CONTINUED)

Deferred tax as at 31 December related to the following:

	Group		Consolidated income statement		Company		
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	31.12.2018 \$'000	1.1.2018 \$'000
Deferred tax liabilities:							
Differences in depreciation of property, plant and equipment for tax purposes	(20)	(75)	(55)	24	(18)	(53)	(55)
Difference in amortisation of intangible assets	(121)	(131)	(10)	(11)	(121)	(131)	(142)
Right-of-use assets	18	–	(18)	–	9	–	–
	(123)	(206)			(130)	(184)	(197)
General provisions	1,217	1,603	386	994	558	910	1,221
Tax losses	349	–	(349)	146	139	–	–
Retirement benefit#	51	68	–	–	–	–	–
Net deferred tax assets	1,494	1,465			567	726	1,024
Net deferred tax (credit)/expense			(46)	1,153			

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

Changes in corporate tax rate from financial year 2019 and 2018 are as follows:

- Norway : from 23% to 22% (2018: from 24% to 23%)
- Pakistan : from 30% to 29% (2018: from 31% to 30%)

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately \$5,335,000 (2018: \$10,845,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. TAX (CONTINUED)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting year, no deferred tax liability (2018: 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 \$5,527,000 (2018: \$6,544,000). The deferred tax liability is estimated to be \$551,000 (2018: \$671,000).

Tax consequences of proposed dividends

There are no income tax consequences (2018: 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	
	2019	2018
	\$'000	\$'000
		(Restated)
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	3,945	6,290
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897	361,897

There have been no transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the completion of these financial statements.

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. DIVIDENDS

	Group and Company	
	2019	2018
	\$'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 0.5 cents (2018: 1 cent) per share	1,809	3,619
– A final exempt (one-tier) dividend paid in respect of the previous financial year of 1.5 cents (2017: 1.5 cents) per share	5,429	5,428
	<u>7,238</u>	<u>9,047</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 cents (2018: 1.5 cents) per share	1,809	5,428
	<u>1,809</u>	<u>5,428</u>

28. CASH AND CASH EQUIVALENTS

	Group		Company		
	2019	2018	2019	31.12.2018	1.1.2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed deposits	2,259	3,528	–	2,467	–
Cash and bank balances	10,745	18,028	3,112	6,531	7,103
Deposits pledged	(90)	(93)	–	–	–
Cash and cash equivalents in the cashflow statement	<u>12,914</u>	<u>21,463</u>	<u>3,112</u>	<u>8,998</u>	<u>7,103</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 3.00% (2018: 0.01% to 3.00%) per annum. Included in cash and cash equivalents are amounts totaling \$90,000 (2018: \$93,000) 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 0.5% to 3.13% (2018: 0.05% to 1.67%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		2019 \$'000	Company	
	2019 \$'000	2018 \$'000		31.12.2018 \$'000	1.1.2018 \$'000
US dollar	1,382	3,249	402	2,946	943
AU dollar	222	2,564	222	2,564	2,454
Euro	40	189	27	153	2
Thai baht	–	–	–	–	280
Libyan dollar	214	235	–	–	–
Norwegian krone	211	233	1	–	1
Other currencies	–	1	–	1	2

29. EMPLOYEE SHARE PLAN

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

During the financial year, no shares (2018: 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 2019, the Group has commitments under operating leases for equipment. The leases have remaining tenure of between 1 and 3 years. Operating lease income included in the consolidated statement of comprehensive income during the year amounted to \$357,000 (2018: \$286,000).

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

	Group	
	2019 \$'000	2018 \$'000
Not later than one year	379	335
Later than one year but not later than five years	567	857
	<u>946</u>	<u>1,192</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. CONTINGENT LIABILITIES

Guarantees

	Group and Company	
	2019	2018
	\$'000	\$'000
Bankers' guarantees issued by banks on behalf of subsidiaries	4,130	5,161

32. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2019	2018
	\$'000	\$'000
Directors of the Company:		
Directors' fees	270	270
Directors' remuneration	657	1,019
Defined contribution benefits	17	17
Key management:		
Key management's remuneration	1,057	1,663
Defined contribution benefits	55	81

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 2019

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.

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
Financial income					332
Financial 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. SEGMENT INFORMATION (CONTINUED)

Allocation basis and transfer pricing (Continued)

2018	WIN \$'000 (Restated)	NI \$'000	Adjustments \$'000	Notes	Total \$'000 (Restated)
Revenue	54,685	111,815			166,500
Cost of sales	(41,652)	(82,936)			(124,588)
Gross profit	13,033	28,879			41,912
Distribution and selling expenses	(8,419)	(11,961)			(20,380)
Administrative expenses	(4,280)	(5,484)			(9,764)
Other expenses	(1,016)	(793)			(1,809)
(Loss)/profit from operating activities	(682)	10,641			9,959
Financial income					322
Financial expenses					(220)
Profit before tax					10,061
Tax					(3,771)
Net profit for the year					6,290
Other information					
Segment assets	42,104	75,964	40,429	A	158,497
Segment liabilities	23,308	48,525	19,997	B	91,830
Capital expenditure	638	1,017			1,655
Depreciation and amortisation	536	170			706
Other non-cash income (*)	(73)	(357)			(430)

(*) Other non-cash (income)/expense includes net write-back for warranty, provision for stock obsolescence, net provision/(write-back of provision) for doubtful debt, net provision for contract assets 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:

	2019 \$'000	2018 \$'000
Deferred tax assets	1,494	1,465
Other receivables, deposits and prepayments	20,443	17,408
Cash and cash equivalents	10,745	18,028
Fixed deposits	2,259	3,528
	34,941	40,429

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

	2019	2018
	\$'000	\$'000
Defined benefit obligation	470	310
Other payables and accruals	7,726	12,009
Borrowings	16,500	5,500
Provision for taxation	694	2,178
	<u>25,390</u>	<u>19,997</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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore	64,713	73,843	4,608	2,869
Malaysia	19,373	27,910	142	190
Philippines	10,800	13,028	3,973	806
Indonesia	17,587	10,158	615	530
Australia	1,250	4,783	50	15
Thailand	5,135	3,418	412	177
Pakistan	11,586	5,792	354	23
Morocco	5,894	7,542	65	7
Other EMEA countries	3,361	6,676	33	13
Others (including China)	4,687	13,350	6	18
	<u>144,386</u>	<u>166,500</u>	<u>10,258</u>	<u>4,648</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 \$23,321,000 (2018: \$30,696,000), arising from revenue by the WIN and NI segments (2018: WIN and NI segments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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% (2018: 20%) of the Group's turnover and 56% (2018: 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 \$2,069,000 (2018: \$6,471,000) and \$652,000 (2018: \$5,664,000) 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 2019

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	
	2019	2018
	\$'000	\$'000
US dollar –		
– Strengthened 3% (2018: 3%)	1,094	1,043
– Weakened 3% (2018: 3%)	(1,094)	(1,043)
AU dollar –		
– Strengthened 3% (2018: 3%)	6	74
– Weakened 3% (2018: 3%)	(6)	(74)
Euro –		
– Strengthened 5% (2018: 5%)	43	75
– Weakened 5% (2018: 5%)	(43)	(75)

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 2019

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
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)
2018		
US dollar bank placements	(100)	(20)
AU dollar bank placements	(100)	(11)
Euro bank placements	(100)	(1)
Singapore dollar bank borrowings	(100)	55
US dollar bank placements	100	44
AU dollar bank placements	100	25
Euro bank placements	100	3
Singapore dollar bank borrowings	100	(55)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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.

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.

	2019				2018			
	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	63,528	415	–	63,943	59,974	1,687	–	61,661
Other receivables and deposits (excluding advances to suppliers, staff advances, prepayments and tax recoverable)	1,800	58	–	1,858	2,665	40	–	2,705
Cash and cash equivalents	10,745	–	–	10,745	18,028	–	–	18,028
Fixed deposits	2,259	–	–	2,259	3,528	–	–	3,528
Derivative financial instruments								
– Forward currency contracts	6,732	–	–	6,732	3,453	–	–	3,453
Total undiscounted financial assets	85,064	473	–	85,537	87,648	1,727	–	89,375
Financial liabilities:								
Trade payables	38,592	–	–	38,592	32,146	–	–	32,146
Other payables and accruals (excluding withholding tax payables)	7,371	–	–	7,371	11,465	–	–	11,465
Borrowings	16,542	–	–	16,542	5,509	–	–	5,509
Lease liabilities	652	1,399	2,602	4,653	–	–	–	–
Derivative financial instruments								
– Forward currency contracts	6,814	–	–	6,814	3,487	–	–	3,487
Total undiscounted financial liabilities	69,971	1,399	2,602	73,972	52,607	–	–	52,607
Total net undiscounted financial assets/(liabilities)	15,093	(926)	(2,602)	11,565	35,041	1,727	–	36,768

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2019				2018			
	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	21,536	415	–	21,951	17,832	1,687	–	19,519
Other receivables and deposits (excluding advances to suppliers, prepayments and tax recoverable)	64	–	–	64	131	–	–	131
Amounts due from subsidiaries	26,722	–	–	26,722	21,113	–	–	21,113
Cash and cash equivalents	3,112	–	–	3,112	6,531	–	–	6,531
Fixed deposits	–	–	–	–	2,467	–	–	2,467
Derivative financial instruments								
– Forward currency contracts	6,732	–	–	6,732	3,453	–	–	3,453
Total undiscounted financial assets	58,166	415	–	58,581	51,527	1,687	–	53,214
Financial liabilities:								
Trade payables	13,398	–	–	13,398	11,704	–	–	11,704
Other payables and accruals	4,053	–	–	4,053	5,257	–	–	5,257
Amounts due to subsidiaries	163	–	–	163	2,273	–	–	2,273
Borrowings	16,542	–	–	16,542	5,509	–	–	5,509
Lease liabilities	160	410	2,603	3,173	–	–	–	–
Derivative financial instruments								
– Forward currency contracts	6,814	–	–	6,814	3,487	–	–	3,487
Total undiscounted financial liabilities	41,130	410	2,603	44,143	28,230	–	–	28,230
Total net undiscounted financial assets/(liabilities)	17,036	5	(2,603)	14,438	23,297	1,687	–	24,984

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

	2019				2018			
	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 guarantees in relation to contracts	2,786	219	1,125	4,130	3,505	715	941	5,161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 365 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 2019

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; or

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 2019 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 geographical:

- (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 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 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

(i) Singapore (Continued)

	Contract Assets \$'000	Trade receivables Days past due			Total \$'000
		Current \$'000	Less than 90 days \$'000	More than 90 days \$'000	
		31 December 2018			
Gross carrying amount	15,065	9,229	5,540	4,717	34,551
Loss allowance provision	–	2	26	228	256

(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 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

	Contract Assets \$'000	Trade receivables Days past due			Total \$'000
		Current \$'000	Less than 90 days \$'000	More than 90 days \$'000	
		31 December 2018			
Gross carrying amount	20,619	21,511	10,847	8,931	61,908
Loss allowance provision	–	12	126	407	545

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

During the year, the Group wrote-off \$81,000 (2018: \$83,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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	
	2019	2018	2019	2018
≥ 25	Singapore	Singapore and Malaysia	Singapore	Singapore
>10 and <25	Malaysia and Morocco	Philippines and Morocco	–	–
≤ 10	Indonesia, Philippines and others	Indonesia, UAE and others	Pakistan, Philippines and others	Philippines, Korea and others

By industry

	Group				Company			
	2019		2018		2019		2018	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
Telecommunications	37,419	59	42,316	71	15,700	73	14,746	83
Government agencies	14,054	22	6,116	10	1,764	8	779	4
Media and broadcasting	1,507	2	1,599	3	133	1	151	1
Financial institutions	1,916	3	2,116	4	1,750	8	1,697	10
Multi-industry conglomerates	3,302	5	2,486	4	1,428	6	195	1
Hospitality	1,930	3	1,855	3	629	3	5	–
Others	3,400	6	3,486	5	132	1	259	1
	<u>63,528</u>	<u>100</u>	<u>59,974</u>	<u>100</u>	<u>21,536</u>	<u>100</u>	<u>17,832</u>	<u>100</u>

At the balance sheet date,

- 55% (2018: 56%) of the Group's trade receivables in Malaysia (2018: Malaysia) are due from a reputable telecommunication service provider; and
- 36% (2018: 37%) of the Group's trade receivables are due from 3 major customers in the Telecommunication industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

(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 2019				
	Financial liabilities				
Derivatives – Forward currency contracts	–	82	–	82	
At 31 December 2018					
Financial liabilities					
Derivatives – Forward currency contracts	–	34	–	34	

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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 2019 and 2018 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.

36. DERIVATIVES

	Group					
	2019			2018		
	\$'000			\$'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts	6,732	–	82	3,453	–	34

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar (2018: US dollar), against SGD for which firm commitments existed at the balance sheet date, extending to April 2020 (2018: February 2019).

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 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. CAPITAL MANAGEMENT (CONTINUED)

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	
	2019	2018
	\$'000	\$'000
Borrowings (Note 15)	16,500	5,500
Less: Cash and cash equivalent (Note 28)	(12,914)	(21,463)
Net debts/(cash)	<u>3,586</u>	<u>(15,963)</u>
Capital:		
Equity attributable to equity holders of the Company	<u>63,764</u>	<u>66,667</u>
Capital and net debt	<u>67,350</u>	<u>66,667</u>
Gearing ratio	<u>5%</u>	<u>-</u>

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 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

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 has 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	161	109	35	15	619	433	815	557
Fair value of plan assets	(345)	(247)	–	–	–	–	(345)	(247)
Net (asset)/liability arising from defined benefit obligation	(184)	(138)	35	15	619	433	470	310

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

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	109	131	15	53	433	503	557	687
Interest cost	9	7	1	2	39	35	49	44
Current service cost	15	13	12	12	155	160	182	185
Remeasurement losses/(gains):								
Actuarial changes arising from changes in financial assumptions	44	(21)	5	(2)	43	(210)	92	(233)
Actuarial changes due to experience adjustment	(16)	(17)	(1)	(52)	(21)	(20)	(38)	(89)
Benefit paid out	(2)	–	–	–	(38)	(5)	(40)	(5)
Exchange differences	2	(4)	3	2	8	(30)	13	(32)
At 31 December	161	109	35	15	619	433	815	557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

Changes in fair value of plan assets are as follows:

	Philippines plan	
	2019 \$'000	2018 \$'000
At 1 January	247	265
Contributions by employer	–	–
Benefits paid	(1)	–
Interest income	20	18
Remeasurement gains/(losses):		
Return on plan assets	8	(26)
Effect of asset ceiling	66	(2)
Exchange differences	5	(8)
At 31 December	<u>345</u>	<u>247</u>

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

	2019 \$'000	2018 \$'000
Investments in unit investment trust fund (“UITF”) – Philippines plan	<u>345</u>	<u>247</u>

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:

	2019	2018
<i>Discount rates:</i>		
Philippines plan	4.04%	7.70%
Thailand plan	1.94%	3.25%
Indonesia plan	8.00%	8.40%
<i>Expected rate of return on assets:</i>		
Philippines plan	N.A.	3.00%
<i>Future salary increases:</i>		
Philippines plan	6.00%	6.00%
Thailand plan	5.00%	5.00%
Indonesia plan	<u>8.00%</u>	<u>8.00%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

	2019 %	2018 %
<i>Mortality rate</i>		
Philippines plan	The 2001 CSO Table	The 2001 CSO Table
Thailand plan	75% of Thai Mortality Ordinary Table 2017	75% of Thai Mortality Ordinary Table 2017
Indonesia plan	Mortality Table of Indonesia 2011	Mortality Table of Indonesia 2011

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 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)

	Increase/(decrease)	31 December 2018		
		Philippines plan	Thailand plan	Indonesia plan
Discount rates	(Actual + 1.00%)	(9)	–	(46)
	(Actual – 1.00%)	11	–	56
	(Actual + 0.50%)	–	(1)	–
	(Actual – 0.50%)	–	2	–
Future salary increases	(Actual + 1.00%)	11	3	53
	(Actual – 1.00%)	(9)	(2)	(49)

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 13 years (2018: 12 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

(a) 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.

(b) Coronavirus outbreak

The Coronavirus outbreak subsequent to the reporting period is expected to impact the business of the Group. As the situation relating to the spread remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in FY2020.

40. RESTATEMENT OF FY2018 RESULTS

The results of FY2018 have been adjusted to reflect the return of dividend by a preference shareholder of a foreign subsidiary, which was previously reported as revenue. The return of the dividend has been deemed as a contribution by a preference shareholder of a foreign subsidiary.

The effect of the restatement on the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the financial year ended 31 December 2018 are summarised below.

	As per previously stated \$'000	Adjustments \$'000	As restated \$'000
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018			
Revenue	167,528	(1,028)	166,500
Cost of sales	(124,588)	–	(124,588)
Gross profit	42,940	(1,028)	41,912
Distribution and selling expenses	(20,380)	–	(20,380)
Administrative expenses	(9,474)	(290)*	(9,764)
Other expenses	(1,663)	(146)*	(1,809)
Profit from operating activities	11,423	(1,464)	9,959
Finance income	322	–	322
Finance expenses	(220)	–	(220)
Profit before tax	11,525	(1,464)	10,061
Tax	(3,771)	–	(3,771)
Profit after tax	7,754	(1,464)	6,290
Other comprehensive income for the year, net of tax	458	–	458
Total comprehensive income for the year attributable to owners of the Company	8,212	(1,464)	6,748

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. RESTATEMENT OF FY2018 RESULTS (CONTINUED)

	As per previously stated \$'000	Adjustments \$'000	As restated \$'000
Earnings per share attributable to owners of the Company			
(cents per share)			
Basic	2.14	(0.40)	1.74
Diluted	2.14	(0.40)	1.74
Consolidated Cash Flow Statement for the financial year ended			
31 December 2018			
Cash flows from operating activities			
Profit before tax	11,525	(1,464)	10,061
Operating profit before working capital changes	11,961	(1,464)	10,497
Cash flows from operations	23,192	(1,464)	21,728
Net cash flows from operating activities	18,618	(1,464)	17,154
Cash flows from financing activities			
Contribution by preference shareholder by a subsidiary	–	1,464	1,464
Net cash flows used in financing activities	(16,309)	1,464	(14,845)

* This relates to the processing fee and tax charges on the return of the dividend from the preference shareholder.

The Company entered into a share option agreement with the same preference shareholder on 30 December 2014, pursuant to which the preference shareholder granted the Company an option, exercisable at any time to purchase the preference shares. The existence of the option was not accounted for in the Company's separate financial statements previously. Accordingly, the Company has engaged external valuation expert, PricewaterhouseCoopers Risk Services Pte Ltd ("PwC") to perform a valuation of the option and recorded a derivative financial asset as at 1 January 2018.

The effect of the restatement on the Company's balance sheet as at 1 January 2018 is summarised below:

Balance Sheet as at 1 January 2018

Company	As per previously stated \$'000	Adjustments \$'000	As restated \$'000
Non-current assets			
Derivative financial asset	–	1,952	1,952
Equity			
Revenue reserve	7,974	1,952	9,926

The option was exercised on 26 December 2018. The fair value of the option as of exercise date was reclassified as cost of investment in the preference shares of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. RESTATEMENT OF FY2018 RESULTS (CONTINUED)

The effect of the restatement on the Company's balance sheet as at 31 December is summarised below:

Balance Sheet as at 31 December 2018

Company	As per previously stated \$'000	Adjustments \$'000	As restated \$'000
Non-current assets			
Investment in subsidiaries	4,668	431 [#]	5,099
Current assets			
Amounts due from subsidiaries – non-trade	4,700	977 ^{*#}	5,677
Equity			
Revenue reserve	<u>11,957</u>	<u>1,408</u>	<u>13,365</u>

* This relates to the return of the dividend from the preference shareholder which was held by a subsidiary on behalf of the Company.

The net amount of \$544,000 has been reflected as an adjustment in the Company's profit for FY2018 being processing fee, tax charges and changes in fair value in relation to the share option agreement. The difference of \$2,000 is due to foreign exchange differences.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 26 March 2020.

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2020

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	183	4.03	161,451	0.04
1,001 – 10,000	2,286	50.40	14,319,017	3.96
10,001 – 1,000,000	2,047	45.13	110,472,958	30.53
1,000,001 AND ABOVE	15	0.33	236,943,539	65.47
TOTAL	4,536	100.00	361,897,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	194,329,439	53.70
2	DBS NOMINEES PTE LTD	9,763,000	2.70
3	CITIBANK NOMINEES SINGAPORE PTE LTD	6,372,500	1.76
4	TAN BOON KHAK HOLDINGS PTE LTD	4,075,000	1.13
5	RAFFLES NOMINEES (PTE) LIMITED	3,925,100	1.08
6	POH KHENG MUI (FU QINGMEI)	3,152,600	0.87
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,010,800	0.83
8	OCBC NOMINEES SINGAPORE PTE LTD	2,951,600	0.82
9	TAN ENG YAM @TAN ENG ANN	1,662,600	0.46
10	TAN ENG YAM HOLDINGS PTE LTD	1,509,100	0.42
11	PHILLIP SECURITIES PTE LTD	1,388,000	0.38
12	OCBC SECURITIES PRIVATE LTD	1,358,500	0.38
13	LIM GECK CHIN MAVIS	1,300,000	0.36
14	ANG JUI KHOON	1,143,300	0.32
15	KIM LENG TEE INVESTMENTS PTE LTD	1,002,000	0.28
16	ESTATE OF MRS LIM NANCY NEE TAN NANCY, DECEASED	1,000,000	0.28
17	MAYBANK KIM ENG SECURITIES PTE. LTD	966,200	0.27
18	CHOW HUNG THOW	850,000	0.23
19	NG DARIEN	810,000	0.22
20	LEE YONG DENG	800,000	0.22
	TOTAL	241,369,739	66.71

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

<u>Name of Substantial Shareholders</u>	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>
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 12 March 2020, approximately 46.15% 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Ms Wong Su-Yen will be seeking re-election at the forthcoming Annual General Meeting of the Company (“AGM”) (the “**Retiring Director**”). Mr Basil Chan is proposed for appointment as a Director of the Company at the AGM (“**New Director**”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Director and New Director as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MS WONG SU-YEN	MR BASIL CHAN
Date of Appointment	23 December 2013	18 March 2020
Date of last re-appointment	26 April 2017	Not Applicable
Age	49	69
Country of principal residence	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 Ms Wong Su-Yen for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that she 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 Basil Chan for re-appointment as Independent 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 and independent	Non-Executive and independent
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Board and Nominating Committee and a member of the Remuneration Committee.	Chairman of the Audit and Risk Management Committee
Professional qualifications	Ms Wong holds BA (summa cum laude) from Linfield College and MBA from University of North Carolina at Chapel Hill. She is also a Fellow of the Singapore Institute of Directors.	Mr Chan holds a BSc Econ (Hons) degree majoring in Business Administration from the University of Wales Institute of Science and Technology and is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Institute of Singapore Chartered Accountants. He is also a Fellow of the Singapore Institute of Directors.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
Working experience and occupation(s) during the past 10 years	<p>2010-2015 – Chairman Singapore, Marsh & McLennan Companies</p> <p>2015-2017 – CEO, Human Capital Leadership Institute</p> <p>2018-present – CEO, Bronze Phoenix Pte Ltd</p>	2003 – Present Managing Director, MBE Corporate Advisory Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	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
Conflict of Interest (including any competing business)	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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)	<p>CEO, Human Capital Leadership Institute (2015-2017)</p> <p>Chairman Singapore, Marsh & McLennan Companies (2010-2015)</p>	<p>Independent Director, SBI Offshore Limited (2015-2016)</p> <p>Independent Director, Singapore eDevelopment Ltd (2014-2017)</p> <p>Independent Director, Yoma Strategic Holdings Ltd (2006-2017)</p>
Present	<p>CEO, Bronze Phoenix Pte Ltd</p> <p>Independent Director, Nera Telecommunications Ltd (2013-present)</p> <p>Independent Director, Yoma Strategic Holdings Ltd (2015-present)</p> <p>Independent Director, First Resources Limited (2019-present)</p>	<p>Independent Director, AEM Holdings Limited (2006-present)</p> <p>Independent Director, Grand Banks Yachts Limited (2011-present)</p> <p>Independent Director, Global Invacom Group Limited (2012-present)</p> <p>Independent Director, Memories Group Limited (2017-present)</p> <p>Independent Director, Broadway Industrial Group Ltd (2019-present)</p> <p>Independent Director, Nera Telecommunications Ltd (2020-present)</p> <p>Managing Director, MBE Corporate Advisory Pte Ltd (2003-present)</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
<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>		
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?	No	No
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?	No	No
c) Whether there is any unsatisfied judgment against him?	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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
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
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
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
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
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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <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>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MS WONG SU-YEN	MR BASIL CHAN
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
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

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