NERA

NERA TELECOMMUNICATIONS LTD

ANNUAL REPORT 2016

The Future of Communications

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INNOVATE

OUR DIGITAL TRANSFORMATION STRATEGIES ENABLE OUR CUSTOMERS TO RESPOND QUICKLY, EFFICIENTLY AND PROFITABLY TO THE CONSTANTLY CHANGING LANDSCAPE

The Digital Age has arrived.

Digital Transformation has brought about profound and far-reaching changes in the way technology solutions and services are being created, delivered and consumed. Digitalisation has become an integral part of the future global communications framework, and will continue to transform the way we communicate.

With over 38 years of experience, NERA TELECOMMUNICATIONS LTD is a leading Communications and Network Solutions Provider with local presence in over 16 countries in the Asia Pacific and Middle East North Africa regions. Together with industry leading technology partners, we provide our customers with cutting edge end-to-end Network and Wireless solutions, empowering them to enhance their business processes and deliver new innovative services and business models.

CHAIRMAN'S STATEMENT

The Group achieved $164.9 million in turnover from continuing operations, an increase of 22.3% from the $134.8 million recorded for FY2015.

MS WONG SU-YEN
Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd for the year ended 31 December 2016.

Economic Backdrop

In 2016, the global economy continued to grow at a lackluster rate (yet again). Advanced economies registered a decline in year-over-year growth, whilst emerging market and developing economies remained essentially flat. Market volatility was accompanied by political shocks around the world. Meanwhile, technology-driven disruption added to the uncertain environment.

Financial Highlights

Against this backdrop, for FY2016, the Group achieved $164.9 million in turnover from continuing operations, an increase of 22.3% from the $134.8 million recorded for FY2015. Profit before tax ("PBT") fell 66.7% from $15.6 million to $5.2 million, as higher operating expenses reflected a number of one-off items such as the booking of the former CEO's remuneration for the remaining service period in FY2016, as well as foreign exchange losses contributed by the devaluation of the Nigerian Naira against the US dollar.

Basic earnings per ordinary share for the year, based on the net profit from continuing operations attributable to shareholders, was recorded at 1.07 cents compared to 3.52 cents in FY2015. Net Asset value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, was recorded at 18.31 cents compared to 15.48 cents in FY2015.

For FY2016, the Group secured approximately $220.4 million in order in-take, an increase of 6.5% over the $207.0 million achieved in FY2015. The Group ended the year with $22.8 million in cash and cash equivalents.

Dividend

The Board is pleased to recommend a final one-tier tax exempt dividend of 0.5 cents per ordinary share for FY2016. This proposed dividend, if approved at the Annual General Meeting on 26 April 2017, will be paid on 25 May 2017.

With the divestment of our Payment Solutions business in FY2016, the Group was able to unlock shareholder value and sharpen our focus on our core businesses. A special dividend of 15 cents per ordinary share was paid out on 30 November 2016.

Looking Ahead

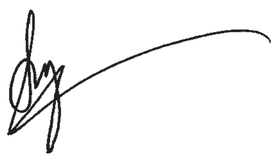
In the Telecommunications space, we believe that mobile operators will continue to invest in wireless network infrastructure to increase capacity, expand coverage and add new capabilities to support their customers' demand for mobile and broadband services. As the mobile internet revolution gains steam in emerging economies, our strong foothold positions us to capture demand as these markets develop. The industry, however, remains highly competitive with customers demanding lower capex and opex costs. We are optimistic that with our experience and comprehensive portfolio of wireless network solutions, we are well-positioned to meet the demands of our customers.

In the Infocomm space, we expect to see robust growth led by advances and innovations in mobile services, social networking, cloud and e-commerce. We are also seeing a renewed focus on network security solutions with the recent spate of high-profile cyberattacks and network security breaches. We will continue to build up our range of IP network infrastructure solutions and capabilities to better support our customers in both existing and new strategic markets.

Acknowledgements

We welcome on board the new acting CEO, Mr Beck Tong Hong, and are confident that he and his team will drive innovation and growth to lead the Group forward.

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 thanks to the Management and Staff for their dedication and commitment.



MS WONG SU-YEN
Chairman

ACTING CEO'S STATEMENT

The Group secured approximately $220.4 million in order in-take, an increase of 6.5% compared to $207.0 million in FY2015.

MR Beck Tong Hong
Acting CEO

BUSINESS REVIEW

FY2016 was a year of change for the NeraTel Group as we look towards the future. The Group secured approximately $220.4 million in order in-take, an increase of 6.5% compared to $207.0 million in FY2015. This increase was mainly contributed by the Network Infrastructure business, partially offset by the decline in the Payment Solutions business due to the divestiture of the business.

A turnover from continuing operations of $164.9 million was registered for the Group compared to $134.8 million in FY2015, an increase of 22.3%. This was attributed to a higher turnover from both the Infocomm and Telecom business segments. Profit before tax ("PBT") declined 66.7% from $15.6 million to $5.2 million, mainly due to lower gross profit, higher operating expenses and exchange loss arising from the devaluation of the Nigerian Naira against the US dollar by approximately 54%. Profit after tax ("PAT") decreased from $12.7 million to $3.9 million. At the end of the year, the Group registered positive cash and cash equivalents of $22.8 million compared to $21.0 million in FY2015, an increase of 8.6%.

The Telecom business segment recorded a turnover of $62.2 million in FY2016 compared to $57.8 million in FY2015, an increase of 7.6%. This increase was attributed to higher sales in the Asia Pacific markets, partially offset by lower sales in the Middle East and Africa markets.

The Infocomm business segment registered a turnover of $102.7 million in FY2016 compared to $77.0 million recorded in FY2015, an increase of 33.4%. This increase was attributed to higher sales of network equipment to the Service Provider market.

BUSINESS OUTLOOK

Telecommunications

The Telecommunications business segment comprises the Wireless Infrastructure Networks ("WIN") business area, encompassing microwave radio transmission systems, in-building solutions and wireless solutions.

Wireless Infrastructure Networks ("WIN")

The Group believes that the demand for microwave radio transmission products and services will continue to be mainly driven by mobile operators' investments in upgrading their existing networks. However, competition in the mobile industry will continue to intensify as operators are driving towards lower capex and opex spending. In addition, major global wireless equipment vendors are also competing aggressively against us, resulting in intense price competitions in all markets.

Nonetheless, we believe that the overall market outlook remains positive and the Group will continue to provide robust and comprehensive wireless infrastructure solutions to our customers. We remain focused in growing our core competencies and strengthening our solution offerings to address market demands, comprising point-to-point and point-to-multi-point microwave radio transmission systems, mobile coverage solutions, network offload solutions, as well as network performance and management solutions.

Infocommunications (Infocomm)

The Infocomm business segment comprises the Network Infrastructure business area, encompassing IP, Optical, Broadcast, Data Centre/Cloud Infrastructure and Network Security solutions.

Network Infrastructure

The Group believes that the robust growth in demand for internet traffic will continue and Service Providers will build, expand and upgrade their existing network infrastructure to provide a faster and more seamless experience for their end customers.

For the Enterprise and Government market sector, we believe our customers will also continue to further scale and upgrade the capabilities of their networks, with a renewed focus on data protection and network security. This will present us with business opportunities not only in network infrastructure, but also in network security.

With Public and Private Cloud gaining traction, the Group will also continue to build competencies and solutions and seek out opportunities in the domains of Data Centre, Software Defined Networking as well as Cloud Infrastructure.

Although competition in the network equipment market remains intense and fragmented, we will continue to focus on providing cost effective and high performance end-to-end network infrastructure solutions to differentiate ourselves from our competitors and better serve our customers in the various markets.

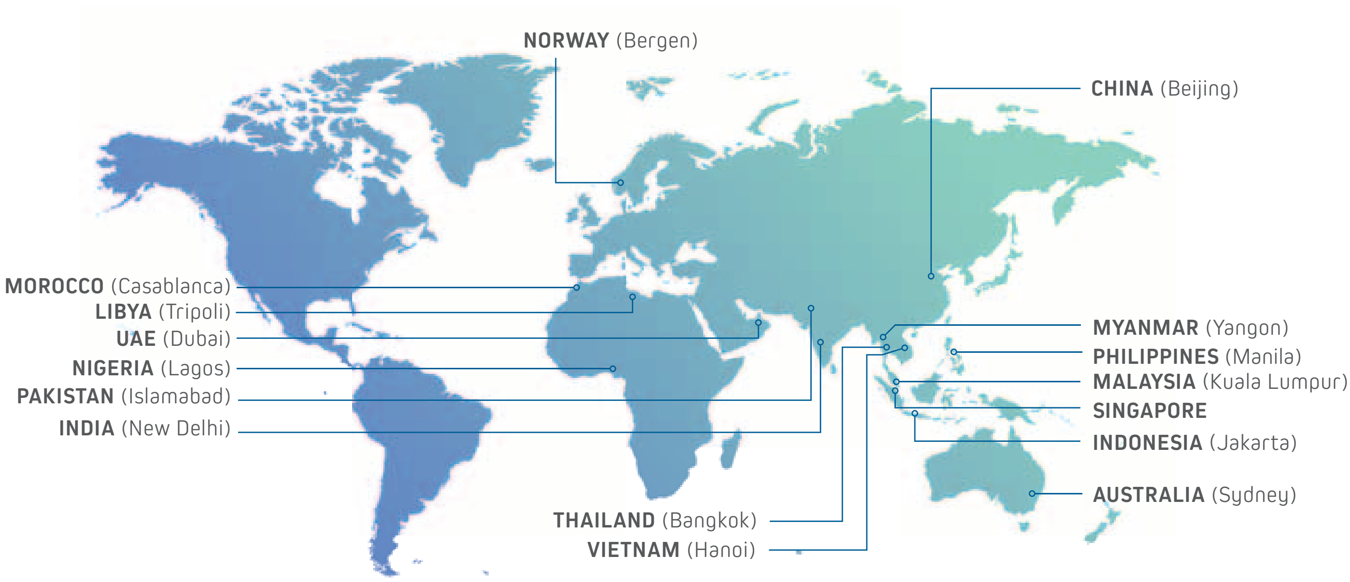
Finally, I would like to thank our customers, business partners and shareholders for their continued support during this leadership transition. I would also like to express my heartfelt thanks to the Board of Directors for their guidance and faith in my leadership, as well as to my colleagues for their continued contributions and commitments.

MR BECK TONG HONG
Acting CEO

IMPROVE

WE ARE FOCUSED TO GROW OUR CORE COMPETENCIES AND STRENGTHEN OUR SOLUTION OFFERINGS

GEOGRAPHICAL PRESENCE



NAME OF NERA TELECOMMUNICATIONS LTD SUBSIDIARY COMPANIES

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

SUBSIDIARIES OF NERA NETWORKS (S) PTE. LTD.

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

REPRESENTATIVE OFFICE

- Nera Telecommunications Ltd, Beijing Representative Office, China


INTEGRATE
WE USE THE BEST MIX OF TECHNOLOGY, TOOLS AND PROCESSES TO TAKE OUR CUSTOMERS TO THE NEXT LEVEL.

BOARD OF DIRECTORS

MS WONG SU-YEN (aged 46)
Independent Director since 23 December 2013
Chairman of the Board since 30 April 2014
Chairman, Nominating Committee since 23 December 2013
Member, Remuneration Committee since 23 December 2013
Last re-elected on 29 April 2014

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 is the Chief Executive Officer of the Human Capital Leadership Institute, and she serves as a Director at MediaCorp, Yoma Strategic Holdings, and NTUC First Campus. She is a Member of the Governing Council of the Singapore Institute of Directors, and a Member of the Remuneration and Nomination Committees at the National Kidney Foundation, Singapore.

Previously 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 a Senior Partner of Mercer, a global leader in human resource consulting and related financial services, and the Managing Director of Mercer in ASEAN. 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 TAN LYE HUAT (aged 68)
Independent Director since 28 January 2013
Chairman, Audit and Risk Management Committee since 2 April 2013
Member, Nominating Committee since 2 April 2013
Last re-elected on 28 April 2015

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 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 FIoD) of the Institute of Directors (IOD, UK). He attended the Executive Management Program at Columbia University and the International Directors' Course at INSEAD.

DR LEE KWOK CHEONG (aged 62)
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 28 April 2016

Dr Lee is the Chief Executive Officer of Singapore Institute of Management Pte Ltd and an Adjunct Professor at SIM University. 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. Currently, he is on the Boards of Singapore Institute of Management Pte Ltd and The TENG Ensemble Ltd as well as a Member of the Essential Domestic Services (EDS) Sub-Committee which was established by the SkillsFuture Singapore to take care of the Education and the Healthcare Industry Transformation Maps (ITMs). He also chairs IRAS Technical Advisory Panel.

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

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 and a Doctor of Science honoris causa by the University of London in 2016.

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

BOARD OF DIRECTORS

MR ASHISH JAIPRAKASH SHASTRY (aged 41)
Non-Executive Director since 28 January 2013
Member, Nominating Committee since 28 January 2013
Last re-elected on 28 April 2016

Mr Shastry is a Member and Head of Southeast Asia at KKR. Prior to joining KKR, Mr Shastry spent five years as a Managing Partner at Northstar Group and over 13 years at TPG Capital. At TPG Capital, Mr Shastry was based in Singapore and had responsibility over TPG's business in Southeast Asia. Before joining TPG, Mr Shastry was an investment banker at Lehman Brothers in New York.

Mr Shastry attended Princeton University and graduated with an A.B. degree in Economics (Honors).

MR TAN CHOON HONG (aged 43)
Non-Executive Director since 28 January 2013
Member, Audit and Risk Management Committee and Remuneration Committee since 28 January 2013
Last re-elected on 28 April 2015

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

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.

SENIOR MANAGEMENT

MR BECK TONG HONG, aged 44, is the Acting CEO of the Company. He is responsible for the overall performance of the NeraTel Group. He was previously the Vice President for Network Infrastructure business for the Group. He has more than seventeen years of working experience in business management, product management and large scale program management. He had worked in PT Smartfren Tbk, Singapore Telecommunications Ltd, and Defense Science Technology Agency of Singapore, prior to joining Nera. Mr Beck holds a Diplôme d'Ingénieur (Bachelor of Science) in Electrical and Electronics Engineering degree from Ecole Supérieure d'Ingénieurs en Génie Eléctrique and a Diplôme d'Etudes Approfondies (Master of Engineering degree) in Optoelectronics from Institut National des Sciences Appliquées de Rouen, both in France.

MS TAN GEOK LENG JACQUELINE, aged 48 is the Financial Controller. She is responsible for financial and reporting matters for the NeraTel Group and supports the NeraTel Group investor relations. She has more than twenty years of experience in finance and accounting in various industries such as telecommunications and information technology, packaging, property development, ship repair and electronics manufacturing. Ms Tan holds an honours degree in Commerce from the Flinders University of South Australia. She is also a member of CPA Australia.

DATO AHMAD FAUZAN HASHIM, aged 59, is the Managing Director for Nera (Malaysia) Sdn Bhd and Nera Infocom (M) Sdn Bhd. Mr. Fauzan has more than thirty-five years of working experience and had worked with Petronas, International Franchising and Philips before joining Nera in 1991. He obtained a Malaysian Government scholarship to study in the United States in 1975 and graduated with a Bachelor of Science (Business Administration) from the California State University, Chico and a Master of Administration (Business Administration) from the University of California, Riverside.

MR ODD KARE FOSSMO, aged 64, is the Managing Director of Nera Telecommunications AS and the Deputy Head of Wireless Infrastructure Networks. He oversees the NeraTel Group's business in the Middle East and Africa markets. He is responsible for the Group's Wireless Infrastructure Networks business. Mr Fossmo has more than thirty-nine years working experience mainly in the areas of project management and sales. Mr Fossmo holds a Bachelor degree of Electronics from Trondheim, Norway.

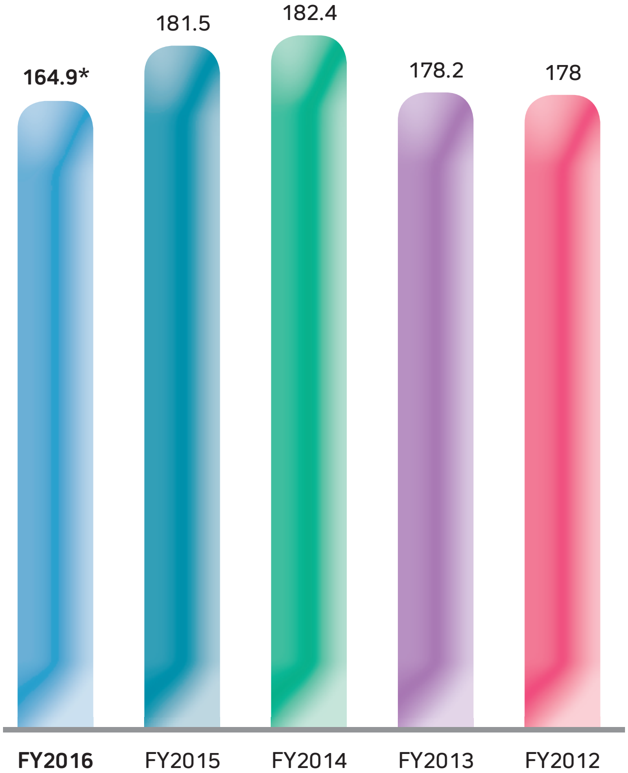
MR CHAN HENG CHEW MICHAEL, aged 51, is the Senior Vice President for Contracts & Corporate Secretariat. He is responsible for contractual, commercial risk management, contract matters and corporate secretarial functions of the NeraTel Group and also oversees the Group's business in the Philippines. He has more than twenty-six years of experience in marketing, logistics, investment, merger and acquisitions, business and corporate development in various industries such as shipping, healthcare, leisure, printing and publishing, telecommunications and information technology. Mr Chan holds a Bachelor of Science degree in Finance from the Indiana University and a Master of Business Administration degree from the Monash University.

MS NIKE PURMASARI KOSASIH, aged 40, is the Director and General Manager for PT Nera Indonesia. She is responsible for the Group's business in Indonesia. She has more than twenty years working experience in the telecommunications and information technology industry. She graduated with a Bachelor degree in Accounting from the Philippine School of Business Administration (PSBA) and STIE Nusantara.

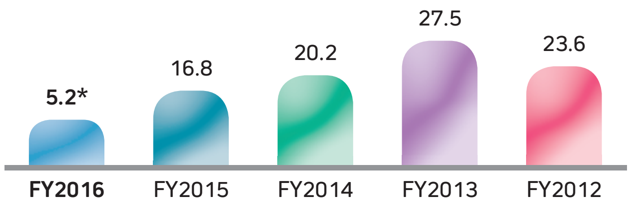
MR KOH SENG CHYE ROY, aged 57, is the Vice President for Indo-China Territory. He is responsible for the driving the Group's overall business activities in Myanmar, Thailand, and Vietnam. He has more than twenty five years working experience in product management, sales, and marketing in the oil and gas and information technology and telecommunications industry. Prior to joining Nera in 1991, he had worked in Keppel Shipyard Ltd and Crompton Instrument Pte Ltd. Mr Koh holds a Bachelor Degree in Commerce from the Curtin Technology University, Australia.

FINANCIAL HIGHLIGHTS

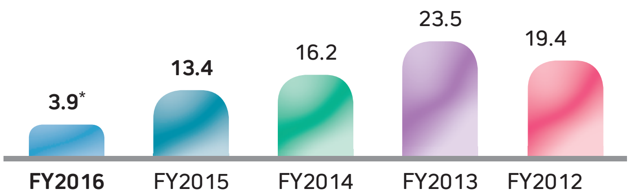
TURNOVER (S$M)



PROFIT BEFORE TAX (S$M)



PROFIT AFTER TAX (S$M)



* Turnover / Profit before tax / Profit after tax from continuing operations only

BUSINESS SEGMENT:
TELECOMMUNICATIONS

WIRELESS INFRASTRUCTURE NETWORKS (WIN)

We provide wireless infrastructure networks, end-to-end solutions and services in the wireless space. We address various market sectors such as Service Providers, ISPs, Broadcasters, Enterprises, Government Organisations, Offshore and Utilities. Our WIN portfolio covers in-building solutions, outdoor coverage enhancement, RF access network optimisation, benchmarking, 3G/LTE base stations, licensed and unlicensed point-to-point and point-to-multi-point microwave. We provide end to-end solutions such as 3G data offloading, RAN benchmarking, optimisation and QoS. These solutions cater to the needs of green field and brown field deployments.

Our world class Evo series microwave radio is built around a software defined core which enables a wide range of radio applications based on one common product platform. Supporting Native IP and TDM and managed by a single network management system, we are at the forefront of technology. NERA passive and active solutions are vendor agnostic and focus on delivering quality solutions for our customers' indoor coverage needs. Our outdoor solutions add tremendous value for improved total cost of ownership. With a comprehensive portfolio for RAN optimisation and performance benchmarking, we are very well poised to provide solutions and services to cellular operators aspiring to achieve high quality of experience.

3G/4G data offloading solutions using Wi-Fi are gaining a lot of traction with operators and we are uniquely positioned with a complete solution. Being vendor agnostic we are flexible in customising to customer needs and provide best of class products.

In addition, we undertake turnkey projects covering the complete life cycle of projects. Our highly trained and experienced resources provide planning, designing, installation, commissioning, testing and post sales services and support.

BUSINESS SEGMENT: INFOCOMMUNICATIONS

NETWORK INFRASTRUCTURE

To stay competitive, businesses are transforming into digital enterprises to meet the changing needs of their customers, employees, partners, and IT department.

Nera's Network Infrastructure division provides a full range of products, solutions and services to enable our customers to charge ahead in their digital transformation without sacrificing quality and security.

Cloud Network Infrastructure

With the increased adoption of Cloud Technologies within various business environments, we have expanded our portfolio to include both private and hybrid cloud solutions using a combination of OpenStack-powered cloud infrastructure and software. Our cloud solutions help deliver real-time virtual resources through automated and easy-to-use service portals, augmented by Software Defined Networking and Network Function Virtualisation for configuring and managing IP networks easily. We also provide managed services for our customers to easily add or remove nodes, manage multiple workloads and configure their networks in real time.

Network Security

With the increased instances of cybercrime worldwide, organisations are taking a more proactive approach towards network security. Our customers recognise that protecting their intellectual property, reputation and assets in today's digitalised world is becoming a top priority. As such, we have expanded our product portfolio to include a comprehensive suite of industry-leading security products, including Next Generation firewalls, Malware protection devices, Denial-of-Service protection solutions and Deep Packet Inspection products, enabling our customers to protect their networks comprehensively and effectively. In addition, we also provide network security testing services, including vulnerability management and penetration testing, to help our customers identify flaws in their networks that can potentially be exploited.

IP Networks

We provide high-performance IP networking products and solutions to enable Service Providers to deploy differentiated and cost effective digital applications, Enterprise customers to improve network accessibility and security, and Government Organisations to deliver services efficiently and securely.

Our IP networking product portfolio comprises of routers, switches, application performance monitoring solutions, network access control solutions, as well as network operating and management systems.

Optical Networks

In the Optical Networks domain, we provide carrier grade optical network solutions that cater to a full range of customers including Service Providers, Mobile Carriers, and Business Enterprises.

Our range of products includes high capacity digital cross connect systems, metro access applications, optical multi-service platforms, and mobile front-haul solutions. This comprehensive suite of products aims to provide our customers with seamless and cost effective solutions to enable higher data throughput in their digitalised network.

Broadcast Networks

Nera also provides various analogue and digital TV broadcast network infrastructure products, solutions and services to the Broadcasters and Service Providers. Our range of products includes content creation, acquisition, IP video transport solutions, encoders/multiplexers and distribution links.

HUMAN CAPITAL

TRAINING PROGRAMMES

Effective employee training program is vital to the long-term success of any business. Nera has a set of training programmes catering to the various categories and levels of our employees.

One of the main objectives of our training 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.

Nera pays a lot of focus on competencies development of our employees. Technical staff are encouraged to attain as many technical certifications as possible. Management staff are also encouraged to attend Leadership Development courses and programs such as Bizsafe trainings.

In addition, Nera has a set of special programs tailored to further develop our talents so that they are well prepared for future career advancement opportunities within the organisation.

COMMUNITY

At Nera, we believe in sharing our successes with the community, and developing a right balance between business performance and social engagement.

IMPLEMENT

WE PROVIDE CUTTING EDGE END-TO-END NETWORK AND EMPOWER OUR CUSTOMERS TO ENHANCE THEIR BUSINESS PROCESSES AND DELIVER NEW INNOVATIVE SERVICES

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 2016 with specific reference to each guideline of the Code of Corporate Governance 2012 (the "**Code**"). The Board confirms that the principles and guidelines of the Code have been adhered to except for the following where the deviations and explanations have been provided:–

(a) Guideline 8.4
(b) Guideline 11.4

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

Guideline 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'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

Sustainability issues

The Board recognises that to ensure business is sustainable; the Group has to strike a balance between its business needs and the need of the society and the environment in which the Group operates. The Board believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out to all stakeholders, from its employees to the community, and to be responsible stewards of its natural environment. The Company is taking initiative to comply with Rule 711A of SGX-ST Listing Manual to issue its sustainability report by end 2018.

Guideline 1.2

Objective Decision Making

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

Guideline 1.3

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.

Guideline 1.4

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 are circulated at least seven days in advance, with board papers and related materials dispatched within five working days before the meetings.

A record of the Directors' attendance at the Board and Board Committee meetings for the financial year ended 31 December 2016 is set out below:

	Board Meetings	Audit and Risk Management Committee	Remuneration Committee	Nominating Committee
Number of meetings held FY2016	4	4	1	2
Name of Directors	**Number of meetings attended**			
Ms Wong Su-Yen, Chairman	4	Nil	1	2
Mr Ashish Jaiprakash Shastry	3	Nil	Nil	2
Dr Lee Kwok Cheong	4	4	1	2*
Mr Tan Choon Hong	4	4	1	2*
Mr Tan Lye Huat	4	4	Nil	2
Mr Ang Seong Kang Samuel^	2	2*	1*	1*

* *Attended as invitees*

^ *Mr Ang Seong Kang Samuel resigned as Executive Director with effect from 24 October 2016.*

CORPORATE GOVERNANCE REPORT

Guideline 1.5

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.

Guideline 1.6

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, conference and seminars conducted by various Regulatory Authorities, Financial Institutions and Professional Consultants, including the Singapore Institute of Directors (SID), Security Investors Association Singapore (SIAS), Accounting and Corporate Regulatory Authority (ACRA), Centre for Non-Profit Leadership (CNPL), Investor Relations Professionals Association Singapore (IRPAS), Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA) and Institute of Singapore Chartered Accountants (ISCA). Funding is also provided in support of relevant training for Directors.

During FY2016, Mr Tan Lye Huat, Dr Lee Kwok Cheong, and Ms Wong Su-Yen attended the courses listed below, with attendance hours totalling approximately 74 hours in aggregate.

Political Leadership in digital age by PM of Luxembourg
Launch of the Board Guide
Sustainability Reporting Seminar
Corporate Governance for Independent Directors
Setting Up an Effective Follow-Up System for Audit Reports
SID Directors' Conference 2016
Singapore Accountancy Convention 2016
State of CG in Singapore
Feedback Sessions on ACRA's FRSP

CORPORATE GOVERNANCE REPORT

Director Self-assessment Tool
Launch of the Remuneration Committee Guide
ACRA-SGX-SID Audit Committee Seminar Raising The Bar For Financial Reporting And Audit
Launch of Singapore Directorship Report 2016
Singapore Governance & Transparency Index Forum
Board Chairmen's Conversation on Internet of Things
Dealing with Difficult Directors
IRPAS Forum on Board Diversity
Board Risk Committee Guide Launch and ASEAN Scorecard
Chairman's Conversation on Remuneration
Diversity Action Committee Report on "Women on Boards"

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

Guideline 1.7

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.

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

No new Director was appointed during the year under review.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Guideline 2.1

Independent Element of the Board

The Board comprises five Directors, two of whom are non-Executive Directors with another three of them being 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.

Guideline 2.2

Composition of Independent Directors on the Board

With the resignation of the sole Executive Director on the Board with effect from 24 October 2016, more than half of the Board including the Chairman are independent as at 31 December 2016.

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Guidelines 2.3 & 2.4

Independence of Directors

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

The NC, having considered the assessment made by the Directors on the independent status of Ms. Wong Su-Yen, Dr Lee Kwok Cheong and Mr Tan Lye Huat and other relevant factors, has determined that each has no relationship with the Company, its related corporations 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 judgement to the best interest of the Company. In this respect, the NC affirmed that Ms Wong Su-Yen, Dr Lee Kwok Cheong and Mr Tan Lye Huat remain as Independent Directors of the Company.

Guideline 2.5

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. Having reviewed and considered the composition 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
Dr Lee Kwok Cheong	Independent Director	Member	–	Chairman
Mr Tan Choon Hong	Non-Executive Director	Member	–	Member
Mr Ashish Jaiprakash Shastry	Non-Executive Director	–	Member	–
Mr Tan Lye Huat	Independent Director	Chairman	Member	–

The NC reviews, on an annual basis, the composition and size of the Board and each Board Committee, as well as the 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 Tan Lye Huat is a Chartered Accountant and is also a member of the Institute of Singapore Chartered Accountants and Chartered Fellow of the Institute of Directors (UK). Dr Lee Kwok Cheong, currently 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 9 and 10 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Guideline 2.6

Competency of the Board

To assist the NC in its annual review of the Directors' mix of skills 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.

Guideline 2.7

Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress in implementing such agreed business strategies are monitored by the Non-Executive Directors.

Guideline 2.8

Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. 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 CHIEF EXECUTIVE OFFICER

Guideline 3.1

Separate role of Chairman and 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.

The CEO, Mr Samuel Ang has tendered his resignation on 24 October 2016 and his final day of service with the Company shall be on 23 April 2018. The Board has appointed Mr Beck Tong Hong to serve as acting CEO to facilitate the transition of leadership.

The Chairman, Ms Wong Su-Yen, manages the business of the Board whilst the acting CEO, Mr Beck Tong Hong and his management team translate the Board's decisions into executive action. The acting CEO has executive responsibilities for the Group's business and is accountable to the Board.

The Chairman and acting CEO are not related.

CORPORATE GOVERNANCE REPORT

Guideline 3.2

Roles and Responsibilities of Chairman

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.

PRINCIPLE 4: BOARD MEMBERSHIP

Guideline 4.1

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)*
Mr Ashish Jaiprakash Shastry
Mr Tan Lye Huat*

* *Independent Director*

During the year, the NC held two scheduled meetings, 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; and

(e) To assess the effectiveness of the Board and contribution of each director to the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

Guideline 4.2

NC Responsibilities

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

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

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

The NC has recommended the nomination of Directors retiring under Article 87 of the Constitution of the Company, namely Mr Tan Lye Huat and Ms Wong Su-Yen for re-election at the forthcoming Annual General Meeting.

Mr Tan Lye Huat and Ms Wong Su-Yen had duly abstained from making recommendations on their own nominations.

Guideline 4.3

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 guidelines 2.3 and 2.4 above. The Board also recommends a maximum tenure for all Independent Directors of two consecutive terms of three years each.

Guideline 4.4

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 Directors had committed considerable time towards the many board meetings and board committee meetings held in FY2016 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

Guideline 4.5

Alternative Directors

There are currently no Alternative Directors on the Board.

Guideline 4.6

Process for the Selection and Appointment of New Directors

As mentioned in Guideline 2.5 above, the NC determines a suitable size and composition of the Board, and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the operations of the Company. For the appointment of a new Director, a rigorous search process is undertaken by the NC which evaluates the academic and professional qualifications, knowledge and experience in relation to the business of the Group, independence status and other directorships of the candidate(s). Subsequently, the NC makes a recommendation to the Board for approval of the new Director.

New Directors are at present appointed by way of Board resolution or 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.

Guideline 4.7

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 9 and 10.

PRINCIPLE 5: BOARD PERFORMANCE

Guideline 5.1

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, Committee Evaluation and 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.

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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.

Guideline 5.2

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;

(f) Performance of each Board Committee;

(g) Board interaction with CEO/Senior Management; and

(h) Board's standards of conduct

For FY2016, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

Guideline 5.3

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) knowledge of the Group's business and operations;

(b) business acumen;

(c) knowledge of Corporate Governance and Committee work;

(d) contribution and engagement;

(e) communication and interaction;

(f) integrity;

(g) any other special contributions made.

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 6: ACCESS TO INFORMATION

Guidelines 6.1 & 6.2

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. Board members will receive all Board papers not less than five days in advance of the meeting to enable them to have sufficient time to fully consider and deliberate issues to be considered at the meetings.

The Board has at all times separate and independent access to the Management and Company Secretary, 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.

Guideline 6.3

Board's Access to Company Secretary

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 also assists in coordinating the flow of information within the Board and Board Committees as well as between the Management and the Board. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

Guideline 6.4

Appointment and Removal of Company Secretary

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

Guideline 6.5

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.

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REMUNERATION MATTERS

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

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Guideline 7.1

Remuneration Committee and Terms of Reference

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

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

* *Independent 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. During the year, the RC held one meeting which was attended by all members.

The principal functions of the RC are:

(a) To review and recommend to the Board a general framework for remuneration for the directors, CEO and senior management of the Company;

(b) To recommend the remuneration of the Non-Executive Directors to the Board for approval at the Annual General Meeting;

(c) To determine specific remuneration packages for each Executive Director, CEO, Senior Management and any relative of a Director and/or its 10% 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 Directors, 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.

CORPORATE GOVERNANCE REPORT

Guideline 7.2

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.

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

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

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

Guideline 7.3

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.

Guideline 7.4

Service Contract

As at the date of this report, there is no service contract signed with any director.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Guideline 8.1

Remuneration of Key Management Personnel

The Company's remuneration structure for its 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 promote long term success of the Group.

For the purpose of assessing the performance of the Key Management personnel, key performance indicators ("KPIs") are set out for each year.

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Guideline 8.2

Long-term Incentive Scheme

To increase the Company's overall effectiveness in its continuing efforts to reward, retain and motivate employees whose contributions are essential to the well-being and prosperity of the Group, a long term incentive scheme ("LTI") has been implemented to promote an ownership mind set within the Group and provide further incentives to strive for long-term shareholder value. The LTI also serves as an additional motivational tool to recruit talented senior executives. Furthermore, the LTI will act as an enhancement to the Group's overall compensation packages, and will strengthen the Group's ability to attract and retain high performing talent.

Guideline 8.3

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 2016. The RC and the Board are of the view that the remuneration of the 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.

Guideline 8.4

Contractual Provisions

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Key Management personnel.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Guideline 9.1

Remuneration Report

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

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Guideline 9.2

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 2016. Shareholders' approval will be sought at the Annual General Meeting ("AGM") for such payment to be made to the Directors.

Remuneration Bands/Name of Directors	Fees (S$)	Salary (S$)	Bonus[2] (S$)	Total[1] (S$)
S$2,750,000 to S$3,000,000 Remuneration paid to Executive Director Mr Ang Seong Kang Samuel[1][2]	–	1,483,804*	1,497,700**	2,981,504
Below S$250,000 Fees paid to Independent and Non-Executive Directors				
Ms Wong Su-Yen	78,000	–	–	78,000
Dr Lee Kwok Cheong	54,000	–	–	54,000
Mr Ashish Jaiprakash Shastry	36,000	–	–	36,000
Mr Tan Choon Hong	48,000	–	–	48,000
Mr Tan Lye Huat	54,000	–	–	54,000
Total Directors' Remuneration	270,000 8%	1,483,804 46%	1,497,700 46%	3,251,504 100%

Notes:

[1] *Executive Director/CEO does not receive director's fee. Mr Ang Seong Kang Samuel resigned as Executive Director on 24 October 2016. In accordance to the terms of his employment agreement, his notice period is 18 months from the date of his resignation as CEO. His disclosed remuneration for FY2016 includes *$892,224 of accrued remuneration payable on a monthly basis from January 2017 to April 2018.*

[2] *FY2016 Total bonus includes incentive payment of **$954,800 to Mr Ang Seong Kang Samuel for divestiture of payment solutions business.*

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Guideline 9.3

Remuneration of Key Management Personnel

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

Name and Position of Key Management Personnel	Salary[1]	Bonus[2]	Total	Remuneration Band of S$250,000 and S$500,000
Beck Tong Hong Acting Chief Executive Officer	73%	27%	100%	S$250,000 – S$500,000
Chan Heng Chew Michael Senior Vice President, Contracts and Corporate Secretariat	65%	35%	100%	S$250,000 – S$500,000
Chiang Hock Chin Jessie Senior Vice President, Corporate Affairs & Staff	59%	41%	100%	S$250,000 – S$500,000
Mark Weng Kwai Financial Controller	64%	36%	100%	S$250,000 – S$500,000
Png Keng Geok Albert Vice President, Network Infrastructure Singapore	50%	50%	100%	S$250,000 – S$500,000
Total Remuneration of Top 5 Executives	62%	38%	100%	S$1,740,186

Notes:

(1) *Salary includes allowances and statutory contributions.*

(2) *Bonus includes statutory contributions.*

The Code recommends the full disclosure of the remuneration of the CEO to the nearest thousand dollars, and the disclosure of total remuneration of the top five highest paid key management personnel in aggregate. The information can be found in the Financial Statements of the Company/Group under Note 33, Compensation of key management personnel.

Guideline 9.4

Employee Related to Directors/CEO

There is no employee who is an immediate family member of a Director or the CEO, whose remuneration exceeded S$50,000 during the year.

Guideline 9.5

Employee Share Scheme

The LTI, approved at an extraordinary general meeting held on 29 April 2014, was put in place to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No shares were issued in FY2016.

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Guideline 9.6

Link between Remuneration and Performance

In determining the remuneration of the 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 Company's risk policies. For FY2016, the RC has evaluated the extent to which each of key management personnel management has delivered on the corporate and individual objectives and based on the evaluation, has approved the compensation for the key management personnel which were endorsed by the Board.

ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis to all stakeholders. In this respect, the ARMC reviews all financial statements and results announcements and recommends them to the Board for approval. In addition, the ARMC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

The Board is accountable to the shareholders and is committed to ensure compliance with the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company has on 24 February 2016 received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual. The undertakings replaced and superseded the ones previously signed by the Directors and executive officers which were announced by the Company on 5 November 2015. A similar undertaking has been executed by the acting CEO, Senior Vice President for Contracts & Corporate Secretariat, and the Financial Controller in their capacity as Executive Officers.

PRINCIPLE 10: PRESENTATION OF A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS

Guideline 10.1

Accountability for Accurate Information

In discharging its responsibility, the Board ensures that the Group's financial results provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects and that the results are released in a timely manner.

The Company has adopted quarterly results reporting. News releases and quarterly results announcements are published through SGXNET. Results for the first three quarters are released within 45 days from the end of the quarter, and full-year results within 60 days from the financial year end. For the full financial year under review, the Board will provide shareholders reassurance that in their opinion, the financial statements presented a true and fair view of the state of affairs of the Group and of the Company. For interim financial statements, the Board issued negative assurance statements in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

Guideline 10.2

Compliance with Legislative and Regulatory Requirements

The Board works closely with professionals to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST.

Guideline 10.3 Management Accounts

The Management updates the Board on the Group's business activities and financial performance through quarterly reports. Such reports compare the Group's actual performance against the approved budget and results of the previous year and where appropriate, against forecast. They also highlight key business indicators and major issues that are relevant to the Group's performance from time to time, in order for the Board to make balanced and informed assessments of the Group's performance, position and prospects.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Guideline 11.1

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 AC was re-designated as the ARMC 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 classified under two categories, namely Financial risk and Operational risk. 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.

CORPORATE GOVERNANCE REPORT

Guideline 11.2

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. On an annual basis, the Group engages the professional firm Foo Kon Tan Advisory Services Pte Ltd ("FKTAS") to evaluate and report to the Board on the Group's risk profile, evaluation results and counter-measures to mitigate or transfer identified potential risks.

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.

Guideline 11.3

Board's Comment on Adequacy and Effectiveness of 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 controls and internal controls established and maintained in the Company, the work performed by the internal auditors, statutory audit review undertaken by the external auditors, the written representation from the acting CEO and Financial Controller providing assurance that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, reviews performed by Management and the various Board Committees, and notwithstanding an isolated incident of one staff member in the Philippines who was found to have circumvented controls that are in place, the Board, with the concurrence of the ARMC, is of the opinion that

(a) the financial records have been properly maintained and nothing has come to the Board's attention which may render the financial statements to be false or misleading in any material aspect; and

(b) the Group's risk management and internal control systems are adequate and effective as at 31 December 2016 to address the risks relating to financial, operational, compliance and information technology controls which the Group considers relevant and material to its operations.

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 judgement in decision-making, human error, fraud or other irregularities.

Guideline 11.4 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 Audit Committee was renamed as Audit and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 12: ESTABLISHMENT OF AUDIT COMMITTEE WITH WRITTEN TERMS OF REFERENCE

Guideline 12.1

ARMC Membership

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

Mr Tan Lye Huat, Chairman	(Independent and Non-Executive)
Dr Lee Kwok Cheong	(Independent and Non-Executive)
Mr Tan Choon Hong	(Non-Independent and Non-Executive)

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

Guideline 12.2

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 Tan Lye Huat, is a Fellow of the Association of Chartered Certified Accountants, a member of the Institute of Singapore Chartered Accountants and Chartered Fellow of the Institute of Directors (UK). 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.

Guidelines 12.3 & 12.4

Roles, Responsibilities and Authorities of ARMC

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

The key functions of the ARMC are:

(a) Review the adequacy and effectiveness of financial, operational, compliance controls and risk management;

(b) To consider the appointment and re-appointment of the external auditors, audit fee and matters relating to the removal of the auditors;

(c) To review the audit plans and reports of the internal and external auditors and consider the effectiveness of the actions taken by Management on the auditors' recommendations, review and evaluate the Group's internal accounting controls system;

CORPORATE GOVERNANCE REPORT

(d) 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 judgements

(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

(e) 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;

(f) To review Interested Party Transactions;

(g) To review the scope and results of the internal audit procedures; and

(h) 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 FY2016, 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. The Company has maintained a whistle-blowing register to record all the whistle-blowing incidents. The contents including "nil" returns in the register is reviewed by the ARMC at its quarterly meetings.

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.

CORPORATE GOVERNANCE REPORT

Guideline 12.5

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.

Guideline 12.6

Independence of External Auditors

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

The ARMC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors and the ARMC was of the view that the non-audit services (namely for tax and divestiture of business) provided by the external auditors in FY2016 did not prejudice their objectivity and independence.

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 FY2016	$'000	% of Total Fees
Total Audit Fees	129	43
Total Non-Audit Fees	169	57
Total Fees Paid	298	100

The Company has complied with SGX-ST Listing Rules 712, 715 and 716 in relation to the appointment of its auditors.

Guideline 12.7

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 plausible improprieties in matters of financial reporting, etc, may be raised. A Whistle-blowing Committee ("WBC") had been established for this purpose. In addition, e-mail addresses are provided for the whistle-blowers to contact the WBC and the ARMC directly.

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.

CORPORATE GOVERNANCE REPORT

Whistle-blowing Committee ("WBC")

The WBC consists of:

- Acting CEO
- Vice President, Corporate Affairs and Human Resource
- Financial Controller

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. A copy of the Whistle-blowing Policy has been disseminated to all staff to encourage the report of 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 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.

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 2017.

Guideline 12.8

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 rules and other codes and regulations which can have an impact on the Group's business and financial statements.

Guideline 12.9

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.

CORPORATE GOVERNANCE
REPORT

PRINCIPLE 13: INDEPENDENT INTERNAL AUDIT FUNCTION

Guidelines 13.1 & 13.2

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 FKTAS. The Board has approved the recommendation of the ARMC to re-engage FKTAS as IA of the Company. 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.

Guidelines 13.3 & 13.4

Internal Audit Function

The Company's internal audit function is independent of the activities it audits. The IA, FKTAS, is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The internal audit is performed in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

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

Guideline 13.5

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 to address any internal control inadequacies identified.

PRINCIPLE 14: SHAREHOLDER RIGHTS

Guideline 14.1

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.

Guideline 14.2

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.

CORPORATE GOVERNANCE REPORT

Guideline 14.3

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.

The Company will amend its Constitution to allow no limit to be imposed on nominee companies in accordance with the Companies Amendment Act.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Guideline 15.1

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.

Guideline 15.2

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.

Guideline 15.3

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 Annual General Meetings are forwarded to all shareholders of the Company. Notices of Annual 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 Annual General Meeting. At the Annual General Meeting, 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

Guideline 15.4

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, RHT Corporate Advisory Pte Ltd, was appointed by the Company to ensure the satisfactory procedure of the electronic polling process and to direct and supervise the counting of votes during the last Annual General Meeting held in 2016.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Guideline 16.1

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.

Guideline 16.2

Separate Resolutions at General Meetings

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.

Guideline 16.3

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.

Guideline 16.4

Minutes of General Meetings

The minutes of General Meetings, are available to shareholders upon written request.

CORPORATE GOVERNANCE REPORT

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 – listing Manual Rule 1207(19)

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

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

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

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

Material Contracts

Pursuant to Rule 1207.8 of the Listing Manual issued by SGX-ST, no material contract had been entered to by the Company or its subsidiaries involving the interests of the ex-CEO, Acting 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 2016.

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 sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement 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 2016 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.

DIRECTORS

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

Wong Su-Yen (Chairman)
Tan Lye Huat
Lee Kwok Cheong
Ashish Jaiprakash Shastry
Tan Choon Hong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' 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:

	Direct interest		Deemed interest	
Name of directors	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of The Company				
Ashish Jaiprakash Shastry	–	–	193,173,439*	193,173,439*

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Name of directors	Direct interest: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
Ordinary shares of the immediate holding company				
Ashish Jaiprakash Shastry	–	–	11**	11**
Ordinary shares of the ultimate holding company				
Ashish Jaiprakash Shastry	3	3	–	–

* Shares are held through the immediate holding company where Ashish Jaiprakash Shastry has 100% interest.
** Shares are held through the ultimate holding company where Ashish Jaiprakash Shastry has 100% interest.

Name of directors	Direct interest: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
Subsidiaries				
Nera Payment Solutions Pte Ltd				
Ordinary shares of SGD 1 each				
Ashish Jaiprakash Shastry	–	–	2	–***
Nera Networks (S) Pte Ltd				
Ordinary shares of SGD 1 each				
Ashish Jaiprakash Shastry	–	–	1,000,000	1,000,000
Nera (Thailand) Ltd				
Ordinary shares of BHT 100				
Ashish Jaiprakash Shastry	–	–	102,900	102,900
Nera Telecommunications (Australia) Pty Ltd				
Ordinary shares of AUD 1 each				
Ashish Jaiprakash Shastry	–	–	500,000	500,000
Nera (Malaysia) Sdn Bhd				
Ordinary shares of RM 1 each				
Ashish Jaiprakash Shastry	–	–	100,000	100,000
Nera Infocom (M) Sdn Bhd				
Ordinary shares of RM 1 each				
Ashish Jaiprakash Shastry	–	–	500,000	500,000

*** On 20 May 2016, the Company divested its wholly owned subsidiary group, Nera Payment Solutions Pte Ltd and its subsidiaries ("NPS Group Companies").

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Direct interest		Deemed interest	
Name of directors	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Nera (Philippines) Inc.				
Ordinary shares of Peso 100 each				
Ashish Jaiprakash Shastry	–	–	252,500	252,500
P.T. Nera Indonesia				
Ordinary shares of US$2,000 each				
Ashish Jaiprakash Shastry	–	–	100	100
Nera Telecommunications (Taiwan) Co., Ltd				
Ordinary shares of NT$10 each				
Ashish Jaiprakash Shastry	–	–	1,000,000	–
Nera Telecommunications (India) Pvt Ltd				
Ordinary shares of 10 Rupees each				
Ashish Jaiprakash Shastry	–	–	1,500,000	1,500,000
Nera Telecommunications (Myanmar) Co Ltd				
Ordinary shares of US$100 each				
Ashish Jaiprakash Shastry	–	–	999	999
Nera Telecommunications (Vietnam) Co Ltd				
Ashish Jaiprakash Shastry	–	–	US$50,000	US$50,000

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 2017.

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 at the end of the financial year or on 21 January 2017.

DIRECTORS' STATEMENT

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.

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

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.

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

Tan Choon Hong
Director

Singapore
28 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, 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 sheet and the statement 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 Financial Reporting Standards in Singapore (FRSs) 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 2016 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 judgement, 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.

Revenue recognition

The Group recognises revenue from contracts by reference to the stage of completion of the individual contract activity at the end of each reporting period, when the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost to be incurred. The subjectivity involved in these assessments means that the refinement calculations may have a significant impact on the results of the Group. This assessment process contains significant management estimates and judgement. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (Continued)

As part of our audit, we:

- evaluated the design and tested the effectiveness of selected internal controls with respect to project management, the project results estimation process, and accounting for revenue from contracts.

- performed procedures on projects, on a sample basis, relating to contractual terms and conditions, revenue and costs incurred. We performed procedures with respect to project calculations and result forecasts, and management's assessment thereof. In connection with this, we discussed any ongoing disputes and related estimation uncertainties with the Group's various project officials and management.

- examined project documentation and discussed the status of projects in progress with the management, finance and the project heads. We 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. We assessed the achievability of the forecasted results of the projects, including the effect of variation orders, contingencies and known technical issues.

- assessed the mathematical accuracy of the revenue and profit based on the percentage of completion calculations.

- assessed management's assumptions in determining the percentage of completion of a project, estimations to revenue and costs, and provisions for loss making projects or provisions for billed receivables by discussing and reviewing correspondence with customers, considering consistency of similar estimates made in previous years and obtaining the latest contractual information.

- evaluated the presentation and disclosure of significant accounting policies for revenue from contracts, work-in-progress and the related risks (credit risk, liquidity risk and the aging of receivables) in Notes 2.20, 2.15, 20, 8 and 35.

Provisions for warranty and accrued costs

As of 31 December 2016, the provisions for warranty and accrued costs amounted to $2,176,000 and $27,224,000 respectively. A provision is recognised for expected warranty claims on goods and services sold in the past 18 months 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 utilisation trend. Depending on the complexity of the network, the whole integration process can take six months to one year and the duration of the warranty coverage can extend up to six months or even longer. Accordingly, management applies significant judgement in determining how long the provisions needs to be established. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

- there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to be down;

- the Group continues to expand into new countries where the environments in which the equipment were installed are considerably more challenging; and

- the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments.

INDEPENDENT
AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

KEY AUDIT MATTERS (CONTINUED)

Provisions for warranty and accrued costs (Continued)

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 sighting supporting documents such as historical utilisation trends, customers' complaints and through inquiry of operations personnel.

- assessed the consistency of management's bases and assumptions for determining the provisions for warranty and accrued costs applied throughout the Group.

- checked arithmetic accuracy of management's computation of the provisions for warranty and accrued costs.

- evaluated the presentation and adequacy of Notes 14 and 12 on the provisions.

Recoverability of trade receivables

Trade receivables balances were significant to the Group as they represent 47% of the total of the consolidated balance sheet. Trade receivables amounted to $11,614,000 as at 31 December 2016 are aged more than 90 days. The agreed contract terms of contract are complex and could lead to disputes with customers, resulting in overdue trade receivables. In addition, trade receivables impairment assessment requires significant management judgement. As such, we determined that this is a key audit matter.

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. The Group's management supports subsidiaries in setting credit limits for customers and approves such limits above certain thresholds where applicable. Given the nature of the businesses and requirements of both suppliers and customers, various shipping terms are in place which impacts the timing of revenue recognition.

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

- assessed the Company's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks.

- obtained evidence of receipts subsequent to the year end from the customers.

- assessed management's assumptions used to calculate the trade receivables impairment amount, notably through analyses of aging of receivables, assessment of significant overdue trade receivables taking into consideration their specific profiles and risks.

- assessed the adequacy of the disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 9 and 35.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

KEY AUDIT MATTERS (CONTINUED)

Divestiture of subsidiaries

During the financial year, the Company divested its wholly owned subsidiary group, Nera Payment Solutions Pte Ltd and its subsidiaries ("NPS Group Companies"). Note 16 to the financial statements discloses the gain on divestiture of the NPS Group Companies of $66,128,000, as well as the results from and cash flows attributable to the discontinued operations. The subsidiaries are significant to the Group and this divestiture, being a material transaction, has been identified as a key audit matter.
As part of our audit, we:

- obtained and reviewed the Sale & Purchase Agreement to understand the terms and conditions of the agreement, including representations and warranties given to the acquirer.
- evaluated management's computation of the gain on divestiture of subsidiaries and reviewed management's consolidation of the results of NPS Group Companies up to the date of divestiture.
- evaluated management's assessment of whether any provision needs to be made for representations and warranties given to the acquirer.
- verified the cash consideration received during the year.
- assessed that presentation and disclosures relating to the discontinued operations in Note 16 is in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF NERA TELECOMMUNICATIONS LTD

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

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 Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
28 March 2017

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	4	**2,077**	14,156	**863**	1,391
Intangible asset	5	**903**	967	**903**	967
Investments in subsidiaries	6	**–**	–	**4,668**	4,801
Long term trade receivables	17	**990**	–	**990**	–
Deferred tax assets	26	**1,622**	1,546	**21**	–
		5,592	16,669	**7,445**	7,159
Current assets					
Stocks	7	**77**	7,601	**–**	1
Contract work-in-progress	8	**33,158**	27,183	**16,432**	10,823
Trade receivables	9	**65,864**	72,578	**13,241**	12,500
Other receivables, deposits and prepayments	10	**15,606**	4,073	**10,859**	883
Amounts due from subsidiaries					
– trade	11	**–**	–	**20,438**	31,567
– non-trade	11	**–**	–	**6,413**	5,659
Fixed deposits	29	**134**	250	**–**	–
Cash and bank balances	29	**22,751**	20,770	**5,298**	6,322
		137,590	132,455	**72,681**	67,755
Current liabilities					
Trade payables	12	**49,685**	52,810	**20,308**	14,500
Other payables and accruals	13	**14,943**	17,793	**7,817**	7,310
Amounts due to subsidiaries (trade)	11	**–**	–	**110**	96
Short term borrowings	15	**2,812**	3,509	**2,500**	2,500
Provision for taxation		**139**	1,963	**808**	1,779
Provision for warranty	14	**2,176**	2,481	**1,024**	656
		69,755	78,556	**32,567**	26,841
Net current assets		**67,835**	53,899	**40,114**	40,914
Non-current liabilities					
Deferred tax liabilities	26	**–**	729	**–**	116
Borrowings	15	**6,773**	12,802	**6,773**	12,802
Defined benefit obligation	38	**374**	1,011	**–**	–
		7,147	14,542	**6,773**	12,918
Net assets		**66,280**	56,026	**40,786**	35,155
Equity attributable to equity holders of the Company					
Share capital	18	**29,909**	29,909	**29,909**	29,909
Revenue reserve		**40,767**	32,132	**10,877**	5,246
Translation reserve	19	**(4,620)**	(6,018)	**–**	–
Other reserve		**224**	3	**–**	–
		66,280	56,026	**40,786**	35,155

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 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Turnover	20	**164,877**	134,779
Cost of sales		**(122,639)**	(89,542)
Gross profit		**42,238**	45,237
Other operating income	21	**1,220**	398
Distribution and selling expenses		**(23,277)**	(21,039)
Administrative expenses		**(11,740)**	(8,290)
Other operating expenses		**(2,717)**	(191)
Profit from operating activities	22	**5,724**	16,115
Financial income	24	**149**	38
Financial expenses	25	**(624)**	(596)
Profit before tax		**5,249**	15,557
Tax	26	**(1,363)**	(2,815)
Profit from continuing operations, net of tax		**3,886**	12,742
Profit from discontinued operation, net of tax	16	**66,251**	659
Profit for the year attributable to shareholders		**70,137**	13,401
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		**1,398**	(2,041)
Re-measurement of defined benefit obligation		**221**	3
		1,619	(2,038)
Total comprehensive income for the year		**71,756**	11,363
Earnings per share from continuing operations (cents per share)			
Basic	27(a)	**1.07**	3.52
Diluted	27(a)	**1.07**	3.52
Earnings per share (cents per share)			
Basic	27(b)	**19.38**	3.70
Diluted	27(b)	**19.38**	3.70

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 2016

	Attributable to equity holders of the Company				
	Share capital (Note 18) $'000	Revenue reserve $'000	Translation reserve (Note 19) $'000	Other reserve $'000	Total equity $'000
Group					
At 1 January 2016	**29,909**	**32,132**	**(6,018)**	**3**	**56,026**
Profit for the year	**–**	**70,137**	**–**	**–**	**70,137**
Other comprehensive income for the year	**–**	**–**	**1,398**	**221**	**1,619**
Total comprehensive income for the year	**–**	**70,137**	**1,398**	**221**	**71,756**
Contributions by and distributions to owners					
Dividends (Note 28)	**–**	**(61,522)**	**–**	**–**	**(61,522)**
Unclaimed dividends	**–**	**20**	**–**	**–**	**20**
Total contributions by and distributions to owners	**–**	**(61,502)**	**–**	**–**	**(61,502)**
At 31 December 2016	**29,909**	**40,767**	**(4,620)**	**224**	**66,280**
At 1 January 2015	29,909	35,016	(3,977)	–	60,948
Profit for the year	–	13,401	–	–	13,401
Other comprehensive income for the year	–	–	(2,041)	3	(2,038)
Total comprehensive income for the year	–	13,401	(2,041)	3	11,363
Contributions by and distributions to owners					
Dividends (Note 28)	–	(16,285)	–	–	(16,285)
Total contributions by and distributions to owners	–	(16,285)	–	–	(16,285)
At 31 December 2015	29,909	32,132	(6,018)	3	56,026
Company					
At 1 January 2016	**29,909**	**5,246**	**–**	**–**	**35,155**
Profit for the year	**–**	**67,133**	**–**	**–**	**67,133**
Total comprehensive income for the year	**–**	**67,133**	**–**	**–**	**67,133**
Contributions by and distributions to owners					
Dividends (Note 28)	**–**	**(61,522)**	**–**	**–**	**(61,522)**
Unclaimed dividends	**–**	**20**	**–**	**–**	**20**
Total contributions by and distributions to owners	**–**	**(61,502)**	**–**	**–**	**(61,502)**
At 31 December 2016	**29,909**	**10,877**	**–**	**–**	**40,786**
At 1 January 2015	29,909	13,040	–	–	42,949
Profit for the year	–	8,491	–	–	8,491
Total comprehensive income for the year	–	8,491	–	–	8,491
Contributions by and distributions to owners					
Dividends (Note 28)	–	(16,285)	–	–	(16,285)
Total contributions by and distributions to owners	–	(16,285)	–	–	(16,285)
At 31 December 2015	29,909	5,246	–	–	35,155

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before tax from continuing operations		5,249	15,557
Profit before tax from discontinued operation	16	66,779	1,282
Profit before tax, total		72,028	16,839
Adjustments for:			
Amortisation of intangible assets	5	64	64
Depreciation of property, plant and equipment	4	4,940	6,374
Gain on divestiture of subsidiaries	16	(66,128)	–
Interest expense	25	583	374
Interest income	24	(157)	(40)
Net (gain)/loss on disposal/write-off of property, plant and equipment		(267)	61
Net allowance for stock obsolescence	7	937	422
Net allowance for doubtful trade debts	9	579	334
Net provision/(writeback of provision) for warranty	14	63	(1,419)
Pension (income)/cost	38	(175)	141
Operating profit before working capital changes		12,467	23,150
(Increase)/decrease in:			
Stocks		4,899	(4,158)
Contract work-in-progress		(7,085)	(1,596)
Trade receivables		(11,512)	(3,030)
Other receivables, deposits and prepayments		(2,035)	(543)
(Decrease)/increase in:			
Trade payables		8,958	(198)
Other payables and accruals		3,442	(2,261)
Provision for warranty		(294)	(687)
Effect of exchange rates changes		1,028	(1,133)
Cash generated from operations		9,868	9,544
Income tax paid		(3,793)	(3,468)
Interest paid		(627)	(321)
Benefits paid	38	–	(32)
Contributions to pension fund	38	(19)	–
Net cash flows from operating activities		5,429	5,723
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		276	126
Purchase of property, plant and equipment	4	(5,920)	(4,835)
Interest received		157	40
Net cash inflow on divestiture of subsidiaries	16	69,938	–
Decrease/(increase) in deposits pledged		116	(115)
Net cash flows generated from/(used in) investing activities		64,567	(4,784)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	28	(61,522)	(16,285)
Refund of unclaimed dividends		20	–
Proceeds from bank loans		19,929	13,041
Repayment of bank loans		(26,603)	(1,432)
Net cash flows used in financing activities		(68,176)	(4,676)
Net increase/(decrease) in cash and cash equivalents		1,820	(3,737)
Effect of exchange rates changes on cash and bank balances		161	(242)
Cash and cash equivalents at beginning of year		20,770	27,749
Cash and cash equivalents at end of year	29	22,751	20,770

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 2016

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 (FRS).

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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2018
(b) Amendments to FRS 112 *Disclosure of Interests in Other Entities*	1 January 2018
(c) Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for amendment to FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of amendment to FRS 115, FRS 109 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

(a) *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

(a) Basis of consolidation (Continued)

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.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

(b) Business combinations and goodwill (Continued)

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries

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

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

2.7 Related parties/related companies

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, 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 Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land and 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

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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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 derecognised.

(a) Brand name

Nera brand name which was acquired, was capitalised and amortised on a straight-line basis over a useful life of 20 years. The brand name 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.

(b) Order backlog

Order backlog was acquired separately and is amortised on a straight line basis over the period that the order backlog will likely to be invoiced.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. In determining fair value less costs of disposal, recent market transactions are taken into account if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 revaluation increase.

2.11 Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement (Continued)

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (Continued)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.13 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.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value. Costs are primarily determined using the weighted average method 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contract work-in-progress

Contract work-in-progress is stated at the aggregate of contract costs incurred to date plus profit recognised based on the value of work completed less progress billings and provisions for foreseeable losses.

Cost includes both variable and fixed costs directly related to specific contracts and those which can be attributed to contract activity in general and which can be allocated to specific contracts. Also included are any costs expected to be incurred under penalty clauses and rectification provisions.

The percentage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract which approximates the progress billings that match the billing milestones as indicated in the contract, to the total contract sum.

Where it is probable that a loss will arise on completion of contracts entered into at the balance sheet date, the excess of total estimated costs over expected revenue is recognised as an expense immediately.

2.16 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.

2.17 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.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(b) Financial liabilities at amortised cost

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 derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(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

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).

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(b) Defined benefit plans (Continued)

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.

(d) Employee share plan

Employees (including directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for ordinary shares of the Company ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled share-based payment transactions with employees for awards granted is measured by reference to the fair value of the options at the date which the options are granted which takes into account market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised in profit or loss with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for shares that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The employee share plan reserve is transferred to retained earnings upon expiry of the share plan.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where the employee share plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(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 2.20(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is received. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

(b) Rendering of services

Revenue is recognised on an individual contract basis by reference to the stage of completion. Stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract which approximates the progress billings that match the billing milestones as indicated in the contract, as a percentage of the total contract sum. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) 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.

2.21 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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Income taxes (Continued)

(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 and associates, 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 and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Income taxes (Continued)

(b) Deferred tax (Continued)

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(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.

2.23 Derivative financial instruments and hedging activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 34, 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.

2.25 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 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.

2.27 Discontinued operation

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been divested of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to divest of a separate major line of business or geographical area of operations.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, 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 judgement 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 2016 are $139,000 (2015: $1,963,000) and $1,622,000 (2015: $817,000) 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.

Amortisation of brand name

The cost of Nera brand name is amortised in accordance with the accounting policy stated in Note 2.9. The carrying amount of the Group's brand at 31 December 2016 was $903,000 (2015: $967,000). Changes in the expected cash generated by the brand could impact the economic useful life and the residual value of the brand, therefore future amortisation charges could be revised. A 5% difference in the expected useful lives of the brand from management's estimates will not have significant impact to the Group's profit for the year.

Revenue from contracts

The Group recognises revenue from contracts by reference to the stage of completion of the individual contract activity at the end of each reporting period, when the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract. Assumptions are required to estimate the total estimated cost that affect the stage of completion. In making these estimates, management has relied on past experiences and knowledge of the project engineers. 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 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Provisions for warranty and accrued costs

The Group recognises provisions for warranty and accrued costs 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 utilisation trend. The Group's provisions for warranty and accrued costs at 31 December 2016 was $2,176,000 and $27,224,000 respectively (2015: $2,481,000 and $27,008,000 respectively). The warranty provision will be reversed if not utilised upon expiry of warranty period.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 9 to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and building $'000	Leasehold improvements $'000	Plant and other equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Equipment held for leasing $'000	Total $'000
Cost							
At 1 January 2015	5,150	1,120	6,728	708	1,820	31,444	46,970
Additions	–	41	811	352	64	3,567	4,835
Disposals/written off	–	(78)	(1,404)	–	(128)	(3,419)	(5,029)
Reclassification	–	–	(4)	4	–	–	–
Currency realignment	–	(22)	(100)	(21)	(15)	(1,046)	(1,204)
At 31 December 2015 and 1 January 2016	5,150	1,061	6,031	1,043	1,741	30,546	45,572
Additions	–	–	425	48	32	5,415	5,920
Disposals/written off	–	–	(63)	(6)	(9)	(6,933)	(7,011)
Divestiture of subsidiaries	–	(19)	(1,142)	(352)	(455)	(29,279)	(31,247)
Currency realignment	–	1	(35)	(14)	10	592	554
At 31 December 2016	**5,150**	**1,043**	**5,216**	**719**	**1,319**	**341**	**13,788**
Accumulated depreciation							
At 1 January 2015	5,150	827	4,898	471	1,220	17,955	30,521
Charge for the year	–	81	701	74	246	5,272	6,374
Disposals/written off	–	(78)	(1,328)	–	(103)	(3,333)	(4,842)
Reclassification	–	–	(4)	4	–	–	–
Currency realignment	–	(6)	(78)	(15)	(11)	(527)	(637)
At 31 December 2015 and 1 January 2016	5,150	824	4,189	534	1,352	19,367	31,416
Charge for the year	–	67	718	66	193	3,896	4,940
Disposals/written off	–	–	(56)	(6)	(7)	(6,933)	(7,002)
Divestiture of subsidiaries	–	(16)	(783)	(203)	(400)	(16,602)	(18,004)
Currency realignment	–	1	(27)	(7)	10	384	361
At 31 December 2016	**5,150**	**876**	**4,041**	**384**	**1,148**	**112**	**11,711**
Net carrying amount							
At 31 December 2015	–	237	1,842	509	389	11,179	14,156
At 31 December 2016	**–**	**167**	**1,175**	**335**	**171**	**229**	**2,077**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land and building $'000	Leasehold improvements $'000	Plant and other equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Equipment held for leasing $'000	Total $'000
Cost							
At 1 January 2015	5,150	764	3,687	310	1,009	11,774	22,694
Additions	–	24	321	45	–	1,746	2,136
Disposals/written off	–	–	(1,418)	(1)	–	(2,474)	(3,893)
Transfer to a subsidiary	–	(19)	(120)	(56)	(418)	(10,836)	(11,449)
At 31 December 2015 and 1 January 2016	5,150	769	2,470	298	591	210	9,488
Additions	–	–	103	–	–	–	103
Disposals/written off	–	–	(16)	–	–	(210)	(226)
At 31 December 2016	**5,150**	**769**	**2,557**	**298**	**591**	**–**	**9,365**
Accumulated depreciation							
At 1 January 2015	5,150	713	2,450	233	636	7,839	17,021
Charge for the year	–	12	454	17	127	994	1,604
Disposals/written off	–	–	(1,368)	–	–	(2,469)	(3,837)
Transfer to a subsidiary	–	(15)	(61)	(47)	(327)	(6,241)	(6,691)
At 31 December 2015 and 1 January 2016	5,150	710	1,475	203	436	123	8,097
Charge for the year	–	12	434	16	75	–	537
Disposals/written off	–	–	(9)	–	–	(123)	(132)
At 31 December 2016	**5,150**	**722**	**1,900**	**219**	**511**	**–**	**8,502**
Net carrying amount							
At 31 December 2015	–	59	995	95	155	87	1,391
At 31 December 2016	**–**	**47**	**657**	**79**	**80**	**–**	**863**

As at 31 December 2016, the leasehold land and 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

The leasehold land and building is pledged as a security for the loan facility (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INTANGIBLE ASSET

	Group			Company
	Brand	Others	Total	Brand
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2015, 31 December 2015				
1 January 2016 and 31 December 2016	1,289	163	1,452	1,289
Accumulated amortisation				
At 1 January 2015	258	163	421	258
Amortisation	64	–	64	64
At 31 December 2015 and 1 January 2016	322	163	485	322
Amortisation	64	–	64	64
At 31 December 2016	**386**	**163**	**549**	**386**
Net carrying amount				
At 31 December 2015	967	–	967	967
At 31 December 2016	**903**	**–**	**903**	**903**

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 14 years.

Others relate to the fair value of the order backlog acquired as a result of the acquisition of a subsidiary. It is amortised over the period that the order backlog was realised.

The amortisation expense is incurred in 'Other operating expenses' line item in profit and loss.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Unquoted shares, at cost	**5,438**	5,916
Impairment loss	**(770)**	(1,115)
Carrying amount after impairment loss	**4,668**	4,801
Movement in impairment loss:		
At 1 January	**1,115**	1,024
Charge for the year	**200**	91
Write off for the year	**(545)**	–
At 31 December	**770**	1,115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details and the principal activities of the subsidiaries are:

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2016 %	2015 %	2016 $'000	2015 $'000
Nera Payment Solutions Pte Ltd[ß]	Sales, leasing, repair and maintenance of point-of-sale terminals	Singapore	–	100	–	^
Nera Networks (S) Pte Ltd[ß]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	**100**	100	**1,000**	1,000
Nera (Thailand) Ltd[*]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	**100**	100	**975**	975
Nera (Philippines) Inc.[*]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Philippines	100	100	1,128	1,128
Nera Infocom (M) Sdn Bhd[*]	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
Nera Telecommunications (Taiwan) Co., Ltd[ii]	Dormant	Taiwan	–	100	–	545
P.T. Nera Indonesia[#]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	347	347

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FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2016	2015	2016	2015
			%	%	$'000	$'000
Nera Telecommunications (Australia) Pty Ltd(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	**100**	100	**589**	589
Nera Telecommunications (India) Pvt Ltd(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	India	**100**	100	**570**	570
Nera (Malaysia) Sdn Bhd(*)	Sales, installation and maintenance of communications equipment	Malaysia	**100**	100	**404**	404
Nera Telecommunications (Myanmar) Co Ltd(#)	Service, maintenance and leasing	Myanmar	**100**	100	**133**	133
Nera Telecommunications (Vietnam) Co Ltd(#)	Installation, maintenance, service and repair of info-communications and telecommunications equipment	Vietnam	**100**	100	**67**	–
					5,438	5,916

NOTES TO THE
FINANCIAL STATEMENTS
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6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2016	2015	2016	2015
			%	%	$'000	$'000
Held through Nera Networks (S) Pte Ltd						
Nera Telecommunications AS[(#)(i)]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	**100**	100	–	–
Nera Telecommunications Maroc S.A.R.L AU[(**)(i)]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	**100**	100	–	–
Nera Telecommunications (Pakistan) (Private) Ltd[(#)(i)]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	**100**	100	–	–
Nera Telecommunications FZ-LLC[(**)(i)]	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	United Arab Emirates	**100**	100	–	–

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2016 %	2015 %	2016 $'000	2015 $'000
Nera Networks Nigeria Limited(#)(i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	100	100	–	–
Held through Nera Payment Solutions Pte Ltd						
Nera Payment Solutions (M) Sdn Bhd(*)(i)	Sales, leasing, repair and maintenance of point-of-sale terminals	Malaysia	–	100	–	–
Nera Payment Solutions (Thailand) Limited(*)(i)	Sales, leasing, repair and maintenance of payment card terminals	Thailand	–	100	–	–
Nera Solutions Philippines Inc(*)(i)	Software solutions for electronic commerce and IT related enterprises, banking, finance and online commerce entities	Philippines	–	100	–	–
P.T. Nera Payment Solutions(**)	Software solutions for electronic commerce and IT related enterprises, banking, finance and online commerce entities	Indonesia	–	100	–	–

(ß) 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.
(^) Amounts less than $1,000.
(**) No requirement for statutory audit.
(i) Cost of investment is not stated as the subsidiaries are not directly held by the Company.
(ii) No statutory audit as it has been liquidated during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 testing of investments in subsidiaries

During the financial year, impairment losses of $133,000 and $67,000 were recognised to write down the investments in Nera Telecommunications (Myanmar) Co Ltd and Nera Telecommunications (Vietnam) Co Ltd respectively. The impairment loss of $91,000 in 2015 was in respect of investment in Nera Telecommunications (India) Pvt Ltd.

During the financial year, there was a write off of impairment loss previously recognised for the investment in Nera Telecommunications (Taiwan) Co. Ltd. of $545,000 as the subsidiary has been liquidated pursuant to member's voluntary liquidation on 11 November 2016.

Divestiture of subsidiaries

On 31 August 2016, the Group entered into a sale agreement to divest 100% of its interest in Nera Payment Solutions and its subsidiaries ("NPS Group Companies"). The divestiture was completed on 31 August 2016, on which date control was passed to the acquirer.

Accordingly, the Company no longer holds any interest in NPS Group Companies, and the NPS Group Companies have ceased to be subsidiaries of the Company.

Please refer to Note 16 for the disclosure on discontinued operation.

7. STOCKS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Balance sheet				
Finished goods, at cost	–	3,317	–	–
Finished goods, at net realisable Value	**77**	4,284	**–**	1
	77	7,601	**–**	1

At 31 December 2016, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to $31,283,000 (2015: $18,232,000) inclusive of trading stocks net written-down of $42,000 (2015: $132,000).

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8. CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Contract work in progress comprise:–				
Cost incurred to date	**137,699**	123,346	**41,802**	47,261
Profits recognised to date	**27,977**	45,782	**6,210**	13,385
	165,676	169,128	**48,012**	60,646
Progress billings	**(132,518)**	(141,945)	**(31,580)**	(49,823)
	33,158	27,183	**16,432**	10,823
Gross amount due from customers for contract work	**33,158**	27,183	**16,432**	10,823

9. TRADE RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	**67,051**	73,205	**13,711**	12,808
Less: Allowance for impairment of trade receivables	**(1,187)**	(627)	**(470)**	(308)
Total trade receivables	**65,864**	72,578	**13,241**	12,500
Add:				
Other receivables and deposits (excluding prepayments) (Note 10)	**15,161**	3,292	**10,701**	632
Cash and cash equivalents (Note 29)	**22,751**	20,770	**5,298**	6,322
Deposits pledged (Note 29)	**134**	250	**–**	–
Amounts due from subsidiaries	**–**	–	**26,851**	37,226
Long term trade receivables (Note 17)	**990**	–	**990**	–
Total loans and receivables	**104,900**	96,890	**57,081**	56,680

Trade receivables

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.

Included in trade receivables is a fair value gain on forward currency contracts amounting to $nil (2015: $20,000) which has been recognised in profit or loss.

At balance sheet date, retention sums relating to contracts included in trade receivables of the Group and the Company are $4,190,000 and $1,500,000 (2015: $4,066,000 and $1,580,000) respectively.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to $1,658,000 and $nil (2015: $2,912,000 and $nil) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

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FINANCIAL STATEMENTS
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9. TRADE RECEIVABLES (CONTINUED)

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		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
US Dollar	**12,916**	13,721	**3,688**	2,684
Euro	**174**	54	**180**	2
Others	**145**	136	**–**	–

Allowance for impairment of trade receivables

For the year ended 31 December 2016, the Group and the Company have net provision of $579,000 and $162,000 (2015: net provision of $334,000 and $156,000) for impairment of debts respectively which are recognised as expense in profit or loss, pursuant to debt recovery assessment performed on trade receivables as at 31 December 2016.

The analysis of trade receivables as at 31 December is as follows:–

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Not past due and not impaired	**38,165**	47,625	**6,657**	7,582
Past due but not impaired	**27,699**	24,953	**6,584**	4,918
Impaired	**1,187**	627	**470**	308
	67,051	73,205	**13,711**	12,808
Less: Allowance for impairment	**(1,187)**	(627)	**(470)**	(308)
	65,864	72,578	**13,241**	12,500

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $27,699,000 (2015: $24,953,000) and $6,584,000 (2015: $4,918,000) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Less than 3 months	**17,272**	7,782	**4,770**	2,169
More than 3 months but less than 6 months	**5,971**	7,611	**502**	1,583
More than 6 months but less than 12 months	**2,323**	7,670	**777**	720
More than 12 months	**2,133**	1,890	**535**	446
	27,699	24,953	**6,584**	4,918

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Impaired receivables – individually assessed:				
Customers with financial difficulties	53	100	–	–
Receivables in dispute	690	187	49	10
Pending for acceptance certification/commissioning	421	340	421	298
Others	23	–	–	–
	1,187	627	470	308
Less: Allowance for impairment	(1,187)	(627)	(470)	(308)
	–	–	–	–

Movements in the allowance for impairment of trade receivables are as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
At 1 January	627	317	308	152
Charge for the year	1,531	866	637	556
Written back	(952)	(532)	(475)	(400)
Written off	(63)	–	–	–
Currency realignment	44	(24)	–	–
At 31 December	1,187	627	470	308

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Advances to suppliers	830	988	421	544
Deposits	2,664	988	47	81
Prepayments	445	781	158	251
Staff advances	114	146	2	3
Tax recoverable	1,099	912	–	–
Other debtors	10,454	258	10,231	4
	15,606	4,073	10,859	883

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

Included in other debtors is an amount of $10,000,000 maintained in an escrow account (Note 16) in relation to the divestiture of the NPS Group Companies. The amount is expected to be released to the Group in financial year 2017.

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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 a subsidiary of $5,473,000 (2015: $4,700,000) that bears interest from 2.819% to 3.840% per annum (2015: 3.197% to 3.710% per annum). Other balances due from/due 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 is a fair value loss on forward currency contracts amounting to $214,000 (2015: $26,000) which has been recognised in profit or loss as at 31 December 2016.

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		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
US Dollar	**13,345**	16,283	**8,915**	6,248
Euro	**2,229**	1,970	**1,881**	1,328
Thai Baht	**72**	719	**72**	388
Norwegian Krone	**324**	162	**–**	–
Other currencies	**487**	193	**2**	68

13. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Accrued payroll and staff expenses	**8,097**	6,884	**5,635**	4,582
Customer advances	**5,246**	9,216	**1,179**	1,800
Other accrued operating expenses	**1,405**	1,349	**771**	928
Other creditors	**195**	344	**232**	–
Total other payables and accruals	**14,943**	17,793	**7,817**	7,310
Add:				
Trade payables	**49,685**	52,810	**20,308**	14,500
Amounts due to subsidiaries	**–**	–	**110**	96
Borrowings (Note 15)	**9,585**	16,311	**9,273**	15,302
Total financial liabilities carried at amortised cost	**74,213**	86,914	**37,508**	37,208

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Included in other payables and accruals is 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. However, as the preliminary decision has not yet become final and executory, the subsidiary has appealed to the labour authority on 3 January 2017. The case is pending finalisation and the final award amount may be revised as a result of the appeal.

14. PROVISION FOR WARRANTY

A provision is recognised for expected warranty claims on goods and services sold in the past 18 months 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 expand into new countries where the environment in which the equipment is installed are considerably harsher;

(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.

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
At 1 January	**2,481**	4,587	**656**	2,219
Provision for the year	**1,680**	1,964	**1,045**	1,160
Write-back of provision	**(1,617)**	(3,383)	**(504)**	(2,115)
Utilised during the year	**(294)**	(626)	**(173)**	(608)
Divestiture of subsidiaries	**(97)**	–	**–**	–
Currency realignment	**23**	(61)	**–**	–
At 31 December	**2,176**	2,481	**1,024**	656

NOTES TO THE FINANCIAL STATEMENTS

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15. BORROWINGS

	Effective	Maturities	Group 2016	Group 2015	Company 2016	Company 2015
	%		$'000	$'000	$'000	$'000
Short-term borrowings (unsecured):						
Singapore dollar floating rate bank loans	1.76% to 2.75%	April 2017, May 2017	**2,500**	2,500	**2,500**	2,500
Malaysian Ringgit floating rate bank loans	7.95%	February 2017	**312**	1,009	**–**	–
			2,812	3,509	**2,500**	2,500
Non-current:						
Singapore dollar floating rate bank loans	2.48% to 3.98%	April 2017	**6,773**	12,802	**6,773**	12,802

The non-current borrowings are revolving credit term loans that are automatically renewed for a further same term unless the Company gives prior written notice of its intention to repay at the end of the term. The loans are classified as non-current liabilities as the Company has no intention to repay the borrowings within the next twelve months. The loan facility is secured against the leasehold land and building situated at 109 Defu Lane 10, Singapore 539225.

16. DISCONTINUED OPERATION

On 20 May 2016, the Group entered into a conditional share sale agreement with Ingenico Group S.A. ('Ingenico') to sell the Payment Solutions ('PS') business via the sale of shares in a subsidiary, Nera Payment Solutions Pte Ltd. The purchase consideration is $88.0 million, subject to adjustments provided for in the agreement.

On 31 August 2016, the Group completed the sale of the PS business to Ingenico at a purchase consideration of $88.4 million, subject to adjustments ($88.2 million after adjustments) for the net cash, net debt, net working capital, intra group balances and capex adjustments of Nera Payment Solutions Pte Ltd and its subsidiaries as at the completion date. These adjustments were finalised in Q4 2016 and the Group recorded a gain on divestiture of $66.1 million.

In accordance with 'FRS 105 Non-current Assets Held for Sale and Discontinued Operations', the financial results of the PS business is presented separately on the Statement of Comprehensive Income as 'Profit from discontinued operation'. These results are consolidated as part of the Group's financial results up to 31 August 2016.

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FINANCIAL STATEMENTS
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16. DISCONTINUED OPERATION (CONTINUED)

The financial results of the PS business are as follows:

	Group	
	2016	2015
	$'000	$'000
Turnover	28,559	46,734
Cost of sales	(20,580)	(32,453)
Gross profit	7,979	14,281
Other operating income	438	198
Operating expenses	(7,562)	(13,086)
Net financial expenses	(204)	(111)
Profit from discontinued operation	651	1,282
Gain on divestiture of subsidiaries	66,128	–
Profit before tax from discontinued operation	66,779	1,282
Taxation expense	(528)	(623)
	66,251	659

The value of assets and liabilities of the NPS Group Companies recorded in the consolidated financial statements as at 31 August 2016, and the effects of the divestiture were:

	31 August 2016
	$'000
Property, plant and equipment	13,243
Deferred tax assets	44
Stock	1,688
Contract work-in-progress	1,110
Trade receivables	16,657
Other receivables, deposits and prepayments	502
Cash and cash equivalent	2,261
Trade payables	(12,083)
Other payables and accruals	(6,248)
Provision for warranty	(97)
Provision for taxation	(223)
Deferred tax liabilities	(552)
Defined benefit obligation	(251)
Net assets divested	16,051
Cash consideration	88,207
Less: Net assets divested	(16,051)
Less: Transaction costs related to the divestiture	(6,008)
Less: Reclassification of foreign exchange translation reserve	(20)
Gain on divestiture of subsidiaries	66,128

NOTES TO THE FINANCIAL STATEMENTS

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16. DISCONTINUED OPERATION (CONTINUED)

	31 August 2016 $000
Cash consideration	88,207
Less: Consideration maintained in an escrow account (Note 10)	(10,000)
Less: Transaction costs related to the divestiture paid/payable	(6,008)
Less: Cash and cash equivalents of subsidiaries divested	(2,261)
Net cash inflow on divestiture of subsidiaries	69,938

Earnings per share

	Group	
	2016 $'000	2015 $'000
Earnings per share from discontinued operation (cents per share)		
Basic and diluted	18.31	0.18

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation and dividing the profit for the year attributable to owners of the Company. These profit and share data are presented in the tables in Note 27(a).

17. LONG TERM TRADE RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross receivable	1,254	–	1,254	–
Less: Unearned finance income	(36)	–	(36)	–
At 31 December	1,218	–	1,218	–
Of which:				
Current	228	–	228	–
Non-current	990	–	990	–
At 31 December	1,218	–	1,218	–

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).

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18. SHARE CAPITAL

	Group and Company		Number of shares	
	2016 $'000	2015 $'000	2016 '000	2015 '000
Issued and fully paid ordinary shares:–				
At 1 January and 31 December	**29,909**	29,909	**361,897**	361,897

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.

There were no treasury shares in issue during the financial year and previous financial year.

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	
	2016 $'000	2015 $'000
At 1 January	**(6,018)**	(3,977)
Net effect of exchange differences	**1,398**	(2,041)
At 31 December	**(4,620)**	(6,018)
Net effect of exchange differences arises from:–		
Translation of financial statements of foreign operations	**1,398**	(2,041)

20. TURNOVER

	Group	
	2016 $'000	2015 $'000
Sales of goods (including goods supplied to contracts)	**105,699**	86,234
Services rendered	**59,012**	48,451
Rental income	**166**	94
	164,877	134,779

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER OPERATING INCOME

	Group	
	2016	2015
	$'000	$'000
Rebate from suppliers	366	112
Government grants	266	144
Trade receivables collection fee	–	5
Service income	520	–
Others	68	137
	1,220	398

Service income pertains to services rendered to Ingenico to facilitate a smooth transition after the divestiture of the Payment Solutions business.

22. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2016	2015
	$'000	$'000
Audit fees to:–		
Auditors of the Company	98	91
Other auditors	64	65
Non-audit fees to:–		
Auditors of the Company	169	85
Other auditors	8	15
Bad debts recovered	5	(24)
Foreign exchange (gain)/loss, net – forward currency contracts	(182)	158
Foreign exchange loss, net – others	2,463	372
Net (gain)/loss on disposal/write-off of property, plant and equipment	(155)	65

23. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	Group	
	2016	2015
	$'000	$'000
Wages, salaries and bonuses	19,373	20,319
Pension contributions	2,458	2,293
Termination benefits	71	21
Other personnel benefits	3,179	2,604
	25,081	25,237

Personnel expenses include directors and executive officers' remuneration as shown in Note 33.

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24. FINANCIAL INCOME

	Group 2016 $'000	Group 2015 $'000
Interest income from:–		
Bank deposits	130	38
Others	19	–
	149	38

25. FINANCIAL EXPENSES

	Group 2016 $'000	Group 2015 $'000
Bank charges	(253)	(309)
Interest expense	(371)	(287)
	(624)	(596)

26. TAX

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

	Group 2016 $'000	Group 2015 $'000
Consolidated income statement:		
Current income tax – continuing operations:		
Current income taxation	804	1,624
Foreign tax	1,321	1,597
(Over)/under provision in respect of previous years	(541)	84
Deferred income tax – continuing operations:		
Current year	(221)	(490)
Income tax expense attributable to continuing operations	1,363	2,815
Income tax attributable to discontinued operations (Note 16)	528	623
Income tax expense recognised in profit and loss	1,891	3,438

NOTES TO THE
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. TAX (CONTINUED)

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

	Group	
	2016	2015
	$'000	$'000
Profit before tax from continuing operations	**5,249**	15,557
Profit before tax from discontinued operation (Note 16)	**66,779**	1,282
Income tax expense	**72,028**	16,839
Tax at 17%	**12,245**	2,863
Tax effect of expenses that are not deductible in determining taxable profit	**534**	448
Additional tax deductions	**(7)**	(29)
Realisation of deferred tax assets previously not recognised	**(98)**	(231)
Tax exemption	**(52)**	(52)
Net (over)/under provision in respect of prior years	**(398)**	9
Difference in tax rates applicable to subsidiaries	**(143)**	(29)
Deferred tax assets not recognised by subsidiaries	**2,108**	595
Tax effect of income not subject to tax	**(12,239)**	(71)
Tax effect on benefits arising from Productivity and Innovation Credit	**(50)**	(52)
Effect of change in tax rate	**25**	1
Tax rebate	**–**	(40)
Others	**(34)**	26
Income tax expense	**1,891**	3,438

Deferred tax assets and liabilities

The following amounts determined after offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax assets	**1,622**	1,546	**21**	–
Deferred tax liabilities	**–**	(729)	**–**	(116)
	1,622	817	**21**	(116)

NOTES TO THE FINANCIAL STATEMENTS

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26. TAX (CONTINUED)

Deferred tax assets and liabilities (Continued)

Deferred tax as at 31 December related to the following:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax liabilities:–				
Differences in depreciation of property, plant and equipment for tax purposes	**(123)**	(1,060)	**(135)**	(180)
Difference in amortisation of intangible assets	**(153)**	(164)	**(153)**	(164)
	(276)	(1,224)	**(288)**	(344)
General provisions	**1,801**	1,753	**309**	228
Tax losses	**97**	157	**–**	–
Unutilised capital allowances	**–**	131	**–**	–
Net deferred tax assets	**1,622**	817	**21**	(116)

Changes in corporate tax rate from financial year 2016 onwards are as follows:

– Malaysia: from 25% to 24%

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately $5,552,000 (2015: $3,815,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting year, no deferred tax liability (2015: 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 $10,385,000 (2015: $6,961,000). The deferred tax liability is estimated to be $995,000 (2015: $731,000).

Tax consequences of proposed dividends

There are no income tax consequences (2015: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

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27. 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	
	2016	2015
	$'000	$'000
Profit for the year attributable to shareholders	70,137	13,401
Less: Profit from discontinued operation, net of tax	(66,251)	(659)
Profit from continuing operations, net of tax used in the computation of basic and diluted earnings per share from continuing operations	3,886	12,742
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 27(a) above.

28. DIVIDENDS

	Group and Company	
	2016	2015
	$'000	$'000
An interim exempt (one-tier) dividend paid in respect of the current financial year of 1 cent (2015: 2.5 cents) per share	3,619	9,047
A special exempt (one-tier) dividend paid in respect of the current financial year of 15 cents (2015: nil) per share	54,284	–
A final exempt (one-tier) dividend paid in respect of the previous financial year of 1 cent (2015: 2 cents) per share	3,619	7,238
	61,522	16,285

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28. DIVIDENDS (CONTINUED)

The directors proposed a final dividend of 0.5 cent (2015: 1 cents) per share one-tier tax exempt dividend amounting to $1,809,000 (2015: $3,619,000) in respect of the year ended 31 December 2016. The proposed final dividend is subject to the approval by shareholders at the Annual General Meeting of the Company. The proposed dividend has not been recognised as liabilities as at year end in accordance with FRS 10, Events after the balance sheet date.

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed deposits	**134**	250	**–**	–
Cash and bank balances	**22,751**	20,770	**5,298**	6,322
Deposits pledged	**(134)**	(250)	**–**	–
	22,751	20,770	**5,298**	6,322

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.10% to 3.00% (2015: 0.07% to 11.62%) per annum. Included in cash and cash equivalents are amounts totaling $134,000 (2015: $250,000) 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 varying periods between 7 days to 1 month (2015: 14 days to 1 month) 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 0.30% to 0.44% (2015: 0.33% to 0.40%) per annum.

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
US Dollar	**3,258**	2,177	**1,779**	1,145
Euro	**1,643**	588	**1,622**	226
Thai Baht	**–**	916	**–**	916
Australian Dollar	**4**	–	**4**	–
Libyan Dollar	**239**	245	**–**	–
Norwegian Krone	**281**	23	**1**	1
Other currencies	**26**	17	**7**	9

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30. 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 year, no shares (2015: Nil) were granted under the employee share plan.

31. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:–

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Capital commitments in respect of capital contribution to a subsidiary	–	–	–	71

(b) Non-cancellable operating lease commitments

As at 31 December 2016, the Group has commitments under operating leases for equipment, office and factory premises. The leases have remaining tenure of between 1 and 26 years. The leases contain renewable options and escalation clauses and do not provide for contingent rentals. Lease terms do not contain restrictions on the activities concerning dividends, additional debt or further leasing. Operating lease expenses included in the consolidated statement of comprehensive income during the year amounted to $1,720,000 (2015: $2,363,000).

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

	Group	
	2016	2015
	$'000	$'000
Not later than one year	**1,041**	1,628
Later than one year but not later than five years	**1,997**	1,773
Later than five years	**4,946**	5,756
	7,984	9,157

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32. Contingent liabilities

Guarantees

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Bankers' guarantees issued by banks on behalf of:				
Subsidiaries	–	–	6,251	7,130

33. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2016	2015
	$'000	$'000
Directors of the Company:–		
Directors' fees	270	270
Directors' remuneration*	2,972	1,387
Defined contribution benefits	9	9
Directors of the subsidiaries:–		
Directors' fees	10	10
Directors' remuneration	1,928	2,030
Defined contribution benefits	81	120
Key management:–		
Key management's remuneration	1,668	1,674
Defined contribution benefits	84	80

* Included in directors remuneration for directors of the Company is an amount of $892,224 of accrued remuneration payable on a monthly basis from January 2017 to April 2018 and incentive payment of $954,800 for divestiture of payment solutions business.

34. 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:

Telecommunications – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications, transmission products and systems and wireless solutions.

Infocomm – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure and payment systems.

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.

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34. 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 revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

2016	Telecom-munications $'000	Infocomm $'000	Adjustments $'000	Notes	Total $'000
Turnover	62,226	102,651			164,877
Cost of sales	(45,112)	(77,527)			(122,639)
Gross profit	17,114	25,124			42,238
Other operating income	404	816			1,220
Distribution and selling expenses	(10,485)	(12,792)			(23,277)
Administrative expenses	(5,396)	(6,344)			(11,740)
Other operating expenses	(1,217)	(1,500)			(2,717)
Profit from operating activities	420	5,304			5,724
Financial income					149
Financial expenses					(624)
					5,249
Tax					(1,363)
Net profit for the year					3,886
Other information					
Segment assets	39,148	63,921	40,113	A	143,182
Segment liabilities	22,624	29,237	25,041	B	76,902
Capital expenditure	73	226			299
Depreciation and amortisation	829	220			1,049
Other non-cash (income)/expenses[*]	(151)	171			20

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34. SEGMENT INFORMATION (CONTINUED)

Allocation basis and transfer pricing (Continued)

2015	Telecom-munications $'000	Infocomm $'000	Adjustments $'000	Notes	Total $'000
Turnover	57,792	76,987			134,779
Cost of sales	(33,037)	(56,505)			(89,542)
Gross profit	24,755	20,482			45,237
Other operating income	152	246			398
Distribution and selling expenses	(11,430)	(9,609)			(21,039)
Administrative expenses	(4,000)	(4,290)			(8,290)
Other operating expenses	(78)	(113)			(191)
Profit from operating activities	9,399	6,716			16,115
Financial income					38
Financial expenses					(596)
					15,557
Tax					(2,815)
Net profit for the year					12,742
Other information					
Segment assets	46,176	76,309	26,639	A	149,124
Segment liabilities	28,277	28,940	35,881	B	93,098
Capital expenditure	940	382			1,322
Depreciation and amortisation	788	268			1,056
Other non-cash (income)/expenses(*)	820	(7)			813

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

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:

	2016 $'000	2015 $'000
Deferred tax assets	**1,622**	1,546
Other receivables, deposits and prepayments	**15,606**	4,073
Cash and cash equivalents	**22,751**	20,770
Deposits pledged	**134**	250
	40,113	26,639

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34. 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:

	2016 $'000	2015 $'000
Defined benefit obligation	**374**	1,011
Deferred tax liabilities	**–**	729
Other payables and accruals	**14,943**	15,867
Borrowings	**9,585**	16,311
Provision for taxation	**139**	1,963
	25,041	35,881

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:–

	Revenues		Non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	**57,515**	49,727	**2,772**	6,648
Malaysia	**37,452**	30,869	**205**	934
Thailand	**4,076**	3,846	**190**	1,730
Indonesia	**12,177**	12,769	**371**	3,972
Philippines	**18,105**	8,666	**223**	1,576
Burkina Faso	**–**	8,711	**–**	–
Pakistan	**5,843**	5,675	**52**	92
Morocco	**1,576**	5,043	**15**	32
Afghanistan	**2,439**	4,456	**–**	–
Norway	**15,260**	23	**3**	–
Australia	**5,356**	–	**18**	–
Other Asian countries	**2,636**	1,043	**68**	54
Other Middle East countries	**489**	2,765	**24**	40
Others	**1,953**	1,186	**29**	45
	164,877	134,779	**3,970**	15,123

Non-current assets information presented above consist of intangible asset and property, plant and equipment.

Information about a major customer

Revenue from one major customer amounted to $17,074,000 (2015: $20,572,000), arising from sales by the Telecommunications and Infocomm segment (2015: Infocomm segment).

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35. 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 Dollars and Euro. Approximately 18% (2015: 19%) of the Group's sales and 57% (2015: 66%) 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 $5,451,000 (2015: $3,966,000) and $3,413,000 (2015: $2,297,000) 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.

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35. 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, Euro, Indonesia Rupiah and Thai Baht exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit net of tax.

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
US dollar –				
– Strengthened 3% (2015: 3%)	**(118)**	(263)	**3**	146
– Weakened 3% (2015: 3%)	**118**	263	**(3)**	(146)
Euro –				
– Strengthened 5% (2015: 5%)	**(25)**	(16)	**70**	(24)
– Weakened 5% (2015: 5%)	**25**	16	**(70)**	24
IDR –				
– Strengthened 3% (2015: 3%)	**–**	–	**10**	58
– Weakened 3% (2015: 3%)	**–**	–	**(10)**	(58)
THB –				
– Strengthened 3% (2015: 3%)	**(3)**	8	**3**	37
– Weakened 3% (2015: 3%)	**3**	(8)	**(3)**	(37)

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 and the Company 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 2016

35. 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 and the Company's profit net of tax.

	Group		Company	
	Increase/ (decrease) basis points	Effect on profit, net of tax $'000	Increase/ (decrease) basis points	Effect on profit, net of tax $'000
2016				
Singapore dollar bank placements	**(100)**	**(6)**	**(100)**	**(6)**
US dollar bank placements	**(100)**	**(10)**	**(100)**	**(5)**
RM bank placements	**(100)**	**(3)**	**(100)**	**–**
Euro bank placements	**(100)**	**(7)**	**(100)**	**(5)**
Singapore dollar bank borrowings	**(100)**	**77**	**(100)**	**77**
RM bank borrowings	**(100)**	**2**	**(100)**	**–**
Singapore dollar bank placements	**100**	**18**	**100**	**16**
US dollar bank placements	**100**	**27**	**100**	**15**
RM bank placements	**100**	**3**	**100**	**–**
Euro bank placements	**100**	**19**	**100**	**14**
Singapore dollar bank borrowings	**100**	**(77)**	**100**	**77**
RM bank borrowings	**100**	**(2)**	**100**	**–**
2015				
RM bank placements	(100)	(3)	(100)	–
Singapore dollar bank borrowings	(100)	127	(100)	127
RM bank borrowings	(100)	8	(100)	–
Singapore dollar bank placements	100	45	100	33
US dollar bank placements	100	19	100	10
RM bank placements	100	3	100	–
Euro bank placements	100	18	100	2
Singapore dollar bank borrowings	100	(127)	100	(127)
RM bank borrowings	100	(8)	100	–

Liquidity risk

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

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

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

	2016				2015			
	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	65,896	1,111	–	67,007	72,558	–	–	72,558
Other receivables and deposits (excluding prepayments)	15,161	–	–	15,161	3,292	–	–	3,292
Cash and cash equivalents	22,751	–	–	22,751	20,770	–	–	20,770
Deposits pledged	134	–	–	134	250	–	–	250
Derivative financial instruments								
– Forward currency contracts	10,952	–	–	10,952	18,057	–	–	18,057
Total undiscounted financial assets	114,894	1,111	–	116,005	114,927	–	–	114,927
Financial liabilities:								
Trade payables	49,471	–	–	49,471	52,784	–	–	52,784
Other payables and accruals	14,943			14,943	17,793	–	–	17,793
Borrowings	3,001	7,151	–	10,152	3,989	14,241	–	18,230
Derivative financial instruments								
– Forward currency contracts	11,166	–	–	11,166	18,063	–	–	18,063
Total undiscounted financial liabilities	78,581	7,151	–	85,732	92,629	14,241	–	106,870
Total net undiscounted financial assets/(liabilities)	36,313	(6,040)	–	30,273	22,298	(14,241)	–	8,057

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2016				2015			
	1 year or less $'000	1-5 years $'000	> 5 years $'000	Total $'000	1 year or less $'000	1-5 years $'000	> 5 years $'000	Total $'000
Company								
Financial assets:								
Trade receivables	13,273	1,111	–	14,384	12,500	–	–	12,500
Other receivables, deposits and prepayments (excluding prepayments)	10,701	–	–	10,701	632	–	–	632
Amounts due from subsidiaries	26,851	–	–	26,851	37,226	–	–	37,226
Cash and cash equivalents	5,298	–	–	5,298	6,322	–	–	6,322
Derivative financial instruments – Forward currency contracts	10,439	–	–	10,439	9,360	–	–	9,360
Total undiscounted financial assets	66,562	1,111	–	67,673	66,040	–	–	66,040
Financial liabilities:								
Trade payables	20,117	–	–	20,117	14,474	–	–	14,474
Other payables and accruals	7,817	–	–	7,817	7,310	–	–	7,310
Amounts due to subsidiary	110	–	–	110	96	–	–	96
Borrowings	2,689	7,151	–	9,840	2,980	14,241	–	17,221
Derivative financial instruments – Forward currency contracts	10,630	–	–	10,630	9,386	–	–	9,386
Total undiscounted financial liabilities	41,363	7,151	–	48,514	34,246	14,241	–	48,487
Total net undiscounted financial assets/(liabilities)	25,199	(6,040)	–	19,159	31,794	(14,241)	–	17,553

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

	2016				2015			
	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	**3,133**	**1,731**	**1,387**	**6,251**	6,052	1,078	–	7,130

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 carrying amount of trade and other receivables, and cash and cash equivalents represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

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

	Group		Company	
	2016	2015	2016	2015
% of total trade receivables				
≥ 25	Malaysia	Malaysia	Singapore	Singapore
>10 and <25	Singapore	Singapore	–	–
≤ 10	Indonesia, Philippines, Afghanistan and others	Philippines, Afghanistan, Morocco and others	Indonesia, Philippines and others	Philippines, India and others

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Credit risk concentration profile (Continued)

Customers' profile (Continued)

By Industry Sectors

	Group				Company			
	2016		2015		2016		2015	
	$'000	% of total	$'000	% of total	$'000	% of total	$'000	% of total
Telecommunications	**51,977**	**79**	51,720	71	**9,538**	**72**	9,844	79
Financial institutions	**771**	**1**	7,033	10	**549**	**4**	629	5
Government agencies	**2,857**	**4**	7,195	10	**835**	**6**	595	5
Multi industry conglomerates	**3,698**	**6**	2,556	4	**2,147**	**16**	1,213	10
Media and broadcasting	**3,054**	**5**	1,630	2	**105**	**1**	79	–
Hospitality	**1,339**	**2**	–	–	**–**	**–**	–	–
Others	**2,168**	**3**	2,444	3	**67**	**1**	140	1
	65,864	**100**	72,578	100	**13,241**	**100**	12,500	100

At the balance date,

- 80% (2015: 62%) of the Group's trade receivables in Malaysia (2015: Malaysia) are due from a reputable telecommunication service provider; and

- 51% (2015: 35%) of the Group's trade receivables are due from 3 major customers in the Telecommunication industry.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL INSTRUMENTS

(a) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Derivatives

The Group and Company has carried all derivative financial instruments at their fair value as required by FRS 39. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
At 31 December 2016				
Financial liabilities				
Derivatives – Forward currency contracts	–	214	–	214
At 31 December 2015				
Financial assets				
Derivatives – Forward currency contracts	–	20	–	20
At 31 December 2015				
Financial liabilities				
Derivatives – Forward currency contracts	–	26	–	26

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FINANCIAL STATEMENTS
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36. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair values (Continued)

Derivatives (Continued)

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.

Cash and cash equivalents, current trade and other receivables, current trade and other payables, and borrowings

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables, and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Lease obligations

The fair values of lease obligations are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the balance sheet date. The carrying value on the balance sheet does not differ significantly from its fair value at year end.

(b) Interest rate risk

The following tables sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:–

2016	Within 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Group				
Floating rate				
Cash and bank balances	22,751	–	–	22,751
Borrowings	(2,812)	(6,773)	–	(9,585)
Fixed rate				
Fixed deposits	134	–	–	134
Company				
Floating rate				
Cash and bank balances	5,298	–	–	5,298
Borrowings	(2,500)	(6,773)	–	(9,273)

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk (Continued)

2015	Within 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Group				
Floating rate				
Cash and bank balances	20,770	–	–	20,770
Borrowings	(3,509)	(12,802)	–	(16,311)
Fixed rate				
Fixed deposits	250	–	–	250
Company				
Floating rate				
Cash and bank balances	6,322	–	–	6,322
Borrowings	(2,500)	(12,802)	–	(15,302)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of 6 months or less. The other financial instruments of the Group and the Company that are not included in the above table are not subject to interest rate risk.

(c) Derivative financial instruments

	Group					
	2016 $'000			2015 $'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts – gross receipts	**9,139**	**–**	**264**	14,333	–	26
Forward currency contracts – gross payments	**1,763**	**50**	**–**	3,720	20	–

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar and Euro, against SGD for which firm commitments existed at the balance sheet date, extending to May 2017 (2015: June 2016).

The Group does not apply hedge accounting.

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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 2016 and 31 December 2015.

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, loans and borrowings and obligations under finance leases, less cash and cash equivalents. Capital refers to equity attributable to the equity holders of the Company.

	Group	
	2016	**2015**
	$'000	**$'000**
Cash and cash equivalents (Note 29)	**22,751**	20,770
Deposits pledged (Note 29)	**134**	250
Less: Borrowings (Note 15)	**(9,585)**	(16,311)
Net cash and cash equivalents	**13,300**	4,709
Capital:		
Equity attributable to equity holders of the Company	**66,280**	56,026
Capital and net debt	**66,280**	56,026
Gearing ratio	**–**	–

38. DEFINED BENEFIT OBLIGATION

Nera (Thailand) Ltd 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 2016.

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.

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38. DEFINED BENEFIT OBLIGATION (CONTINUED)

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	147	639	82	314	485	392	714	1,345
Fair value of plan assets	(340)	(334)	–	–	–	–	(340)	(334)
Net liability arising from defined benefit obligation	(193)	305	82	314	485	392	374	1,011

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

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January	639	529	314	303	392	434	1,345	1,266
Interest cost	28	25	5	11	30	34	63	70
Current service cost	40	40	12	35	80	86	132	161
Effect of curtailment	(231)	–	(121)	–	–	(90)	(352)	(90)
Divestiture of subsidiaries	(39)	–	(130)	–	(74)	–	(243)	–
Remeasurement (gains)/ losses: –								
Actuarial changes arising from changes in financial assumptions	(38)	(57)	–	5	38	(35)	–	(87)
Actuarial changes due to experience adjustment	(220)	90	–	(1)	(12)	4	(232)	93
Benefit paid out	(9)	–	–	(32)	–	–	(9)	(32)
Exchange differences	(23)	12	2	(7)	31	(41)	10	(36)
At 31 December	147	639	82	314	485	392	714	1,345

Changes in fair value of plan assets are as follows:

	Philippines plan	
	2016	2015
	$'000	$'000
At 1 January	334	323
Contributions by employer	19	–
Benefits paid	(9)	–
Interest income	18	–
Remeasurement (losses)/gains:–		
Return on plan assets	(10)	3
Exchange differences	(12)	8
At 31 December	340	334

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

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

	2016 $'000	2015 $'000
Investments in unit investment trust fund ("UITF") – Philippines plan	**340**	334

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:

	2016	2015
Discount rates:		
Philippines plan	**5.19%**	5.00%
Thailand plan	**2.50%**	3.00%
Indonesia plan	**8.50%**	9.25%
Expected rate of return on assets:		
Philippines plan	**3.00%**	2.50%
Future salary increases:		
Philippines plan	**6.00%**	6.00%
Thailand plan	**5.00%**	5.00%
Indonesia plan	**10.00%**	10.00%

	2016 %	2015 %
Mortality rate		
Philippines plan	**1994 Group Annuity Mortality Table**	1994 Group Annuity Mortality Table
Thailand plan	**75% of Thai Mortality Ordinary Table 2008**	75% of Thai Mortality Ordinary Table 2008
Indonesia plan	**Mortality Table of Indonesia 2011**	Mortality Table of Indonesia 2011

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		31 December 2016		
	Increase/ (decrease)	Philippines plan	Thailand plan	Indonesia plan
Discount rates	(Actual + 1.00%)	**(16)**	**–**	**(56)**
	(Actual – 1.00%)	**18**	**–**	**65**
	(Actual + 0.50%)	**–**	**(5)**	**–**
	(Actual – 0.50%)	**–**	**5**	**–**
Future salary increases	(Actual + 1.00%)	**19**	**11**	**65**
	(Actual – 1.00%)	**(31)**	**(10)**	**(57)**

		31 December 2015		
	Increase/ (decrease)	Philippines plan	Thailand plan	Indonesia plan
Discount rates	(Actual + 1.00%)	(54)	–	–
	(Actual – 1.00%)	62	–	–
	(Actual + 0.50%)	–	(13)	(24)
	(Actual – 0.50%)	–	14	26
Future salary increases	(Actual + 1.00%)	58	32	–
	(Actual – 1.00%)	(52)	(28)	–
	(Actual + 0.50%)	–	–	27
	(Actual – 0.50%)	–	–	(25)

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The Group expects a total contribution of $2,000 to its Philippines plan in 2017 (2016: $71,000).

The average duration of the defined benefit obligation at the end of the reporting period is 14 years (2015: 13 years).

Shown below is the maturity analysis of the undiscounted benefit payments:

	2016 $'000	2015 $'000
Less than one year	**5**	39
More than one year to five years	**73**	302
More than five years to 10 years	**427**	980
More than 10 years to 15 years	**1,025**	2,217
More than 15 years to 20 years	**571**	3,021
More than 20 years	**603**	2,444

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 March 2017.

SHAREHOLDINGS STATISTICS

AS AT 14 MARCH 2017

Issued and fully paid-up capital	–	S$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	6	0.12	36	0.00
100 – 1,000	195	3.87	173,951	0.05
1,001 – 10,000	2,681	53.25	17,021,116	4.70
10,001 – 1,000,000	2,137	42.44	108,842,458	30.08
1,000,001 AND ABOVE	16	0.32	235,859,439	65.17
TOTAL	**5,035**	**100.00**	**361,897,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RHB BANK NOMINEES PTE LTD	193,173,439	53.38
2	CITIBANK NOMS S'PORE PTE LTD	5,738,300	1.59
3	DBS NOMINEES PTE LTD	5,706,900	1.58
4	OCBC SECURITIES PRIVATE LTD	4,602,900	1.27
5	HSBC (SINGAPORE) NOMS PTE LTD	4,022,600	1.11
6	TAN BOON KHAK HOLDINGS PTE LTD	3,508,000	0.97
7	UNITED OVERSEAS BANK NOMINEES	3,137,300	0.87
8	POH KHENG MUI (FU QINGMEI)	2,968,000	0.82
9	OCBC NOMINEES SINGAPORE	2,935,200	0.81
10	RAFFLES NOMINEES (PTE) LTD	2,225,800	0.62
11	UOB KAY HIAN PTE LTD	1,540,800	0.43
12	TAN ENG YAM @TAN ENG ANN	1,478,600	0.41
13	TAN ENG YAM HOLDINGS PTE LTD	1,399,100	0.39
14	LIM GECK CHIN MAVIS	1,300,000	0.36
15	DBS VICKERS SECS (S) PTE LTD	1,120,500	0.31
16	KIM LENG TEE INVESTMENTS PTE LTD	1,002,000	0.28
17	EST OF MRS LIM NANCY NEE TAN NANCY, DEC'D	1,000,000	0.28
18	ROSIE D/O PILLAI MRS ROSIE CHANDRADAS	1,000,000	0.28
19	MAYBANK KIM ENG SECS PTE LTD	992,000	0.27
20	QUEK GEOK ENG	900,000	0.25
	TOTAL	**239,751,439**	**66.28**

SHAREHOLDINGS STATISTICS

AS AT 14 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Asia Systems Ltd[1]	193,173,439	53.38	–	–
Canopus Asia Systems, L.P.[2]	–	–	193,173,439	53.38
PGA Partners Ltd[3]	–	–	193,173,439	53.38
Ashish Jaiprakash Shastry[4]	–	–	193,173,439	53.38

Notes:

1. 193,173,439 shares held by Asia Systems Ltd ("**ASL**") are registered in the name of RHB Bank Nominees Pte Ltd.
2. 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.
3. 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.
4. 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 14 March 2017, approximately 46.61% of the total number of issued shares of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NERA TELECOMMUNICATIONS LTD (THE "COMPANY")
(INCORPORATED IN THE REPUBLIC OF SINGAPORE) CO. REGISTRATION NO. 197802690R

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nera Telecommunications Ltd (the "**Company**") will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Room: Nicoll 1 (Level 3) on Wednesday, 26 April 2017 at 11.30 a.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Final Dividend (tax exempt one-tier) of 0.5 cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 87 of the Constitution of the Company:

   (i) Ms Wong Su-Yen **(Resolution 3)**

   (ii) Mr Tan Lye Huat **(Resolution 4)**

   Mr Tan Lye Huat will, upon re-election as Director of the Company, remain as Chairman of the Audit and Risk Management Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. He will continue as a member of the Nominating Committee.

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution with or without modifications:–

5. To approve Directors' fee of S$270,000 (2015: S$270,000) for the financial year ended 31 December 2016. **(Resolution 6)**

6. **Authority to issue shares**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF
ANNUAL GENERAL MEETING

NERA TELECOMMUNICATIONS LTD (THE "COMPANY")
(INCORPORATED IN THE REPUBLIC OF SINGAPORE) CO. REGISTRATION NO. 197802690R

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." **(Resolution 7)**
(See Explanatory Note 1)

7. **Authority to grant awards and issue shares under the Performance Share Plan**

"That approval be and is hereby given to the directors to grant awards in accordance with the provisions of the Nera Telecommunications Performance Share Plan 2015" (the "**Share Plan**") to allot and issue from time to time such number of shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plan, provided that the aggregate number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered or to be delivered pursuant to the awards granted under the Share Plan shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, and that such authority, shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." **(Resolution 8)**
(See Explanatory Note 2)

NOTICE OF ANNUAL GENERAL MEETING

NERA TELECOMMUNICATIONS LTD (THE "COMPANY")
(INCORPORATED IN THE REPUBLIC OF SINGAPORE) CO. REGISTRATION NO. 197802690R

ANY OTHER BUSINESS

8. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
Singapore, 11 April 2017

Explanatory Notes:

1) Resolution 7, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares at the time this Ordinary Resolution is passed. The total number of issued shares excluding treasury shares of the Company shall be the total number of issued shares excluding treasury shares at the time this Ordinary Resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issues consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2) Resolution 8, if passed, will empower the Directors effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Share Plan, approved by shareholders on 29 April 2014 and was last renewed at the Annual General Meeting of the Company on 28 April 2016, and to allot and issue shares in the capital of the Company pursuant to the Share Plan, provided that the aggregate number of shares issued and to be issued under the Share Plan does not exceed 10% of the total number of issued shares excluding treasury shares in the capital of the Company from time to time.

NOTICE OF
ANNUAL GENERAL MEETING

NERA TELECOMMUNICATIONS LTD (THE "COMPANY")
(INCORPORATED IN THE REPUBLIC OF SINGAPORE) CO. REGISTRATION NO. 197802690R

Notes:

1. member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint more than two proxies to attend, speak and vote at the meeting.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy must be lodged at the registered office of the Company at 109 Defu Lane 10, Singapore 539225 at least forty-eight (48) hours before the time appointed for the AGM.

5. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the AGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of such proxy(ies) or representative(s) to the Company (or its agents)– of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Nera Telecommunications Ltd (the "Company") will be closed on 9 May 2017 after 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, KCK CorpServe Pte. Ltd. of 333 North Bridge Road #08-00, KH KEA Building, Singapore 188721 up to 5:00 p.m. on 9 May 2017 will be registered to determine shareholders' entitlements to the proposed final dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 9 May 2017 will be entitled to the proposed final dividend.

Payment of the proposed dividend, if approved by the shareholders at the Annual General Meeting to be held on 26 April 2017 will be paid on 25 May 2017.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
Singapore, 11 April 2017

NERA TELECOMMUNICATIONS LTD

Co. Registration No. 197802690R

(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF moneys to buy shares in Nera Telecommunications Ltd, this Annual Report is forwarded to them at the request of the CPF Approved Nominees.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____

of ____

being *a member/members of NERA TELECOMMUNICATIONS LTD (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)
* and/or (delete as appropriate)			

as my/our proxy/proxies, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Room: Nicoll 1 (Level 3) on Wednesday, 26 April 2017 at 11.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated with an "√" in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Please indicate your vote "For" or "Against" with a tick [√] within the box provided)

At	Ordinary Resolutions	No. of Votes	
		For**	Against**
	Ordinary Business		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Auditors' Report thereon.		
2.	To declare a Final Dividend (tax exempt one-tier) of 0.5 cents per ordinary share for the financial year ended 31 December 2016.		
3.	To re-elect Ms Wong Su-Yen, a Director retiring under Article 87 of the Constitution of the Company.		
4.	To re-elect Mr Tan Lye Huat, a Director retiring under Article 87 of the Constitution of the Company.		
5.	To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.		
	Special Business		
6.	To approve Directors' fee of S$270,000 (2015: S$270,000) for the financial year ended 31 December 2016.		
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
8.	To authorise the grant of awards and issue shares under the Performance Share Plan		

***All resolutions would be put to vote by poll in accordance with listing rule of Singapore Exchange Securities Trading Limited. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.*

Dated this __________ day of ____________________ 2017

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. A member of the Company (other than a relevant intermediary as defined in Section 181 of the Companies Act, Cap. 50.) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. A relevant intermediary as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
3. Where a member of the Company appoints more than one proxy in a proxy form, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 109 Defu Lane 10, Singapore 539225 not later than 48 hours before the time set for the Annual General Meeting.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
11. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated.

fold here

Affix
Postage
Stamp

The Company Secretary
NERA TELECOMMUNICATIONS LTD
109 Defu Lane 10
Singapore 539225

fold here

CORPORATE INFORMATION

BOARD OF DIRECTORS
Ms Wong Su-Yen*
Dr Lee Kwok Cheong*
Mr Tan Lye Huat*
Mr Ashish Jaiprakash Shastry**
Mr Tan Choon Hong**

AUDIT AND RISK MANAGEMENT COMMITTEE
Mr Tan Lye Huat, Chairman
Mr Tan Choon Hong
Dr Lee Kwok Cheong

NOMINATING COMMITTEE
Ms Wong Su-Yen, Chairman
Mr Ashish Jaiprakash Shastry
Mr Tan Lye Huat

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

COMPANY SECRETARY
Ms Foo Soon Soo

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

REGISTRARS AND SHARE TRANSFER OFFICE
KCK Corpserve Pte. Ltd.
333 North Bridge Road #08-00
KH KEA Building
Singapore 188721
Tel: (65) 6837 2133
Fax: (65) 6339 0218

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Ms Ho Shyan Yan
(appointed with effect from FY2015)

PRINCIPAL BANKERS
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited
Skandinaviska Enskilda Banken AB (SEB)
Hong Leong Bank Berhad

* Independent Non-Executive Director
** Non-Executive Director

NERA TELECOMMUNICATIONS LTD
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