

40 YEARS
OF SUCCESS
CONNECTING
THE WORLD

ANNUAL
REPORT
2017

The background features a complex network of grey lines and nodes, some of which are circular icons. Large, solid-colored circles in yellow, magenta, and green are scattered across the page. On the right side, there is a large, multi-colored geometric structure composed of various shades of grey, brown, and blue, resembling a stylized building or a complex crystal. The overall aesthetic is modern and technological.

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40 YEARS

OF SUCCESS
CONNECTING
THE WORLD

We are seeing the age of transformation and disruption. Info-Communications Technology and digitisation have transformed the way we communicate and conduct business, which in turn changes the way we live.

With 40 years of experience, NERA TELECOMMUNICATIONS LTD is a leading system integrator and solution provider in over 16 countries across 4 different continents. Moving forward, we will continue to provide multi-domain technological solutions and grow alongside our customers.



The Group achieved
S\$196.2 million
in turnover, an increase of
19.0% from the S\$164.9 million
recorded for FY2016.

MS WONG SU-YEN
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd ("NeraTel" or "the Group") for the year ended 31 December 2017 ("FY2017").

ECONOMIC BACKDROP

2017 was marked by an upswing in global economic activity despite geopolitical tensions and natural disasters which captured the headlines. Emerging markets and developing economies witnessed continued growth, amidst the relentless disruption catalysed by new technologies and digital applications.

FINANCIAL HIGHLIGHTS

Against this backdrop, for FY2017, the Group achieved S\$196.2 million in turnover, an increase of 19.0% from the S\$164.9 million recorded for FY2016. Profit before tax ("PBT") improved 148.3% from S\$5.2 million to S\$13.0 million, mainly due to higher gross profit, and lower operating expenses, namely, with recovery of doubtful debts, absence of remuneration accruals and claims as well as lower foreign exchange losses.

Basic earnings per ordinary share for the year, based on the net profit from continuing operations attributable to shareholders, were recorded at 2.36 cents compared to 1.07 cents in FY2016. Net asset value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, was recorded at 19.29 cents compared to 18.31 cents in FY2016.

For FY2017, the Group secured approximately S\$196.1 million in order in-take, an increase of 5.9% over the S\$185.2 million achieved in FY2016. The Group ended the year with S\$20.6 million in cash and cash equivalents.

DIVIDEND

The Board is pleased to recommend a final one-tier tax exempt dividend of 1.5 cents per ordinary share for FY2017. This proposed dividend, if approved at the Annual General Meeting on 18 April 2018, will be paid on 25 May 2018.

LOOKING AHEAD

We believe that mobile operators will continue to make investments 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 levels. With our experience and comprehensive portfolio of wireless network solutions, we are well-positioned to capitalise on the digitisation wave.

In the network infrastructure segment, we will continue to see robust growth led by advances and innovations in network security and digitisation. We will continue to develop and strengthen our offerings in these domains to better support our customers in both existing and new strategic markets.

ACKNOWLEDGEMENTS

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



The Group secured approximately
S\$196.1 million
in order in-take, an increase
of 5.9% compared to
S\$185.2 million in FY2016.

MR BECK TONG HONG
CEO

CEO's STATEMENT

Business Review

FY2017 was a relatively positive year for NeraTel as we look towards the future. The Group secured approximately S\$196.1 million in order in-take, an increase of 5.9% compared to S\$185.2 million in FY2016, driven mainly by higher orders from the Network Infrastructure ("NI") business.

The Group reported a higher turnover of S\$196.2 million in FY2017 compared to S\$164.9 million in FY2016, an increase of 19.0%. This was attributed to a higher turnover from both the NI and Wireless Infrastructure Network ("WIN") business segments. Profit before tax ("PBT") improved 148.3% from S\$5.2 million to S\$13.0 million, mainly due to higher gross profit, and lower operating expenses. Profit after tax ("PAT") increased from S\$3.9 million to S\$8.5 million. At the end of the year, the Group registered positive cash and cash equivalents of S\$20.6 million compared to S\$22.8 million in FY2016.

The NI business segment registered a turnover of S\$122.1 million in FY2017 compared to S\$102.7 million recorded in FY2016, an increase of 18.9%. This increase was attributed to higher sales of network equipment to the Service Provider market in various countries.

The WIN business segment also recorded a higher turnover of S\$74.1 million in FY2017 compared to S\$62.2 million in FY2016, an increase of 19.1%. This increase was attributed mainly to higher turnover in the Middle East and Africa markets.

Business Outlook

We believe that our Service Provider, Enterprise, and Government, Transport and Utilities customers will continue to upgrade, protect and secure their infrastructure as the world becomes more digitised. Our customers will also gradually adopt new technologies so that new and better services could be offered to their client base. There is also an increasing emphasis on cybersecurity, to not only safeguard their interests but also to be compliant with regulatory requirements. We foresee these to be key drivers for our business growth.

That said, competition will continue to intensify and customers are also driving towards more efficient use of their capital expenditures. The introduction of new technologies may also cause disruption to incumbent business models.

As such, we will continue to focus on building more complete solutions capabilities and strengthening internal core competencies to address market demands. We will also continue to pursue higher margin and recurring revenue streams such as services and maintenance contracts. At the same time, we will invest in new business verticals – such as cybersecurity, cloud and data centre – that will position NeraTel for future growth.

We are encouraged to have won new contracts, some from repeat customers who have placed their trust in us, a testament of our value proposition and capabilities to provide turnkey solutions. We have also made headway in a few countries, having won contracts from new customers.

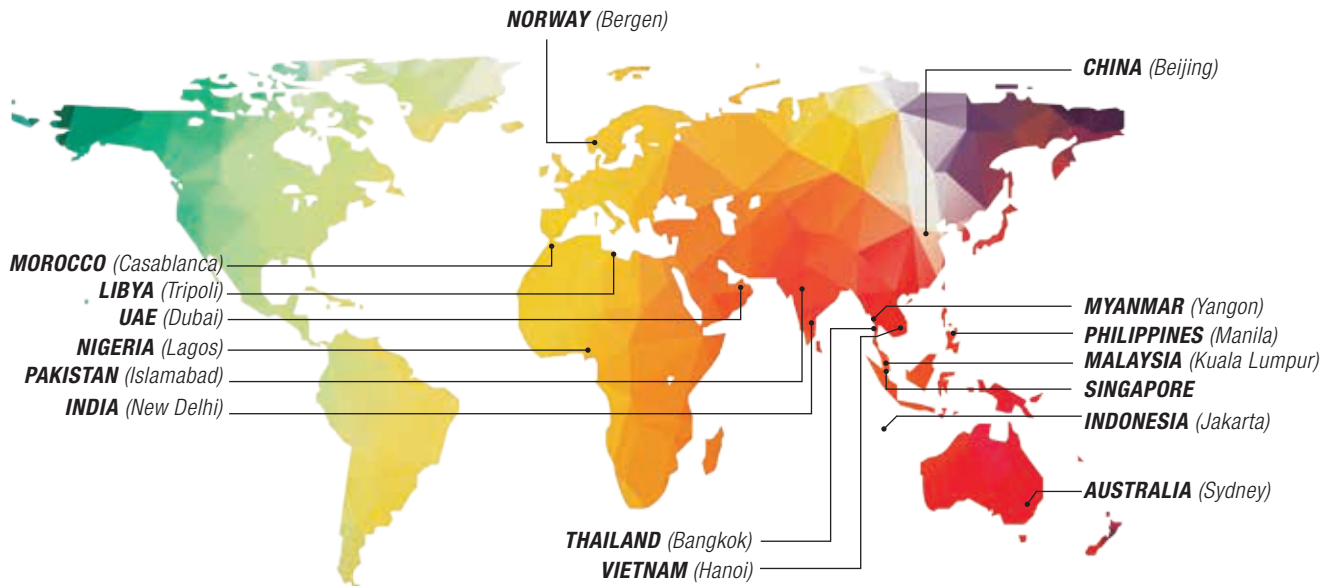
Our top customers are typically large groups where there is still potential for us to penetrate further. With a global footprint, four decades of rich experience and established track record, coupled with one of the largest team of certified professionals in the region that is able to deliver complex solutions accurately, and the ability to provide end-to-end turnkey solutions, we strive to continue providing multi-domain technological solutions and growing alongside our customers.

Finally, I would like to thank our valued 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
CEO

GEOGRAPHICAL PRESENCE



NAME OF NERA TELECOMMUNICATIONS LTD SUBSIDIARY COMPANIES

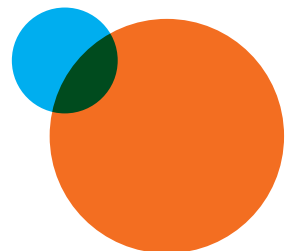
- Nera Networks (S) Pte. Ltd., Singapore
- Nera (Malaysia) Sdn. Bhd., Malaysia
- Nera Infocom (M) Sdn. Bhd., Malaysia
- PT. Nera Indonesia, Indonesia
- Nera (Thailand) Limited, Thailand
- Nera (Philippines), Inc., Philippines
- Nera Telecommunications (Myanmar) Company Limited, Myanmar
- Nera Telecommunications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

SUBSIDIARIES OF NERA NETWORKS (S) PTE. LTD.

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

REPRESENTATIVE OFFICE

- Nera Telecommunications Ltd, Beijing Representative Office, China



BOARD OF DIRECTORS



MS WONG SU-YEN

Independent Director since 23 December 2013

*Chairman of the Board since 30 April 2014
Chairman, Nominating Committee since 23 December 2013*

Member, Remuneration Committee since 23 December 2013

Last re-elected on 26 April 2017

Ms Wong brings with her over 20 years of experience in driving business strategy, strategic talent development, organisation transformation, operation redesign and risk management. She serves as a Director at MediaCorp, Yoma Strategic Holdings, and NTUC First Campus. She is a Fellow and Member of the Governing Council of the Singapore Institute of Directors, and a Director at the National Kidney Foundation, Singapore, and The Teng Ensemble Ltd.

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

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

MR BECK TONG HONG

Executive Director since 8 November 2017

Chief Executive Officer since 18 July 2017

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

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

BOARD OF DIRECTORS



MR TAN LYE HUAT

*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 26 April 2017

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 FloD) 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

*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 Holdings Pte Ltd and an Adjunct Professor at the Singapore University of Social Sciences (SUSS). He was previously an Adjunct Associate Professor of NTU Business School.

Dr Lee has served on many boards and national committees in education, manpower and IT areas. Currently, he is a Member of the Future Economy Council's Essential Domestic Services (EDS) Sub-Committee which oversees industry transformation in healthcare, early childhood education and adult education; as well as the Design Education Review Committee (Workgroup 2). He is also a Board Member of The Teng Ensemble Ltd., ILA Vietnam Ltd. Co., Worldwide Education and Training Limited and chairs IRAS Technical Advisory Panel.

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

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



MR ASHISH JAIPRAKASH SHASTRY

*Non-Executive Director since 28 January
2013*

*Member, Nominating Committee
since 28 January 2013
Last re-elected on 28 April 2016*

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

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

BOARD OF DIRECTORS



MR TAN CHOON HONG

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 APAC Realty Limited.

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

MR TOMMY Z. TEO

Non-Executive Director since 27 February 2018

Mr. Teo is an Executive Director of Northstar Advisors Pte. Ltd. Prior to joining Northstar in 2013, Mr. Teo was an investment banker with Citi Global Investment Banking in Singapore, and with Perella Weinberg Partners and Bear, Stearns & Co. Inc. in New York. Mr. Teo was also an analyst at hedge fund sponsor Capital Z Asset Management. He currently serves on the board of APAC Realty Limited.

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



SENIOR MANAGEMENT

MS TAN GEOK LENG JACQUELINE

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

MR CHAN HENG CHEW MICHAEL

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 Group. He has more than twenty-seven 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.

MR ODD KARE FOSSMO

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

MR TAN CHAM KHAIN ORLANDO

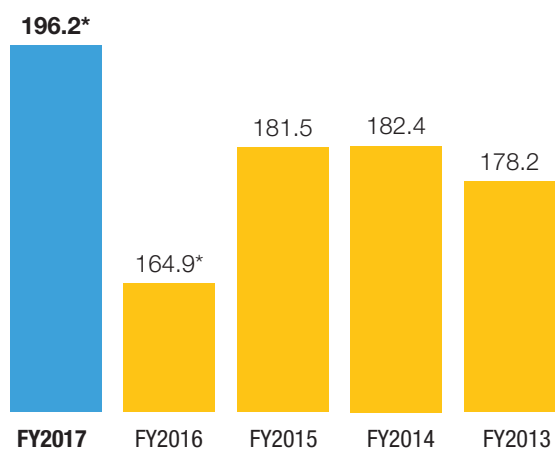
is the Vice President of Network Infrastructure. He is responsible for the Group's entire Network Infrastructure business. He has more than twenty years of APAC experiences in ICT (Information & Communications Technology) industry and proven track record in sales & marketing management, channel development and new business strategy. Mr Tan holds a Master in Advanced Business Practice from the University of South Australia, an MBA in Banking and Finance from Nanyang Technological University Singapore, a Bachelor of Engineering in EEE from the University of Surrey UK and a Diploma in EEE from Ngee Ann Polytechnic.

MS MOLLY SIM

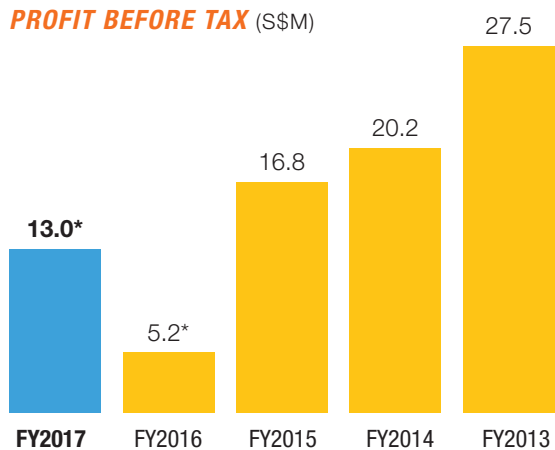
is the Vice President of Corporate Affairs & HR. She oversees the Group's corporate affairs, compensation and benefits, human resource, as well as talent management and acquisition. She has more than twenty years of human resource management experience for both MNC and listed companies in various industries such as medical device manufacturer, automotive, construction, engineering, utilities, and real estate. Ms Sim holds a Bachelor of Business Administration degree from National University of Singapore and a Graduate Diploma in Personnel Management from Singapore Institute of Management.

FINANCIAL HIGHLIGHTS

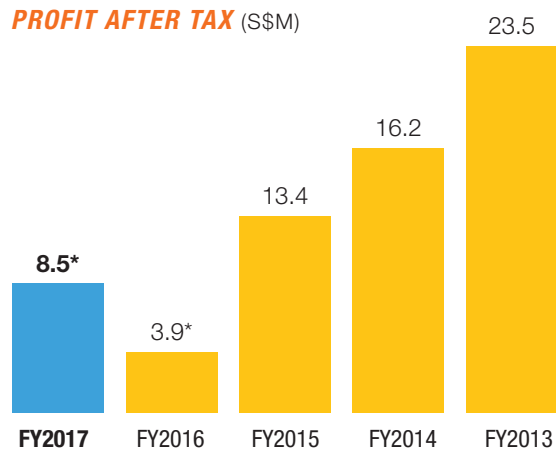
TURNOVER (S\$M)



PROFIT BEFORE TAX (S\$M)



PROFIT AFTER TAX (S\$M)



* From continuing operations only



BUSINESS SEGMENTS:

WIRELESS INFRASTRUCTURE NETWORKS (WIN)

NeraTel provides end-to-end wireless infrastructure network solutions, alongside a host of other wireless space services. We serve a multitude of clients over a range of sectors, such as Service Providers, ISPs, Broadcasters, Enterprises, Government Organisations, Offshore and Utilities. More specifically, 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 solutions such as 3G data offloading, RAN benchmarking, optimisation and QoS with our end-to-end solutions, which are picked to suit the needs of green field and brown field deployments.

Our highly-versatile 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. The technology is cutting-edge, with support for Native IP and TDM. Furthermore, our passive and active solutions can be applied to most hardware set-ups and focus on delivering quality solutions for our customers' indoor coverage needs. Our outdoor solutions add tremendous value relative to the cost.

Armed with a comprehensive service and solution portfolio for RAN optimisation and performance benchmarking, the Group is well-positioned to provide solutions to cellular operators who are looking to achieve the highest of service standards. With 3G/4G data offloading solutions via Wi-Fi becoming more popular with operators, we are also well-positioned to capture market share with our unique and comprehensive offerings. We take particular pride in being highly versatile in providing best-in-class solutions. This allows us to easily tailor our solutions to clients' needs.

Additionally, we undertake long-term, comprehensive projects spanning their complete life-cycles. Our highly trained and experienced teams provide expertise in planning, designing, installation, commissioning and testing of solutions, inclusive of comprehensive post sales service and support.

NETWORK INFRASTRUCTURE (NI)

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

Today, NeraTel's NI 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 Solutions

Adoption of cloud technologies within the modern business environments is getting more pervasive. Bolstered by the growth trajectory of the cloud sector, we have expanded our portfolio to include both private and hybrid cloud solutions and services from Amazon Web Services to OpenStack-powered cloud infrastructure and software. NeraTel's cloud solutions deliver real-time virtual resources through an 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 provides managed services for our customers to easily add or remove nodes, manage multiple workloads and configure their networks in real time.

Network Security Solutions

With the increased instances of cybercrime worldwide, organisations have to take 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.

To meet this growing need, we have expanded our security product portfolio across network security, data security and endpoint security to include comprehensive suites of industry-leading security products, including Next Generation firewalls, Malware protection devices, Denial-of-Service protection solutions, Deep Packet Inspection, 2 Factor Authentication and Remote Access solutions; enabling our customers to protect their networks comprehensively and effectively yet providing secure access for day to day business requirements.

To complete the security portfolio, we offer network security testing services, including vulnerability assessment and penetration testing, to help customers identify flaws in their networks that can potentially be exploited.

IP Networks

In the era of network convergence, NeraTel continues to build high-performance IP networks with the best-in-class network products and solutions that enable our Service Provider customers to deploy differentiated and cost effective digital applications, Enterprise customers to improve network accessibility and security, and Government and critical facility organisations to deliver their services efficiently and securely.

New networking deployments involving Data Centre Spine and Leaf architecture, Software Defined Networking and the Cloud-based Network Function Virtualisation are changing the way networks are being implemented across the different segments of our customer base.

BUSINESS SEGMENTS:

We continue to develop strong IP networking product portfolio comprising of market-leading routers, switches, application performance monitoring solutions, network access control solutions, network operation 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 include 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 digitised network.

Broadcast Networks

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



SUSTAINABILITY REPORT

1. BOARD'S STATEMENT

Our sustainability agenda is led by our Board of Directors, which oversees and ensures that the Group pursues its commercial objectives, and remains a responsible and sustainable organisation. Information on the Board, Corporate Governance Model, Board Committees and their Terms of Reference is available on pages 21 to 50 of the Annual Report.

We have also appointed a sustainability committee ("SC") to fortify the Group's sustainability practices across the management and operational fronts. The CEO leads the SC in reporting to the Board as well as providing updates such as relevant proposals on the Group's sustainability strategy and performance for the Board's review and approval.

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

2. INTRODUCTION

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

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

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

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

3. REPORTING FRAMEWORK

In preparing this sustainability report ("Report"), we were guided by the Global Reporting Initiative Standards: Core option.

4. REPORTING PERIOD AND COVERAGE

The reporting period is for the Group's financial year ended 31 December 2017 ("FY2017") and a report will be published annually thereafter.

This Report covers the Singapore operations which contributed approximately 41% of the Group's total turnover for FY2017. We target to increase the coverage of this Report to represent at least 75% of our Group's total turnover by financial year ending 31 December 2020.

5. FEEDBACK

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

6. STAKEHOLDER ENGAGEMENT

The Group's efforts on sustainability are focused on creating sustainable value for its key stakeholders, which comprise shareholders, employees, customers, vendors and regulators. Key stakeholders are determined for each material factor identified, based on the extent to which they can affect or are affected by operations of the Group.

SUSTAINABILITY REPORT

We actively engage our key stakeholders through the following channels:

| S/N | KEY STAKEHOLDER | ENGAGEMENT CHANNEL |
|-----|-----------------|--|
| 1 | Customer | Communications with customers are made through various channels such as meetings, events, email communications, phone calls and teleconferences. |
| 2 | Employee | Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and regular staff evaluation sessions where employees can pose questions in person. |
| 3 | Regulator | The Group participates in consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange so as to better understand the regulatory requirements and furnish feedback on proposed regulatory changes that impact its business. |
| 4 | Shareholder | The Group conveys timely, full and credible information to shareholders through announcement on SGXNET, its website (http://www.nera.net), annual general meetings, annual reports, and other channels such as business publications and investors' relation events. |
| 5 | Vendor | The Group maintains a good relationship with vendors by establishing various communication platforms for all levels of personnel involved in each product, such as emails, meetings, events and regular vendor conferences. This serves to assist in areas such as information on vendor's strategic directions, new product launches and marketing focus. |
| 6 | Community | The Group focuses on continuous community engagement and has initiated various campaigns to help the communities. |

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

SUSTAINABILITY REPORT

7. POLICY, PRACTICE AND PERFORMANCE REPORTING

7.1 Policy

We have established a reporting structure, assessment matrix, reporting procedures and are in the process of developing a formal policy which will be approved by the Board.

7.2 Reporting structure

Our sustainability strategy is developed and directed by Senior Management in consultation with the Board of Directors. The Group's SC, which includes Senior Management executives, is led by the CEO. The CEO leads the SC in reporting to the Board as well as providing updates such as relevant proposals

on the Group's sustainability strategy and performance for the Board's review and approval.

7.3 Sustainability reporting processes

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



IDENTIFICATION

Identification of the material factors that are relevant to the Group's activities and data points for performance reporting.



PRIORITISATION

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



VALIDATION

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



REVIEW

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

SUSTAINABILITY REPORT

7.4 Materiality assessment

Each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

| REPORTING PRIORITY | DESCRIPTION | CRITERIA |
|--------------------|-------------|---|
| I | High | Factors with high reporting priority are reported on in detail. |
| II | Medium | Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material. |
| III | Low | Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material. |

The reporting priority is supported by a materiality factor matrix which considers the level of concern to external stakeholders and potential impact on business.

7.5 Performance tracking and reporting

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

8. MATERIAL FACTORS

Our materiality assessment performed for FY2017 involved the Group's Senior Management in identifying sustainability factors deemed material to the Group's businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below is a list of key sustainability factors (Level I and selected Level II reporting priority) applicable to our Group:

| S/N | MATERIAL FACTOR | KEY STAKEHOLDER | REPORTING PRIORITY |
|----------------------|--|------------------------|--------------------|
| SOCIAL | | | |
| 1 | Inclusive workplace and talent development | Employee | I |
| 2 | Occupational health and safety | Employee | II |
| 3 | Ongoing community development | Community | III |
| ENVIRONMENTAL | | | |
| 4 | Electricity and water conservation | Community, shareholder | II |
| ECONOMIC | | | |
| 5 | Sustainable business performance | Shareholder | I |
| GOVERNANCE | | | |
| 6 | Robust corporate governance framework | Shareholder, regulator | II |

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

8.1 Inclusive Workplace and Talent Management

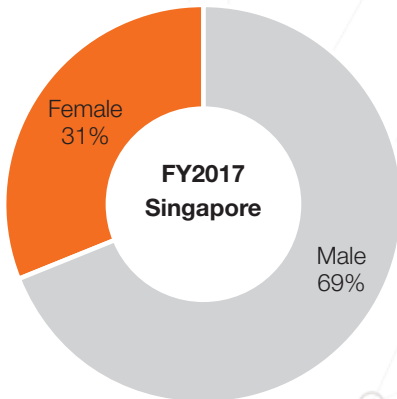
We are using our collective resourcefulness, experience, skills and know how, dedication and endurance to discover pioneering and ground-breaking practical solutions and systems to address challenges that arise.

Quality employees are not possible if we do not constantly work to cultivate and improve the skill sets of our employees. While we respect each individual, we also leverage the diversity of cultures and global experiences in our workplace. We exploit the cooperative and positive energy of our employees to succeed and bring us to the next higher level. Accordingly, the Group is committed to the goals of inclusive workplace and effective talent management.

We have a workforce of 154 full-time employees for the Singapore operations as at 31 December 2017.

SUSTAINABILITY REPORT

GENDER DIVERSITY



INCLUSIVE WORKPLACE

Our commitment to a diverse and inclusive cultures, where everyone is welcomed and treated equitably, not only augments but also enhances our customer commitment and ensures continuous improvement. The different perceptions, qualifications and experiences of our employees are of significance. It not only breeds successful collaboration amongst employees, but also serves to reinforce our concepts, ideas, results and vigorous solutions.

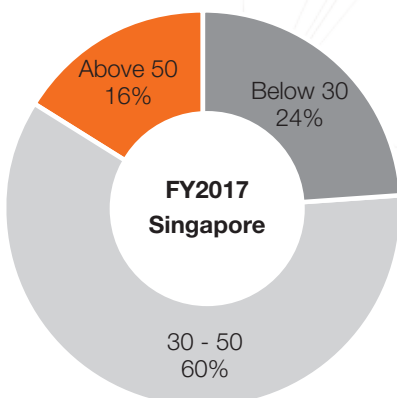
We value the diversity within our Group and have a comprehensive and all-encompassing working environment that drives each of us to actively participate in and contribute effectively to the Group's success. In addition, it is stipulated in our employee handbook that decisions on recruitment, selection,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

On gender diversity, despite the fact that we are operating in a male dominated industry, we make a conscientious effort to hire female employees who possess the right competencies and who are able to contribute at the same level. This is evident in our increasing trend of female hires, whereby the percentage of female employees to total full-time employees as at 31 December 2017 is 31% (FY2016: 26%).

In our Group, matured employees are valued for their experience, knowledge and skills. As at 31 December 2017, 16% (FY2016: 11%) of our workforce is above 50 years old.

Besides hiring Citizens and Permanent Residents ("Citizens & PRs"), we are inclusive in hiring needed foreigners for their talents to complement the local workforce. The proportion of Citizens & PRs against foreigners is 88%:12% as at 31 December 2017 (FY2016: 88%:12%).

AGE DIVERSITY

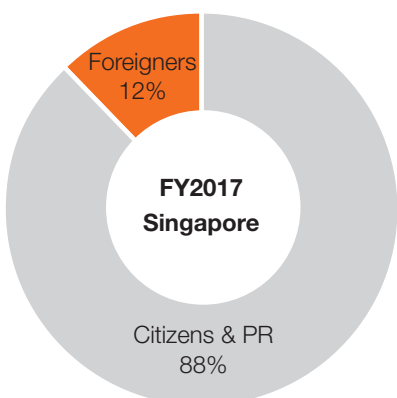


TALENT MANAGEMENT

Effective employee training is vital to the long-term success of any business. We have a set of training programs catering to the various categories and levels of our employees. One of the main objectives of our training programs 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. The Group places a high priority on the competency development of our employees. Technical staff are encouraged to attain technical certifications relevant to their work whilst Management staff are also encouraged to attend Leadership Development courses and programs. In FY2017, the average training expenditure per employee is S\$1,396 (FY2016: S\$973) with an average training hours attained per employee of 21 hours (FY2016: 18 hours).

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

NATIONALITY DIVERSITY



SUSTAINABILITY REPORT

8.2 Occupational Health and Safety

We are aware of the importance of health and safety. Hence, we are committed to ensure that we place the highest priority on the health and safety of our employees, customers, suppliers and subcontractors as well as the community at large.

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

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

We are OHSAS 18001, bizSAFE STAR and SafeContractor Accreditation certified and these certifications recognise the Group's continuous efforts to incorporate safety as part of its business model.

For Singapore operations, the Group recorded zero (FY2016: zero) workplace fatalities in FY2017 and one (FY2016: 1) non-fatal workplace injury¹ in FY2017. We will continuously work towards reducing both the occurrence and severity of workplace accidents.

8.3 Ongoing Community Engagement

We recognise that the long-term success of the business is closely related with the health and prosperity of the community we operate in. Accordingly, the Group strives to set a good example in giving back to our community. In FY2017, various campaigns were initiated to help the community as follows:

CLUB RAINBOW DONATION



A donation drive was initiated and our staff donated S\$6,780. This amount was matched dollar for dollar by the Company resulting in a total amount of S\$13,560 raised for Club Rainbow. The sum collected were used to provide a range of comprehensive support services for families of children who suffer from major chronic and potentially life threatening illnesses.

BRIGHT HILL EVERGREEN HOME



Our staff and family had a heart-warming time with the sick and elderly at Bright Hill Evergreen Home. We helped to serve food, fed those who need assistance, played bingo and sang with them. The sick and elderly enjoyed our companionship, smiled, sang and clapped along when we sang.

AMK THK COMMUNITY HOSPITAL ("THKH")



Our staff volunteers spent time befriending the patients recuperating in THKH, helping them in craft activities and joining them in seated t'ai chi. It was a joy engaging them in conversations and activities. The patients truly appreciated our companionship and kind heartedness.

¹ A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalisation of at least 24 hours and/or (ii) an issuance of a medical certificate of more than 3 days (need not be consecutive)

SUSTAINABILITY REPORT

8.4 Electricity and Water Conservation

We are committed to responsible usage of electricity and water resources in order to help preserve the environment in which the Group operates in. This also reduces cost and enhances returns to our shareholders.

Key statistics on electricity and water consumption in Singapore operations are as follows:

| RESOURCE | UNIT OF MEASUREMENT | INTENSITY (CONSUMPTION PER EMPLOYEE) | | DECREASE BETWEEN FY2017 AND FY2016 |
|-------------|---------------------|--------------------------------------|--------|---------------------------------------|
| | | FY2017 | FY2016 | |
| Electricity | kWh | 7,343 | 8,403 | (13%) |
| Water | cu M | 7 | 17 | (59%) |

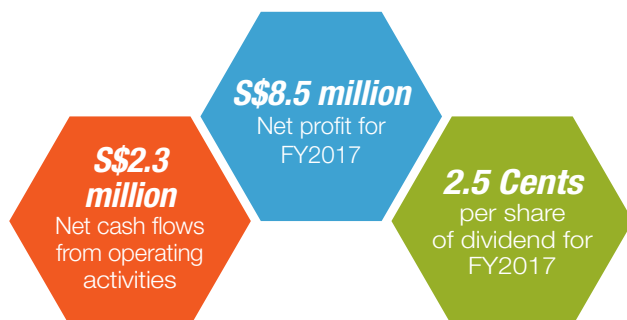
The significant reduction of 59% in water intensity ratio between FY2017 and FY2016 was due to rectification of a leakage problem in the underground piping at our operating premise.

Under our commitment to electricity and water conservation, various measures and initiatives are adopted such as:

- Switch on the chiller an hour later and turn off half-an hour earlier on working days.
- Switch off the office lights in the common areas half-an hour earlier on working days and switch off office lights during the lunch hour.
- Put up signage at light switches to remind staff to switch off the lights when not in use.
- Use and deploy water efficient tap filters at all our taps in the building to cut down on water usage.

8.5 Economic Performance

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



In FY2017, the Group recorded turnover of S\$196.2 million and a net profit after tax of S\$8.5 million. For FY2017, an aggregate tax-exempt (one-tier) dividend of 2.5 cents per share was declared.

In FY2017, the Group generated S\$2.3 million of net cash flows from operating activities with a cash and cash equivalents of S\$20.6 million.

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

8.6 Corporate Governance

A high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interest and maximising long term shareholder value. Our efforts in this areas have been recognised through winning the following awards:

- Singapore Corporate Governance Award 2016, Most Improved – Merit
- Singapore Corporate Governance Award 2014, Small Cap – Merit
- Most Transparent Company Award 2014, Technology – Runner Up
- Most Transparent Company Award 2013, Technology – Runner Up

These awards recognise the efforts made by public listed companies to be more transparent so as to help investors make informed decision.

Our overall Singapore Governance and Transparency Index score assessed by the National University of Singapore Business School is 55 for FY2017 which placed us within the top 40th percentile of public listed companies that were assessed.

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

9. TARGET SETTING

Given that this is our inaugural report, we are in the process of compiling key related data to develop a set of realistic targets. Accordingly, target setting is deferred until adequate data is available to set reasonable targets.

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 2017 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 its business is sustainable, the Group has to strike a balance between its business needs and the needs of the society and 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.

Guideline 1.2

Objective Decision Making

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

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.

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

During FY2017, the Company has held five (5) Board Meetings.

CORPORATE GOVERNANCE REPORT

A record of the Directors' attendance at the Board and Board Committee meetings for the financial year ended 31 December 2017 is set out below:

| | Board Meetings | Audit and Risk Management Committee | Remuneration Committee | Nominating Committee |
|---------------------------------------|------------------------------------|-------------------------------------|------------------------|----------------------|
| Number of meetings held FY2017 | 5 | 4 | 1 | 1 |
| Name of Directors | Number of meetings attended | | | |
| Ms Wong Su-Yen, Chairman | 5 | 2* | 1 | 1 |
| Mr Beck Tong Hong^ | 5** | 4** | 1** | 1** |
| Mr Ashish Jaiprakash Shastry | 5 | 1* | 1* | 1 |
| Dr Lee Kwok Cheong | 5 | 4 | 1 | 1* |
| Mr Tan Choon Hong | 5 | 4 | 1 | 1* |
| Mr Tan Lye Huat | 5 | 4 | Nil | 1 |

* Attended as invitees

^ Mr Beck Tong Hong was appointed as Executive Director and Chief Executive Officer ("CEO") with effect from 8 November 2017.

** Mr Beck attended one Board meeting as the Director and other Board Meetings and Board Committee Meetings by invitation in his capacity as CEO before his formal appointment as Executive Director and CEO.

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:

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

CORPORATE GOVERNANCE REPORT

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 FY2017, Mr Tan Lye Huat, Dr Lee Kwok Cheong, and Ms Wong Su-Yen attended the courses listed below, with attendance hours totalling approximately 67.50 hours in aggregate.

| |
|--|
| SID Dialogue with Minister |
| SID – CG Guides for Boards and Committees – The Final Launch |
| SID – So, You want to be a Non-Profit Director |
| SID Board Conversations – Remuneration Committee |
| SID Directors Conference 2017 |
| SID Board Conversations – Board |
| SGX Sustainability Roundtable for Directors of Catalist Companies |
| Cybercrime and Business Ethics Compliance |
| SIAS 2017 CG Forums |
| DBS 2nd Half Outlook |
| ACRA Enhanced Auditor's Report Focus Group Discussion |
| Sustainability for Directors Seminar |
| Relevance of Enhanced Auditor's Report to ACs Directors and Management |
| ACRA-SGX-SID-AC Seminar 2017 |
| Impact of Diversity on Directors' Decision Making |
| Board Members Accounting Update by KPMG |
| SID Business Future Series – Cyber Security for Directors |

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

CORPORATE GOVERNANCE REPORT

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.

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

Mr Beck Tong Hong was appointed as Executive Director and CEO on 8 November 2017.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Guideline 2.1

Independent Element of the Board

As at the date of this Report, the Board comprises seven Directors, one of whom is an Executive Director, three of whom are non-Executive Directors and the remaining three directors are independent, thus providing a strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group.

Guideline 2.2

Composition of Independent Directors on the Board

Out of seven (7) Directors, three including the Chairman are independent. Mr Ashish Jaiprakash Shastri has notified the Company of his intention to retire at the forthcoming Annual General Meeting and independent directors will make up half of the Board upon Mr Ashish Jaiprakash Shastri's retirement. Therefore, no individual or group is able to dominate the Board's decision making process.

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 judgment.

CORPORATE GOVERNANCE REPORT

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 judgment 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.

The Board also confirms that none of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment. Guideline 2.4 of the Code is therefore not applicable to the Board. However, taking into account the need for Board refreshment, the Board may consider developing a policy on this at the appropriate time.

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 |
| Mr Beck Tong Hong | Executive Director and CEO | – | – | – |
| Mr Ashish Jaiprakash Shastri | Non-Executive Director | – | Member | – |
| Dr Lee Kwok Cheong | Independent Director | Member | – | Chairman |
| Mr Tan Choon Hong | Non-Executive Director | Member | – | Member |
| Mr Tan Lye Huat | Independent Director | Chairman | Member | – |
| Mr Tommy Teo Zhi Zhuang | Non-Executive Director | – | – | – |

The NC with the concurrence of the Board, is of the opinion that the current Board size of seven (7) Directors is appropriate and that the Board possesses the appropriate diversity. The NC also takes into account gender diversity in relation to the composition of the Board, as well as a mix of skills and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. Amongst the directors are IT, accounting, finance, corporate governance and human resource/talent professionals who possess the relevant expertise and skill sets in their respective fields for effective decision making. Mr 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 7 to 9 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 CEO

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 former CEO, Mr Samuel Ang, had 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 as Executive Director and CEO of the Company.

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

The Chairman and 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.

Guidelines 3.3 & 3.4

The Chairman is an independent director and the CEO are two unrelated individuals.

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 | (Independent Director) |
| Mr Ashish Jaiprakash Shastri | (Non-Executive Director) |
| Mr Tan Lye Huat | (Independent Director) |

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

The principal functions of the NC are:

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

Mr Ashish Jaiprakash Shastri has notified the Company of his intention not to seek re-election at the forthcoming AGM. Accordingly, Mr Ashish Jaiprakash Shastri will cease to be a Director of the Company at the conclusion of the forthcoming AGM.

The NC has recommended the nomination of the following Directors retiring under Articles 87 and 94 of the Constitution of the Company, for re-election at the forthcoming Annual General Meeting ("AGM"):

- (i) Mr Tan Choon Hong (Article 87)
- (ii) Mr Beck Tong Hong (Article 94)
- (iii) Mr Tommy Teo Zhi Zhuang (Article 94)

Mr Tan Choon Hong will, upon re-election as Director, remain as a member of the Remuneration Committee and Audit and Risk Management Committee. As at the date of this Report, there is no Independent Director being appointed as Director into the Group's principal subsidiaries. The Board will inform the revised Board structures of the principal subsidiaries and the appointment of Independent Director into the principal subsidiaries as necessary.

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.

CORPORATE GOVERNANCE REPORT

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 NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The Directors had committed considerable time towards the many board meetings and board committee meetings held in FY2017 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.

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

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 7 to 9.

CORPORATE GOVERNANCE REPORT

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.

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 FY2017, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

CORPORATE GOVERNANCE REPORT

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; and
- 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.

PRINCIPLE 6: ACCESS TO INFORMATION

Guideline 6.1 and 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.

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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. He 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.

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 | (Independent Director) |
| Ms Wong Su-Yen | (Independent Director) |
| Mr Tan Choon Hong | (Non-Executive Director) |

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

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

The principal functions of the RC are:

- (a) To review and recommend to the Board a general framework for remuneration for the directors, CEO and Senior Management of the Company;
- (b) To recommend the remuneration of the Non-Executive Directors to the Board for approval at the Annual General Meeting;

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- (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 Director, CEO and substantial or controlling shareholders of the Group and to ensure that the remuneration of such employees are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

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.

No remuneration consultants were engaged by the Company in FY2017.

Guideline 7.4

Service Contract

As at the date of this report, there is a service contract signed with the Executive Director.

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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.

Guideline 8.2

Short-term Incentive Scheme

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

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 2017. 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 Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company and the Group. The Executive Director owes a fiduciary duty to the Company. Hence, the Company should be able to avail itself to remedy against the Executive Director in the event of such breach of fiduciary duties.

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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.

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 2017. Shareholders' approval will be sought at the Annual General Meeting for such payment to be made to the Directors.

| Remuneration/Name of Directors | Fees (S\$) | Salary (S\$) | Bonus (S\$) | Total ⁽¹⁾ (S\$) |
|---|-------------------------------|-----------------|----------------|-------------------------------|
| S\$1,000,000 to S\$1,250,000 Remuneration paid to Executive Director/CEO Mr Beck Tong Hong ⁽¹⁾⁽²⁾ | – | 478,546 | 538,340 | 1,016,886 |
| Below S\$250,000 Fees paid to Independent and Non-Executive Directors | | | | |
| Ms Wong Su-Yen | 153,000 | – | – | 153,000 |
| Dr Lee Kwok Cheong | 104,000 | – | – | 104,000 |
| Mr Tan Choon Hong | 48,000 | – | – | 48,000 |
| Mr Tan Lye Huat | 104,000 | – | – | 104,000 |
| Total Directors' Remuneration | 409,000 ⁽³⁾ 29% | 478,546 33% | 538,340 38% | 1,425,886 100% |

Notes:

(1) Mr Beck Tong Hong, was appointed as CEO and Executive Director on 18 July 2017 and 8 November 2017 respectively.

(2) Executive Director/CEO does not receive director's fee. His salary and bonus disclosed above include employer's CPF contributions for FY2017.

(3) The proposed directors' fee includes an one-off fee of S\$175,000 for the directors' contribution in a special project

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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 and below S\$250,000 (in percentage terms) during the calendar year are set out below:

| Name and Position of Key Management Personnel | Salary ⁽¹⁾ | Bonus ⁽²⁾ | Total | Remuneration Bands of S\$250,000 to S\$500,000 and below S\$250,000 |
|---|-----------------------|----------------------|-------|---|
| Mr Chan Heng Chew Michael Senior Vice President, Contracts and Corporate Secretariat | 68% | 32% | 100% | S\$250,000 – S\$500,000 |
| Mr Odd Kare Fossmo Managing Director, Norway Deputy Head, Wireless Infrastructure Networks | 82% | 18% | 100% | S\$250,000 – S\$500,000 |
| Ms Tan Geok Leng Jacqueline Financial Controller | 67% | 33% | 100% | S\$250,000 – S\$500,000 |
| Mr Tan Cham Khain Orlando ⁽³⁾ Vice President, Infocomm and Network Infrastructure | 55% | 45% | 100% | S\$250,000 – S\$500,000 |
| Ms Molly Sim ⁽³⁾ Vice President, Corporate Affairs & HR | 65% | 35% | 100% | Below S\$250,000 |
| Total Remuneration of Top 5 Key Management Personnel | 68% | 32% | 100% | S\$1,414,332 |

Notes:

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

(2) Bonus includes statutory contributions.

(3) Mr Tan Cham Khain Orlando and Ms Molly Sim joined us on 01 March 2017 and 17 April 2017 respectively.

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

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.

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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 FY2017.

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 Group's risk policies. For FY2017, 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 Group 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").

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

Guideline 10.1

Accountability for Accurate Information

The Board is mindful of its obligations to furnish timely information to its shareholders, the public and regulators and to ensure full disclosure of material information to its shareholders in compliance with the statutory requirements and the Listing Manual.

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. In accordance with SGX-ST's requirements, 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.

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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 evaluated. In addition, the Group evaluates its risk exposure by adopting a Four-by-Four Matrix Model where risks are assigned risk exposure ratings based on the likelihood and consequences of each risk identified.

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

Internal Controls

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

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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 Group, the work performed by the internal auditors, statutory audit review undertaken by the external auditors, the Board with the concurrence of the ARMC, is of the opinion that the risk management and internal control systems that the Group's has put in place to address the financial, operational, compliance and information technology risks are adequate as at 31 December 2017 to meets the needs of the Group's current business environment. The Board, has received written assurance from the CEO and the Financial Controller that:

- (a) the financial records have been properly maintained and the financial statements for FY2017 give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are adequate and effective.

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

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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 Director) |
| Dr Lee Kwok Cheong | (Independent Director) |
| Mr Tan Choon Hong | (Non-Executive Director) |

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 and 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;

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- (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 judgments
 - (ii) Changes in accounting policies and practices
 - (iii) Major risk areas
 - (iv) Significant adjustments resulting from the audit
 - (v) Going Concern statement
 - (vi) Compliance with accounting standards
 - (vii) Compliance with statutory and regulatory requirements
- (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 FY2017, 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.

The ARMC had reviewed the external auditor's audit plan for FY2017 and agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In ARMC's review of the financial statements of the Group for FY2017, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARMC also reviewed and addressed, amongst other matters, the following key audit matters as reported by the external auditors for FY2017.

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| KAM | HOW THE ARMC REVIEWED THESE MATTERS AND WHAT DECISIONS WERE MADE |
|--|--|
| Revenue recognition | The ARMC discussed the issues with Management and the external auditors in relation to recognition of revenue. The ARMC was satisfied with the appropriateness of the revenue recognised in the consolidated financial statements of the Group for the financial year ended 31 December 2017. |
| Provisions for warranty and accrued costs | The ARMC queried Management and the external auditors on the judgements and estimates involved in the provisions for warranty and accrued costs, and was satisfied that the amounts have been recorded appropriately as of 31 December 2017. |
| Recoverability of trade receivables | The ARMC reviewed information provided by Management and the external auditors in relation to the basis used as well as the specific doubtful debts to determine the level of allowance for doubtful debts, and was satisfied that as of 31 December 2017, the level of allowance for doubtful debts for the Group was adequate. |

The Management reported to and discussed with the ARMC on changes to the accounting standards and accounting issues which have a direct impact on the financial statements. Directors had also been invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

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 compliance services) provided by the external auditors in FY2017 did not prejudice their objectivity and independence.

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

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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 FY2017

| | S\$'000 | % of Total Fees |
|----------------------|---------|-----------------|
| Total Audit Fees | 149 | 86 |
| Total Non-Audit Fees | 25 | 14 |
| Total Fees | 174 | 100 |

The ARMC had recommended and the Board had accepted proposing to shareholders, the reappointment of EY as the independent auditors for the Group in the ensuing year. The Company has complied with SGX-ST 712, 715 and 716 in relation to the Company's 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.

Whistle-blowing Committee ("WBC")

The WBC consists of:

- 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.

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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.

All newly recruited employees are briefed of the existence of the Policy.

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

The Whistle-blowing Policy is reviewed by the ARMC once every two years to assess the effectiveness of the processes in place and to ensure that the said policy is updated with any related changes in legal and regulatory requirements. The last review was in February 2017.

During the year, the Company received an anonymous whistleblowing letter and the ARMC undertook an investigation into the matter. As no irregularity as alleged by the anonymous whistle blower was noted, the ARMC and the Board concluded that there was no merit in the case and it is formally closed.

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.

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 ARMC assesses the adequacy of the IA function through the review of FKTAS' audit plan and the quality of its report. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the ARMC. The IA's primary line of reporting is to the Chairman of the ARMC.

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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. Our engagement with FKTAS stipulates that its work shall comply with the FKTAS' Internal Audit Services Methodology which is aligned with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

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

Having reviewed the audit plan of FKTAS, the ARMC is satisfied that the Company's internal audit function is adequately resourced to perform the work 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. The ARMC was satisfied that the internal control functions were adequate and effective.

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

All resolutions at AGMs are put to vote by poll to allow greater transparency and more equitable participation by shareholders. An independent scrutineer, Moore Stephens LLP 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 2017.

Guideline 15.5

Dividend Policy

As at the date of this Report, the Company does not have a formal dividend policy in place as the Board intends to conserve cash for its operations. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results. The Company has proposed a Final Dividend (tax exempt one tier) of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2017, payment of which is subject to shareholders' approval at the forthcoming AGM.

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. All shareholders of the Group receive annual report, circulars and notices of all shareholders' meetings. The notices are advised in the newspapers and made available on SGXNET.

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

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

Guideline 16.2

Separate Resolutions at General Meetings

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

CORPORATE GOVERNANCE REPORT

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 on the conduct of the audit and the preparation and contents of the auditors' report. Appropriate key management executives are also represent at the general meetings to respond, if necessary, to operational questions from shareholders.

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

Guideline 16.4

Minutes of General Meetings

The minutes of General Meetings, are available to shareholders at the registered office of the Company at 109 Defu Lane 10, Singapore 539225 during normal business hours upon written request.

Guideline 16.5

Voting by Poll

For greater transparency, the Company has adopted the voting of all its resolutions by poll at the general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced at the meeting and via announcements on SGXNET made on the same day.

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).

CORPORATE GOVERNANCE **REPORT**

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 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 2017.

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.

FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017.

1. 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 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

| | |
|---------------------------|---------------------------------|
| Wong Su-Yen | (Chairman) |
| Beck Tong Hong | (Appointed on 8 November 2017) |
| Ashish Jaiprakash Shastry | |
| Lee Kwok Cheong | |
| Tan Choon Hong | |
| Tan Lye Huat | |
| Tommy Teo Zhi Zhuang | (Appointed on 27 February 2018) |

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| Name of directors | Direct interest | | Deemed interest | |
|---------------------------------------|---|------------------------------|---|------------------------------|
| | At the beginning of financial year or date of appointment | At the end of financial year | At the beginning of financial year or date of appointment | At the end of financial year |
| Ordinary shares of The Company | | | | |
| Ashish Jaiprakash Shastry | — | — | 193,173,439* | 193,173,439* |
| Beck Tong Hong | — | 60,000 | — | — |

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

| Name of directors | Direct interest | | Deemed interest | |
|---|---|------------------------------|---|------------------------------|
| | At the beginning of financial year or date of appointment | At the end of financial year | At the beginning of financial year or date of appointment | At the end of financial year |
| 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 | | Deemed interest | |
|--|---|------------------------------|---|------------------------------|
| | At the beginning of financial year or date of appointment | At the end of financial year | At the beginning of financial year or date of appointment | At the end of financial year |
| Subsidiaries | | | | |
| Nera Networks (S) Pte Ltd | | | | |
| Ordinary shares of SGD 1 each | | | | |
| Ashish Jaiprakash Shastry | — | — | 1,000,000 | 1,000,000 |
| Nera (Thailand) Limited | | | | |
| Ordinary shares of BHT 100 | | | | |
| Ashish Jaiprakash Shastry | — | — | 102,900 | 102,900 |
| Nera Telecommunications (Australia) Pty Limited | | | | |
| 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 |

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

| Name of directors | Direct interest | | Deemed interest | |
|---|---|------------------------------|---|------------------------------|
| | At the beginning of financial year or date of appointment | At the end of financial year | At the beginning of financial year or date of appointment, if later | At the end of financial year |
| <i>Nera (Philippines), Inc.</i> | | | | |
| <i>Ordinary shares of Peso 100 each</i> | | | | |
| Ashish Jaiprakash Shastry | – | – | 252,500 | 252,500 |
| Beck Tong Hong | – | 1**** | – | – |
| <i>P.T. Nera Indonesia</i> | | | | |
| <i>Ordinary shares of US\$2,000 each</i> | | | | |
| Ashish Jaiprakash Shastry | – | – | 100 | 100 |
| Beck Tong Hong | – | 1**** | – | – |
| <i>Nera Telecommunications (India) Pvt. Ltd.</i> | | | | |
| <i>Ordinary shares of 10 Rupees each</i> | | | | |
| Ashish Jaiprakash Shastry | – | – | 1,500,000 | 1,500,000 |
| <i>Nera Telecommunications (Myanmar) Company Limited</i> | | | | |
| <i>Ordinary shares of US\$100 each</i> | | | | |
| Ashish Jaiprakash Shastry | – | – | 999 | 999 |
| Beck Tong Hong | – | 1**** | – | – |
| <i>Nera Telecommunications (Vietnam) Co., Ltd.</i> | | | | |
| 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 2018.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment if later, or at the end of the financial year or on 21 January 2018.

**** Shares are held in trust for the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. SHARE PLAN

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

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

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

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

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

6. AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual

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

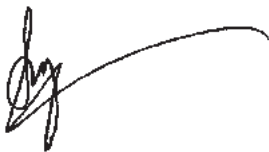
The ARMC convened four meetings during the year with full attendance from all members. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

7. AUDITORS

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

On behalf of the board of directors,



Wong Su-Yen
Director



Beck Tong Hong
Director

Singapore
22 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017, 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 2017 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 on actual work performed per contract milestone 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 judgment such as estimates of the progress towards completion, total budgeted contract cost, remaining costs to completion and budgeted gross profit margin. As such, we determined this to be key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 Note 8 *Contract Work-In-Progress*, Note 9 *Trade Receivables* and Note 35 *Financial risk management objectives and policies*.

Provisions for warranty and accrued costs

As of 31 December 2017, the provisions for warranty and accrued costs amounted to \$2,660,000 and \$30,272,000 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. Thus, the duration of the warranty coverage can extend up to six months or even longer, hence 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 2017

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 Note 12 *Trade Payables* and Note 14 *Provision for warranty*.

Recoverability of trade receivables

Trade receivables balances were significant to the Group as they represent 56% of the total assets in the consolidated balance sheet. Trade receivables amounted to \$18,557,000 as at 31 December 2017 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.

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 Note 9 *Trade receivables* and Note 35 *Financial risk management objectives and policies*.

OTHER INFORMATION

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

OTHER INFORMATION (CONTINUED)

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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
22 March 2018

BALANCE SHEETS

AS AT 31 DECEMBER 2017

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 1,376 | 2,077 | 457 | 863 |
| Intangible asset | 5 | 838 | 903 | 838 | 903 |
| Investments in subsidiaries | 6 | – | – | 4,668 | 4,668 |
| Long term trade and other receivables | 10,17 | 784 | 990 | 762 | 990 |
| Deferred tax assets | 26 | 2,618 | 1,622 | 1,024 | 21 |
| | | 5,616 | 5,592 | 7,749 | 7,445 |
| Current assets | | | | | |
| Stocks | 7 | 61 | 77 | – | – |
| Contract work-in-progress | 8 | 36,921 | 33,158 | 17,860 | 16,432 |
| Trade receivables | 9 | 87,778 | 65,864 | 22,633 | 13,241 |
| Other receivables, deposits and prepayments | 10 | 6,213 | 15,606 | 683 | 10,859 |
| Amounts due from subsidiaries | | | | | |
| – trade | 11 | – | – | 16,522 | 20,438 |
| – non-trade | 11 | – | – | 8,523 | 6,413 |
| Fixed deposits | 29 | 1,249 | 134 | – | – |
| Cash and bank balances | 29 | 19,450 | 22,751 | 7,103 | 5,298 |
| | | 151,672 | 137,590 | 73,324 | 72,681 |
| Current liabilities | | | | | |
| Trade payables | 12 | 53,063 | 49,685 | 18,590 | 20,308 |
| Other payables and accruals | 13 | 16,663 | 14,943 | 8,519 | 7,817 |
| Amounts due to subsidiaries (trade) | 11 | – | – | 7 | 110 |
| Short term borrowings | 15 | 11,300 | 2,812 | 11,300 | 2,500 |
| Provision for taxation | | 3,363 | 139 | 1,618 | 808 |
| Provision for warranty | 14 | 2,660 | 2,176 | 1,410 | 1,024 |
| | | 87,049 | 69,755 | 41,444 | 32,567 |
| Net current assets | | 64,623 | 67,835 | 31,880 | 40,114 |
| Non-current liabilities | | | | | |
| Borrowings | 15 | – | 6,773 | – | 6,773 |
| Defined benefit obligation | 39 | 422 | 374 | – | – |
| | | 422 | 7,147 | – | 6,773 |
| Net assets | | 69,817 | 66,280 | 39,629 | 40,786 |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 18 | 29,909 | 29,909 | 29,909 | 29,909 |
| Revenue reserve | | 43,879 | 40,767 | 9,720 | 10,877 |
| Translation reserve | 19 | (4,167) | (4,620) | – | – |
| Other reserve | | 196 | 224 | – | – |
| | | 69,817 | 66,280 | 39,629 | 40,786 |

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 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|--|--------|----------------|----------------|
| Continuing operations | | | |
| Turnover | 20 | 196,154 | 164,877 |
| Cost of sales | | (147,121) | (122,639) |
| Gross profit | | 49,033 | 42,238 |
| Other operating income | 21 | 726 | 1,220 |
| Distribution and selling expenses | | (22,898) | (23,277) |
| Administrative expenses | | (11,604) | (11,993) |
| Other operating expenses | | (2,151) | (2,717) |
| Profit from operating activities | 22 | 13,106 | 5,471 |
| Finance income | 24 | 143 | 149 |
| Finance expenses | 25 | (217) | (371) |
| Profit before tax | | 13,032 | 5,249 |
| Tax | 26 | (4,492) | (1,363) |
| Profit from continuing operations, net of tax | | 8,540 | 3,886 |
| Profit from discontinued operation, net of tax | 16 | – | 66,251 |
| Profit for the year attributable to owners of the Company | | 8,540 | 70,137 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation of financial statements of foreign operations | | 453 | 1,398 |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement of defined benefit obligation | | (28) | 221 |
| Other comprehensive income for the year, net of tax | | 425 | 1,619 |
| Total comprehensive income for the year attributable to owners of the Company | | 8,965 | 71,756 |
| Earnings per share from continuing operations attributable to owners of the Company (cents per share) | | | |
| Basic | 27 (a) | 2.36 | 1.07 |
| Diluted | 27 (a) | 2.36 | 1.07 |
| Earnings per share (cents per share) | | | |
| Basic | 27 (b) | 2.36 | 19.38 |
| Diluted | 27 (b) | 2.36 | 19.38 |

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 2017

| | Attributable to equity holders of the Company | | | | |
|---|---|-----------------|----------------------------------|---------------|--------------|
| | Share capital (Note 18) | Revenue reserve | Translation reserve (Note 19) | Other reserve | Total equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | | |
| At 1 January 2017 | 29,909 | 40,767 | (4,620) | 224 | 66,280 |
| Profit for the year | – | 8,540 | – | – | 8,540 |
| Other comprehensive income for the year | – | – | 453 | (28) | 425 |
| Total comprehensive income for the year | – | 8,540 | 453 | (28) | 8,965 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Dividends (Note 28) | – | (5,428) | – | – | (5,428) |
| Total contributions by and distributions to owners | – | (5,428) | – | – | (5,428) |
| At 31 December 2017 | 29,909 | 43,879 | (4,167) | 196 | 69,817 |
| 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 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| 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 |
| Company | | | | | |
| At 1 January 2017 | 29,909 | 10,877 | – | – | 40,786 |
| Profit for the year | – | 4,271 | – | – | 4,271 |
| Total comprehensive income for the year | – | 15,148 | – | – | 45,057 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Dividends (Note 28) | – | (5,428) | – | – | (5,428) |
| Total contributions by and distributions to owners | – | (5,428) | – | – | (5,428) |
| At 31 December 2017 | 29,909 | 9,720 | – | – | 39,629 |
| 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 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| 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 |

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 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|--|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before tax from continuing operations | | 13,032 | 5,249 |
| Profit before tax from discontinued operation | 16 | – | 66,779 |
| Profit before tax, total | | 13,032 | 72,028 |
| Adjustments for: | | | |
| Amortisation of intangible asset | 5 | 65 | 64 |
| Depreciation of property, plant and equipment | 4 | 729 | 4,940 |
| Gain on divestiture of subsidiaries | 16 | – | (66,128) |
| Interest expense | 25 | 217 | 583 |
| Interest income | 24 | (143) | (157) |
| Net fair value loss on derivatives | | 19 | 214 |
| Net loss/(gain) on disposal/write-off of property, plant and equipment | 22 | 134 | (267) |
| Net allowance for stock obsolescence | 7 | 32 | 937 |
| Net (writeback)/allowance for doubtful trade debts | 9 | (312) | 579 |
| Net provision for warranty | 14 | 1,035 | 63 |
| Net provision for liquidated damages | | 669 | – |
| Pension cost/(income) | 39 | 49 | (175) |
| Operating profit before working capital changes | | 15,526 | 12,681 |
| (Increase)/decrease in: | | | |
| Stocks | | (16) | 4,899 |
| Contract work-in-progress | | (3,763) | (7,085) |
| Trade receivables | | (21,381) | (11,512) |
| Other receivables, deposits and prepayments | | 10,587 | (2,035) |
| (Decrease)/increase in: | | | |
| Trade payables | | 3,361 | 8,744 |
| Other payables and accruals | | 1,051 | 3,442 |
| Provision for warranty | | (551) | (294) |
| Effect of exchange rates changes | | 1,232 | 1,028 |
| Cash generated from operations | | 6,046 | 9,868 |
| Income tax paid | | (3,508) | (3,793) |
| Interest paid | | (217) | (627) |
| Benefits paid | 39 | (11) | – |
| Contributions to pension fund | 39 | – | (19) |
| Net cash flows from operating activities | | 2,310 | 5,429 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of property, plant and equipment | | 22 | 276 |
| Purchase of property, plant and equipment | 4 | (254) | (5,920) |
| Interest received | | 126 | 157 |
| Net cash inflow on divestiture of subsidiaries | 16 | – | 69,938 |
| Decrease in deposits pledged | | 5 | 116 |
| Net cash flows (used in)/generated from investing activities | | (101) | 64,567 |
| Cash flows from financing activities | | | |
| Dividends paid to shareholders of the Company | 28 | (5,428) | (61,522) |
| Refund of unclaimed dividends | | – | 20 |
| Proceeds from bank loans | | 12,144 | 19,929 |
| Repayment of bank loans | | (10,434) | (26,603) |
| Net cash flows used in financing activities | | (3,718) | (68,176) |
| Net (decrease)/increase in cash and cash equivalents | | (1,509) | 1,820 |
| Effect of exchange rates changes on cash and bank balances | | (672) | 161 |
| Cash and cash equivalents at beginning of year | | 22,751 | 20,770 |
| Cash and cash equivalents at end of year | 29 | 20,570 | 22,751 |

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 2017

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

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 2017, including Amendments to FRS 7 *Disclosure Initiative*. 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 2017

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 102 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to FRS 40 <i>Transfers of Investment Property</i> | 1 January 2018 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 116 <i>Leases</i> | 1 January 2019 |
| Improvements to FRSs (December 2016) | |
| – Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i> | 1 January 2018 |
| INT FRS 122 <i>Foreign Currency Translation and Advance Consideration</i> | 1 January 2018 |
| INT FRS 123 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2018 |
| Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019 |
| Improvements to FRSs (March 2018) | 1 January 2019 |
| – Amendments to FRS 103 <i>Business Combinations</i> | 1 January 2019 |
| – Amendments to FRS 111 <i>Joint Arrangements</i> | 1 January 2019 |
| – Amendments to FRS 12 <i>Income Taxes</i> | 1 January 2019 |
| – Amendments to FRS 23 <i>Borrowing Costs</i> | 1 January 2019 |
| Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined |

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. 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 new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The Group is in a business of providing a full suite of turnkey network and wireless solutions. The Group recognises the revenue for turnkey's projects with 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 on actual work performed per contract milestone as a percentage of total estimated costs to be incurred.

Under FRS 115, for most of the turnkey projects, performance obligations for installation of hardware and software are satisfied at a point in time when work is performed while performance obligations for technical support for a specific periods are satisfied over time when services are rendered. Each milestone is dependent on the previous milestone and cannot be considered a separate performance obligation. As the Group is restricted contractually from performing the performance obligations separately and output of the project is an entire or overall asset enhancement to the customer, the Group's revenue from turnkey projects are not expected to be significantly affected upon the adoption of FRS 115. The Group does not provide customers with right of return, trade discounts and volume rebates and variable consideration and constraints under FRS 115 are not applicable to the Group. Hence the Group has preliminarily assessed that there will be no significant impact upon the adoption of FRS 115.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. 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.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Each subsidiaries in the Group are currently assessing the expected losses on all trade receivables based on the historical collectability trends. Upon application of the expected credit loss model, the Group expects to record a higher impairment loss allowance due to unsecured nature of its loans and receivables.

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 exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 Basis of consolidation

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

- 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.

2.5 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

(b) Consolidated financial statements

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

2.6 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

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

| | | |
|-----------------------------|---|---------------|
| Leasehold 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 |

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

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

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

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

2.8 Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

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

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

Brand

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

2.9 Impairment of non-financial assets

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

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

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

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

2.10 Financial instruments

(a) **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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

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

(i) 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.

(ii) 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 de-recognised or impaired, and through the amortisation process.

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

(b) *Financial liabilities* (Continued)

Subsequent measurement

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

(i) ***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.

(ii) ***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 de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognised 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

(a) *Financial assets carried at amortised cost* (Continued)

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.

2.12 Cash and cash equivalents

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

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value. 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Contract work-in-progress (Continued)

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 on actual work performed per contract milestone as a percentage of total estimated cost to be incurred.

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.

2.15 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.

2.16 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(b) Defined benefit plans (Continued)

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements 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.

Re-measurements 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. Re-measurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

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

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

(c) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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 2.18(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.18 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 made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Contract revenue*

Revenue is recognised on an individual contract basis 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 on actual work performed per contract milestone as a percentage of total estimated cost to be incurred.

(b) *Services and maintenance revenue*

Revenue from rendering services is recognised when the services are completed. Maintenance revenue is recognised on a straight-line basis over the specified contract period. Maintenance revenue received in advance is deferred as unearned income and recognised as income over the life of the maintenance contracts.

(c) *Dividend income*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

(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.

2.19 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.

2.20 Income taxes

(a) *Current tax*

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

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

(b) *Deferred tax*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income taxes (Continued)

(b) **Deferred tax** (Continued)

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

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

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

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

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

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

(c) **Sales tax**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

2.22 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.

2.23 Contingencies

A contingent liability is:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017 are \$3,363,000 (2016: \$139,000) and \$2,618,000 (2016: \$1,622,000) 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.

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 on actual work performed per contract milestone 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 judgment such as estimates of the progress towards completion, total budgeted contract cost, remaining costs to completion and budgeted gross profit margin.

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.

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 expected warranty claims. The Group's provisions for warranty and accrued costs at 31 December 2017 was \$2,660,000 and \$30,272,000 respectively (2016: \$2,176,000 and \$27,224,000 respectively). The warranty provision will be reversed if not utilised upon expiry of warranty period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

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 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 and 1 January 2017 | 5,150 | 1,043 | 5,216 | 719 | 1,319 | 341 | 13,788 |
| Additions | – | 26 | 178 | 34 | 16 | – | 254 |
| Disposals/written off | – | (46) | (567) | (90) | (94) | – | (797) |
| Currency realignment | – | (4) | (128) | (12) | (47) | (23) | (214) |
| At 31 December 2017 | 5,150 | 1,019 | 4,699 | 651 | 1,194 | 318 | 13,031 |
| Accumulated depreciation | | | | | | | |
| At 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 and 1 January 2017 | 5,150 | 876 | 4,041 | 384 | 1,148 | 112 | 11,711 |
| Charge for the year | – | 65 | 446 | 50 | 103 | 65 | 729 |
| Disposals/written off | – | (13) | (466) | (39) | (94) | – | (612) |
| Currency realignment | – | (4) | (109) | (12) | (40) | (8) | (173) |
| At 31 December 2017 | 5,150 | 924 | 3,912 | 383 | 1,117 | 169 | 11,655 |
| Net carrying amount | | | | | | | |
| At 31 December 2016 | – | 167 | 1,175 | 335 | 171 | 229 | 2,077 |
| At 31 December 2017 | – | 95 | 787 | 268 | 77 | 149 | 1,376 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2016 | 5,150 | 769 | 2,470 | 298 | 591 | 210 | 9,488 |
| Additions | – | – | 103 | – | – | – | 103 |
| Disposals/written off | – | – | (16) | – | – | (210) | (226) |
| At 31 December 2016 and 1 January 2017 | 5,150 | 769 | 2,557 | 298 | 591 | – | 9,365 |
| Additions | – | 23 | 18 | 27 | – | – | 68 |
| Disposals/written off | – | (46) | (208) | (20) | – | – | (274) |
| At 31 December 2017 | 5,150 | 746 | 2,367 | 305 | 591 | – | 9,159 |
| Accumulated depreciation | | | | | | | |
| At 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 and 1 January 2017 | 5,150 | 722 | 1,900 | 219 | 511 | – | 8,502 |
| Charge for the year | – | 10 | 245 | 14 | 71 | – | 340 |
| Disposals/written off | – | (13) | (122) | (5) | – | – | (140) |
| At 31 December 2017 | 5,150 | 719 | 2,023 | 228 | 582 | – | 8,702 |
| Net carrying amount | | | | | | | |
| At 31 December 2016 | – | 47 | 657 | 79 | 80 | – | 863 |
| At 31 December 2017 | – | 27 | 344 | 77 | 9 | – | 457 |

As at 31 December 2017, 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 |

During the financial year, the security over leasehold land and building had been discharged after the repayment of non-current secured loans (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. INTANGIBLE ASSET

| | Group \$'000 | Company \$'000 |
|---|-----------------|-------------------|
| Brand | | |
| Cost | | |
| At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 | 1,289 | 1,289 |
| Accumulated amortisation | | |
| At 1 January 2016 | 322 | 322 |
| Amortisation | 64 | 64 |
| At 31 December 2016 and 1 January 2017 | 386 | 386 |
| Amortisation | 65 | 65 |
| At 31 December 2017 | 451 | 451 |
| Net carrying amount | | |
| At 31 December 2016 | 903 | 903 |
| At 31 December 2017 | 838 | 838 |

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 13 years.

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

6. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---------------------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Unquoted shares, at cost | 5,438 | 5,438 |
| Impairment loss | (770) | (770) |
| Carrying amount after impairment loss | 4,668 | 4,668 |
| Movement in impairment loss: | | |
| At 1 January | 770 | 1,115 |
| Charge for the year | - | 200 |
| Write off for the year | - | (545) |
| At 31 December | 770 | 770 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 | |
|---|---|---|----------------------------------|------|-----------------------|--------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | \$'000 | \$'000 |
| Nera Networks (S) Pte Ltd ^(B) | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks | Singapore | 100 | 100 | 1,000 | 1,000 |
| Nera (Thailand) Limited ^(*) | 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 |
| P.T. Nera Indonesia ^(#) | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | Indonesia | 100 | 100 | 347 | 347 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Principal activity | Country of incorporation and place of business | Percentage of equity interest | | Cost of Investment | |
|--|--|---|----------------------------------|------|-----------------------|--------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | \$'000 | \$'000 |
| Nera Telecommunications (Australia) Pty Ltd ^(#) | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | Australia | 100 | 100 | 589 | 589 |
| Nera Telecommunications (India) Pvt. Ltd. ^(#) | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | India | 100 | 100 | 570 | 570 |
| Nera (Malaysia) Sdn. Bhd. ^(*) | Sales, installation and maintenance of communications equipment | Malaysia | 100 | 100 | 404 | 404 |
| Nera Telecommunications (Myanmar) Company Limited ^(#) | Service, maintenance and leasing | Myanmar | 100 | 100 | 133 | 133 |
| Nera Telecommunications (Vietnam) Co., Ltd. ^(#) | Installation, maintenance, service and repair of info- communications and telecommunications equipment | Vietnam | 100 | 100 | 67 | 67 |
| | | | | | 5,438 | 5,438 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Principal activity | Country of incorporation and place of business | Percentage of equity interest | | Cost of Investment | |
|--|---|--|-------------------------------|------|--------------------|--------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | \$'000 | \$'000 |
| Held through Nera Networks (S) Pte Ltd | | | | | | |
| Nera Telecommunications AS ^{(#)(i)} | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | Norway | 100 | 100 | – | – |
| Nera Telecommunications Maroc S.A.R.L AU ^{(**)(i)} | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | Morocco | 100 | 100 | – | – |
| Nera Telecommunications (Pakistan) (Private) Limited ^{(#)(i)} | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | Pakistan | 100 | 100 | – | – |
| Nera Telecommunications FZ-LLC ^{(**)(i)} | Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks | United Arab Emirates | 100 | 100 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Principal activity | Country of incorporation and place of business | Percentage of equity interest | | Cost of Investment | |
|---|---|--|-------------------------------|------|--------------------|--------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | \$'000 | \$'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 | – | – |

(β) Audited by Ernst & Young LLP, Singapore.

(*) Audited by member firms of Ernst & Young Global in the respective countries.

(#) Audited by other CPA firms in the respective countries.

(**) No requirement for statutory audit.

(i) Cost of investment is not stated as the subsidiaries are not directly held by the Company (Nera Telecommunications Ltd).

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

In prior years, impairment losses of \$133,000 and \$67,000 were recognised to write down the investments in Nera Telecommunications (Myanmar) Company Limited and Nera Telecommunications (Vietnam) Co., Ltd., respectively. There were no provision of impairment losses made during the year.

7. STOCKS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Finished goods, at net realisable value | 61 | 77 | – | – |

At 31 December 2017, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item “Cost of sales” for the Group amounted to \$23,552,000 (2016: \$31,283,000) inclusive of trading stocks net written-down of \$32,000 (2016: \$42,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. CONTRACT WORK-IN-PROGRESS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Contract work in progress comprise:- | | | | |
| Cost incurred to date | 220,671 | 137,699 | 90,525 | 41,802 |
| Profits recognised to date | 48,733 | 27,977 | 20,247 | 6,210 |
| | 269,404 | 165,676 | 110,772 | 48,012 |
| Progress billings | (232,483) | (132,518) | (92,912) | (31,580) |
| Gross amount due from customers for contract work | 36,921 | 33,158 | 17,860 | 16,432 |

9. TRADE RECEIVABLES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Trade receivables | 88,566 | 67,051 | 23,008 | 13,711 |
| Less: Allowance for impairment of trade receivables | (788) | (1,187) | (375) | (470) |
| Total trade receivables | 87,778 | 65,864 | 22,633 | 13,241 |
| Add: | | | | |
| Other receivables and deposits (excluding prepayments) (Note 10) | 4,459 | 15,161 | 604 | 10,701 |
| Cash and cash equivalents (Note 29) | 19,450 | 22,751 | 7,103 | 5,298 |
| Fixed deposits (Note 29) | 1,249 | 134 | - | - |
| Amounts due from subsidiaries | - | - | 25,045 | 26,851 |
| Long term trade receivables (Note 17) | 762 | 990 | 762 | 990 |
| Total loans and receivables | 113,698 | 104,900 | 56,147 | 57,081 |

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.

At balance sheet date, retention sums relating to contracts included in trade receivables of the Group and the Company are \$5,160,000 and \$2,133,000 (2016: \$4,190,000 and \$1,500,000) respectively.

At the balance sheet date, trade receivables for the Group arising from export sales amounting to \$222,000 (2016: \$1,658,000) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 | |
|-----------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| US Dollar | 20,037 | 12,916 | 4,374 | 3,688 |
| Euro | 72 | 174 | 72 | 180 |
| Others | 40 | 145 | – | – |

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

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Not past due and not impaired | 55,186 | 38,165 | 14,131 | 6,657 |
| Past due but not impaired | 32,592 | 27,699 | 8,502 | 6,584 |
| Impaired | 788 | 1,187 | 375 | 470 |
| | 88,566 | 67,051 | 23,008 | 13,711 |
| Less: Allowance for impairment | (788) | (1,187) | (375) | (470) |
| | 87,778 | 65,864 | 22,633 | 13,241 |

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to \$32,592,000 (2016: \$27,699,000) and \$8,502,000 (2016: \$6,584,000) 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Trade receivables past due but not impaired: | | | | |
| Less than 3 months | 14,823 | 17,272 | 3,692 | 4,770 |
| More than 3 months but less than 6 months | 9,392 | 5,971 | 3,170 | 502 |
| More than 6 months but less than 12 months | 3,533 | 2,323 | 1,521 | 777 |
| More than 12 months | 4,844 | 2,133 | 119 | 535 |
| | 32,592 | 27,699 | 8,502 | 6,584 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Impaired receivables – individually assessed: | | | | |
| Customers with financial difficulties | 132 | 53 | – | – |
| Receivables in dispute | 213 | 690 | 21 | 49 |
| Pending for acceptance certification/ commissioning | 345 | 421 | 345 | 421 |
| Others | 98 | 23 | 9 | – |
| | 788 | 1,187 | 375 | 470 |
| Less: Allowance for impairment | (788) | (1,187) | (375) | (470) |
| | – | – | – | – |

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

| | | | | |
|----------------------|------------|-------|------------|-------|
| At 1 January | 1,187 | 627 | 470 | 308 |
| Charge for the year | 416 | 1,531 | 114 | 637 |
| Written back | (728) | (952) | (102) | (475) |
| Written off | (79) | (63) | (107) | – |
| Currency realignment | (8) | 44 | – | – |
| At 31 December | 788 | 1,187 | 375 | 470 |

Allowance for impairment of trade receivables

The Group has net writeback of \$(312,000) (2016: net provision of \$579,000) for impairment of debts respectively which are recognised in profit or loss, pursuant to debt recovery assessment performed on trade receivables as at 31 December 2017.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Advances to suppliers | 381 | 830 | 361 | 421 |
| Deposits | 1,720 | 2,664 | 20 | 47 |
| Prepayments | 1,776 | 445 | 79 | 158 |
| Staff advances | 51 | 114 | – | 2 |
| Tax recoverable | 1,545 | 1,099 | 15 | – |
| Other debtors | 762 | 10,454 | 208 | 10,231 |
| | 6,235 | 15,606 | 683 | 10,859 |
| Non-current | 22 | – | – | – |
| Current | 6,213 | 15,606 | 683 | 10,859 |
| | 6,235 | 15,606 | 683 | 10,859 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 \$4,000,000 (2016: \$5,473,000) that bears interest from 2.844% to 3.440% per annum (2016: 2.819% to 3.840% 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 are the provision for accrued costs amounting to \$30,272,000 (2016: \$27,224,000) and a fair value loss on forward currency contracts amounting to \$19,000 (2016: \$214,000) which has been recognised in profit or loss as at 31 December 2017.

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 | |
|------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| US Dollar | 9,606 | 13,345 | 5,509 | 8,915 |
| Euro | 1,420 | 2,229 | 214 | 1,881 |
| Thai Baht | 106 | 72 | 106 | 72 |
| Norwegian Krone | 147 | 324 | — | — |
| Other currencies | 293 | 487 | 25 | 2 |

13. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Accrued payroll and staff expenses | 10,002 | 8,097 | 6,290 | 5,635 |
| Customer advances | 2,370 | 5,246 | 1,275 | 1,179 |
| Other accrued operating expenses | 1,392 | 1,405 | 942 | 771 |
| Other creditors | 2,899 | 195 | 12 | 232 |
| Total other payables and accruals | 16,663 | 14,943 | 8,519 | 7,817 |
| Add: | | | | |
| Trade payables | 53,063 | 49,685 | 18,590 | 20,308 |
| Amounts due to subsidiaries | — | — | 7 | 110 |
| Borrowings (Note 15) | 11,300 | 9,585 | 11,300 | 9,273 |
| | 81,026 | 74,213 | 38,416 | 37,508 |
| Less: Customer advances | (2,370) | (5,246) | (1,275) | (1,179) |
| Total financial liabilities carried at amortised cost | 78,656 | 68,967 | 37,141 | 36,329 |

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. Subsequent to the decision, the Company filed an appeal against the authority's decision and the authority had dismissed the former employee's claim. The former employee then continued to file for an appeal to the Court of Appeals and the Company has already responded to that appeal. The resolution of the case is still pending with the Court of Appeals.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. PROVISION FOR WARRANTY

A provision is recognised for expected warranty claims on goods and services sold in the past 18 months (average warranty period) based on past experience of the level of repairs and returns. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

- (a) there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to be down;
- (b) the Group continues to 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 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| At 1 January | 2,176 | 2,481 | 1,024 | 656 |
| Provision for the year | 2,026 | 1,680 | 1,290 | 1,045 |
| Write-back of provision | (991) | (1,617) | (496) | (504) |
| Utilised during the year | (525) | (294) | (408) | (173) |
| Divestiture of subsidiaries | – | (97) | – | – |
| Currency realignment | (26) | 23 | – | – |
| At 31 December | 2,660 | 2,176 | 1,410 | 1,024 |

15. BORROWINGS

| | | | Group | | Company | |
|---|----------------|---------------|----------------|----------------|----------------|----------------|
| | Effective % | Maturities | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Short-term borrowings (unsecured): | | | | | | |
| Singapore dollar floating rate bank loans | 2.20% to 2.37% | January 2018 | 11,300 | 2,500 | 11,300 | 2,500 |
| Malaysian Ringgit floating rate bank loans | 7.95% | February 2017 | – | 312 | – | – |
| | | | 11,300 | 2,812 | 11,300 | 2,500 |
| Non-current: | | | | | | |
| Singapore dollar floating rate bank loans | 2.48% to 3.98% | April 2017 | – | 6,773 | – | 6,773 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. BORROWINGS (CONTINUED)

During the financial year, the Group had restructured the secured borrowings to unsecured borrowings loan facility with a bank. The security over leasehold land and building at 109 Defu Lane 10 Singapore 539225 had been discharged after the repayment of related loans.

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.

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

| | 2016 \$'000 | Cash flows \$'000 | Non-cash changes arising from foreign exchange \$'000 | 2017 \$'000 |
|------------------------------------|----------------|----------------------|--|----------------|
| Short-term borrowings (unsecured): | | | | |
| – current | 2,812 | 8,483 | 5 | 11,300 |
| Borrowings | | | | |
| – non-current | 6,773 | (6,773) | – | – |

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.

The financial results of the PS business are as follows:

| | Group 2016 \$'000 |
|---|-------------------------|
| Turnover | 28,559 |
| Cost of sales | (20,580) |
| Gross profit | 7,979 |
| Other operating income | 438 |
| Operating expenses | (7,562) |
| Net financial expenses | (204) |
| Profit from discontinued operation | 651 |
| Gain on divestiture of subsidiaries | 66,128 |
| Profit before tax from discontinued operation | 66,779 |
| Taxation expense | (528) |
| | 66,251 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. DISCONTINUED OPERATION (CONTINUED)

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 |
| 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 |
|--|--|
| Earnings per share from discontinued operation (cents per share) | |
| Basic and diluted | 18.31 |

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. LONG TERM TRADE RECEIVABLES

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Gross receivable | 1,111 | 1,408 | 1,111 | 1,408 |
| Less: Unearned finance income | (121) | (190) | (121) | (190) |
| At 31 December | 990 | 1,218 | 990 | 1,218 |
| Of which: | | | | |
| Current | 228 | 228 | 228 | 228 |
| Non-current | 762 | 990 | 762 | 990 |
| At 31 December | 990 | 1,218 | 990 | 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).

18. SHARE CAPITAL

| | Group and Company | | | |
|--|-------------------|----------------|------------------|--------------|
| | 2017 \$'000 | 2016 \$'000 | Number of shares | |
| | 2017 \$'000 | 2016 \$'000 | 2017 '000 | 2016 '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.

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 | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| At 1 January | (4,620) | (6,018) |
| Current year translation | 453 | 1,398 |
| At 31 December | (4,167) | (4,620) |
| Net effect of exchange differences arises from:- | | |
| Translation of financial statements of foreign operations | 453 | 1,398 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. TURNOVER

| | Group | |
|----------------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Contract revenue | 134,823 | 105,580 |
| Services and maintenance revenue | 60,965 | 59,131 |
| Rental income | 366 | 166 |
| | 196,154 | 164,877 |

21. OTHER OPERATING INCOME

| | Group | |
|-----------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Rebate from suppliers | – | 366 |
| Government grants | 95 | 266 |
| Service income | 445 | 520 |
| Others | 186 | 68 |
| | 726 | 1,220 |

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 | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Audit fees to:– | | |
| Auditors of the Company | 104 | 98 |
| Other auditors | 87 | 64 |
| Non-audit fees to:– | | |
| Auditors of the Company | 25 | 169 |
| Other auditors | 27 | 8 |
| Net (write back)/allowance for doubtful trade receivables | (312) | 5 |
| Foreign exchange gain, net – forward currency contracts | (212) | (182) |
| Foreign exchange loss, net – others | 1,851 | 2,463 |
| Net loss/(gain) on disposal/write-off of property, plant and equipment | 134 | (155) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

| | Group | |
|-----------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Wages, salaries and bonuses | 19,950 | 19,373 |
| Pension contributions | 2,098 | 2,458 |
| Termination benefits | 45 | 71 |
| Other personnel benefits | 2,043 | 3,179 |
| | 24,136 | 25,081 |

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

24. FINANCE INCOME

| | Group | |
|------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Interest income from:– | | |
| Bank deposits | 74 | 130 |
| Others | 69 | 19 |
| | 143 | 149 |

25. FINANCE EXPENSES

| | Group | |
|------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Interest expense | (217) | (371) |

26. TAX

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

| | Group | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Consolidated income statement: | | |
| Current income tax – continuing operations: | | |
| Current income taxation | 3,858 | 2,125 |
| Under/(over) provision in respect of previous years | 1,673 | (541) |
| Deferred income tax – continuing operations: | | |
| Current year | (158) | (221) |
| Prior year | (881) | – |
| Income tax expense attributable to continuing operations | 4,492 | 1,363 |
| Income tax attributable to discontinued operation (Note 16) | – | 528 |
| Income tax expense recognised in profit and loss | 4,492 | 1,891 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Profit before tax from continuing operations | 13,032 | 5,249 |
| Profit before tax from discontinued operation (Note 16) | – | 66,779 |
| Income tax expense | 13,032 | 72,028 |
| Tax at 17% | 2,215 | 12,245 |
| Tax effect of expenses that are not deductible in determining taxable profit | 855 | 534 |
| Additional tax deductions | (53) | (7) |
| Realisation of deferred tax assets previously not recognised | – | (98) |
| Reversal of deferred tax asset recognised previously | 82 | – |
| Tax exemption | (52) | (52) |
| Net under/(over) provision in respect of prior years | 792 | (398) |
| Difference in tax rates applicable to subsidiaries | 382 | (143) |
| Deferred tax assets not recognised by subsidiaries | 691 | 2,108 |
| Tax effect of income not subject to tax | (345) | (12,239) |
| Tax effect on benefits arising from Productivity and Innovation Credit | (76) | (50) |
| Effect of change in tax rate | 17 | 25 |
| Tax rebate | (20) | (50) |
| Others | 4 | 16 |
| Income tax expense | (4,492) | 1,891 |

Deferred tax assets and liabilities

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

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Deferred tax assets | 2,618 | 1,622 | 1,024 | 21 |

Deferred tax as at 31 December related to the following:

| | Group | | Consolidated income statement | | Company | |
|---|----------------|----------------|-------------------------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Deferred tax liabilities:– | | | | | | |
| Differences in depreciation of property, plant and equipment for tax purposes | (51) | (123) | (50) | (19) | (55) | (135) |
| Difference in amortisation of intangible assets | (142) | (153) | (11) | (11) | (142) | (153) |
| | (193) | (276) | | | (197) | (288) |
| General provisions | 2,665 | 1,801 | (989) | (198) | 1,221 | 309 |
| Tax losses | 146 | 97 | 11 | 7 | – | – |
| Net deferred tax assets | 2,618 | 1,622 | | | 1,024 | 21 |
| Net deferred expense | | | (1,039) | (221) | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. TAX (CONTINUED)

Changes in corporate tax rate from financial year 2017 are as follows:

- Norway: from 25% to 24%
- Pakistan: from 32% to 31%

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately \$9,926,000 (2016: \$8,202,000) 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 (2016: 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 \$11,216,000 (2016: \$10,385,000). The deferred tax liability is estimated to be \$1,217,000 (2016: \$995,000).

Tax consequences of proposed dividends

There are no income tax consequences (2016: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

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 | |
|--|------------------------|------------------------|
| | 2017 \$'000 | 2016 \$'000 |
| Profit for the year attributable to shareholders | 8,540 | 70,137 |
| Less: Profit from discontinued operation, net of tax | – | (66,251) |
| Profit from continuing operations, net of tax used in the computation of basic and diluted earnings per share from continuing operations | 8,540 | 3,886 |
| 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. EARNINGS PER SHARE (CONTINUED)

(b) Earnings per share computation

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

28. DIVIDENDS

| | Group and Company | |
|---|-------------------|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Declared and paid during the financial year | | |
| <i>Dividends on ordinary shares:</i> | | |
| – An interim exempt (one-tier) dividend paid in respect of the current financial year of 1 cent (2016: 1 cent) per share | 3,619 | 3,619 |
| – A special exempt (one-tier) dividend paid in respect of the current financial year of nil (2016: 15 cents) per share | – | 54,284 |
| – A final exempt (one-tier) dividend paid in respect of the previous financial year of 0.5 cents (2016: 1 cent) per share | 1,809 | 3,619 |
| | 5,428 | 61,522 |
| Proposed but not recognised as a liability as at 31 December: | | |
| <i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i> | | |
| – A final exempt (one-tier) dividend for the current financial year of 1.5 cents (2016: 0.5 cents) per share | 5,428 | 1,809 |

29. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---------------|---------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed deposits | 1,249 | 134 | – | – |
| Cash and bank balances | 19,450 | 22,751 | 7,103 | 5,298 |
| Deposits pledged | (129) | (134) | – | – |
| Cash and cash equivalents in the cashflow statement | 20,570 | 22,751 | 7,103 | 5,298 |

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 3.00% (2016: 0.10% to 3.00%) per annum. Included in cash and cash equivalents are amounts totaling \$129,000 (2016: \$134,000) 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 30 days to 8 months (2016: 7 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 0.05% to 1.67% (2016: 0.30% to 0.44%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. CASH AND CASH EQUIVALENTS (CONTINUED)

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

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| US Dollar | 2,089 | 3,258 | 943 | 1,779 |
| Australian Dollar | 2,454 | 4 | 2,454 | 4 |
| Euro | 897 | 1,643 | 2 | 1,622 |
| Thai Baht | 280 | – | 280 | – |
| Libyan Dollar | 231 | 239 | – | – |
| Norwegian Krone | 236 | 281 | 1 | 1 |
| Other currencies | 3 | 26 | 2 | 7 |

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 financial year, no shares (2016: Nil) were granted under the employee share plan.

31. COMMITMENTS

(a) Capital commitments

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

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

As at 31 December 2017, the Group has commitments under operating leases for equipment, office and warehouse. The leases have remaining tenure of between 1 and 25 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 \$1,681,000 (2016: \$1,720,000).

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

| | Group | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Not later than one year | 1,221 | 1,041 |
| Later than one year but not later than five years | 3,097 | 1,997 |
| Later than five years | 4,253 | 4,946 |
| | 8,571 | 7,984 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. COMMITMENTS (CONTINUED)

(c) *Non-cancellable operating lease commitments – as lessor*

As at 31 December 2017, the Group has commitments under operating leases for equipment. The leases have remaining tenure of between 1 and 3 years. Operating lease income included in the consolidated statement of comprehensive income during the year amounted to \$366,000 (2016: \$166,000).

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

| | Group | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Not later than one year | 285 | 89 |
| Later than one year but not later than five years | 655 | 190 |
| | 940 | 279 |

32. CONTINGENT LIABILITIES

Guarantees

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Bankers' guarantees issued by banks on behalf of: | | | | |
| Subsidiaries | – | – | 10,264 | 6,251 |

33. RELATED PARTY DISCLOSURES

Compensation of key management personnel

| | Group | |
|-------------------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Directors of the Company:– | | |
| Directors' fees | 409 | 270 |
| Directors' remuneration* | 1,000 | 2,972 |
| Defined contribution benefits | 17 | 9 |
| Key management:– | | |
| Key management's remuneration | 1,584 | 1,668 |
| Defined contribution benefits | 82 | 84 |

* Included in directors remuneration in 2016 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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:

- Wireless Infrastructure Networks ("WIN") – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications, transmission products and systems and wireless solutions.
- Network Infrastructure ("NI") – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of information communications network infrastructure, network security solutions, IP networks, optical networks and 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.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment turnover, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

| 2017 | WIN \$'000 | NI \$'000 | Adjustments \$'000 | Notes | Total \$'000 |
|--|---------------|--------------|-----------------------|-------|-----------------|
| Turnover | 74,111 | 122,043 | | | 196,154 |
| Cost of sales | (53,741) | (94,380) | | | (147,121) |
| Gross profit | 21,370 | 27,663 | | | 49,033 |
| Other operating income | 158 | 568 | | | 726 |
| Distribution and selling expenses | (9,795) | (13,103) | | | (22,898) |
| Administrative expenses | (4,582) | (7,022) | | | (11,604) |
| Other operating expenses | (1,321) | (830) | | | (2,151) |
| Profit from operating activities | 5,830 | 7,276 | | | 13,106 |
| Financial income | | | | | 143 |
| Financial expenses | | | | | (217) |
| Profit before tax | | | | | 13,032 |
| Tax | | | | | (4,492) |
| Net profit for the year | | | | | 8,540 |
| Other information | | | | | |
| Segment assets | 55,957 | 71,779 | 29,552 | A | 157,288 |
| Segment liabilities | 22,963 | 32,760 | 31,748 | B | 87,471 |
| Capital expenditure | 86 | 168 | | | 254 |
| Depreciation and amortisation | 544 | 250 | | | 794 |
| Other non-cash expenses ^(*) | 857 | 567 | | | 1,424 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. SEGMENT INFORMATION (CONTINUED)

| 2016 | WIN \$'000 | NI \$'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 | (5,524) | (6,469) | | | (11,993) |
| Other operating expenses | (1,217) | (1,500) | | | (2,717) |
| Profit from operating activities | 292 | 5,179 | | | 5,471 |
| Financial income | | | | | 149 |
| Financial expenses | | | | | (371) |
| Profit before tax | | | | | 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 |

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

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Deferred tax assets | 2,618 | 1,622 |
| Other receivables, deposits and prepayments | 6,235 | 15,606 |
| Cash and cash equivalents | 19,450 | 22,751 |
| Fixed deposits | 1,249 | 134 |
| | 29,552 | 40,113 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. SEGMENT INFORMATION (CONTINUED)

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

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

| | 2017 \$'000 | 2016 \$'000 |
|-----------------------------|----------------|----------------|
| Defined benefit obligation | 422 | 374 |
| Other payables and accruals | 16,663 | 14,943 |
| Borrowings | 11,300 | 9,585 |
| Provision for taxation | 3,363 | 139 |
| | 31,748 | 25,041 |

Geographical segments

Turnover and non-current assets (excluding deferred tax assets) information based on the geographical location of customers and assets respectively are as follows:–

| | Turnover | | Non-current assets | |
|-----------------------|----------------|----------------|--------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Singapore | 81,196 | 57,515 | 2,068 | 2,772 |
| Malaysia | 32,983 | 37,452 | 156 | 205 |
| Philippines | 12,846 | 18,105 | 162 | 223 |
| Indonesia | 8,898 | 12,177 | 323 | 371 |
| Australia | 8,212 | 5,356 | 20 | 18 |
| China | 4,313 | – | – | – |
| Thailand | 2,660 | 4,076 | 175 | 190 |
| Other Asian countries | 2,616 | 2,636 | 26 | 68 |
| Norway | 15,599 | 15,260 | – | 3 |
| Pakistan | 6,705 | 5,843 | 42 | 52 |
| Morocco | 6,634 | 1,576 | 12 | 15 |
| Burkina Faso | 5,709 | – | – | – |
| Dubai | 3,305 | 176 | 14 | 24 |
| Afghanistan | 2,186 | 2,439 | – | – |
| Nigeria | 1,727 | 1,953 | – | 29 |
| Others | 565 | 313 | – | – |
| | 196,154 | 164,877 | 2,998 | 3,970 |

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

Information about a major customer

Turnover from one major customer amounted to \$30,036,000 (2016: \$17,074,000), arising from turnover by the WIN and NI segments (2016: WIN and NI segments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 24% (2016: 18%) of the Group's sales and 63% (2016: 57%) 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 \$6,190,000 (2016: \$5,451,000) and \$3,682,000 (2016: \$3,413,000) 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.

Sensitivity analysis for foreign currency risk

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

| | Group | |
|------------------------------|---------------|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| US dollar – | | |
| – Strengthened 3% (2016: 3%) | 554 | (142) |
| – Weakened 3% (2016: 3%) | (554) | 142 |
| AU dollar – | | |
| – Strengthened 3% (2016: 3%) | 74 | – |
| – Weakened 3% (2016: 3%) | (74) | – |
| Euro – | | |
| – Strengthened 5% (2016: 5%) | (23) | (30) |
| – Weakened 5% (2016: 5%) | 23 | 30 |
| THB – | | |
| – Strengthened 3% (2016: 3%) | (7) | (4) |
| – Weakened 3% (2016: 3%) | 7 | 4 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

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

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

Surplus funds are placed with reputable banks.

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

Sensitivity analysis for interest rate risk

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

| | Group Increase/ (decrease) basis points | Effect on profit before tax \$'000 |
|----------------------------------|--|---|
| 2017 | | |
| Singapore dollar bank placements | (100) | (12) |
| US dollar bank placements | (100) | (7) |
| AU dollar bank placements | (100) | (8) |
| RM bank placements | (100) | (10) |
| Euro bank placements | (100) | (5) |
| Singapore dollar bank borrowings | (100) | 113 |
| Singapore dollar bank placements | 100 | 35 |
| US dollar bank placements | 100 | 21 |
| AU dollar bank placements | 100 | 25 |
| RM bank placements | 100 | 10 |
| Euro bank placements | 100 | 15 |
| Singapore dollar bank borrowings | 100 | (113) |
| 2016 | | |
| Singapore dollar bank placements | (100) | (8) |
| US dollar bank placements | (100) | (11) |
| RM bank placements | (100) | (4) |
| Euro bank placements | (100) | (9) |
| Singapore dollar bank borrowings | (100) | 93 |
| RM bank borrowings | (100) | 3 |
| Singapore dollar bank placements | 100 | 22 |
| US dollar bank placements | 100 | 33 |
| RM bank placements | 100 | 4 |
| Euro bank placements | 100 | 23 |
| Singapore dollar bank borrowings | 100 | (93) |
| RM bank borrowings | 100 | (3) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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.

| | 2017 | | | | 2016 | | | |
|---|--------------------------|---------------------|---------------------|-----------------|--------------------------|---------------------|---------------------|-----------------|
| | 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 | 87,778 | 762 | – | 88,540 | 65,896 | 1,111 | – | 67,007 |
| Other receivables and deposits (excluding prepayments) | 4,437 | 22 | – | 4,459 | 15,161 | – | – | 15,161 |
| Cash and cash equivalents | 19,450 | – | – | 19,450 | 22,751 | – | – | 22,751 |
| Fixed deposits | 1,249 | – | – | 1,249 | 134 | – | – | 134 |
| Derivative financial instruments | | | | | | | | |
| – Forward currency contracts | 7,942 | – | – | 7,942 | 10,952 | – | – | 10,952 |
| Total undiscounted financial assets | 120,856 | 784 | – | 121,640 | 114,894 | 1,111 | – | 116,005 |
| Financial liabilities: | | | | | | | | |
| Trade payables | 53,044 | – | – | 53,044 | 49,471 | – | – | 49,471 |
| Other payables and Accruals (excluding customer advances) | 14,293 | – | – | 14,293 | 9,697 | – | – | 9,697 |
| Borrowings | 11,568 | – | – | 11,568 | 3,001 | 7,151 | – | 10,152 |
| Derivative financial instruments | | | | | | | | |
| – Forward currency contracts | 7,961 | – | – | 7,961 | 11,166 | – | – | 11,166 |
| Total undiscounted financial liabilities | 86,866 | – | – | 86,866 | 73,335 | 7,151 | – | 80,486 |
| Total net undiscounted financial assets/(liabilities) | 33,990 | 784 | – | 34,774 | 41,559 | (6,040) | – | 35,519 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

| | 2017 | | | | 2016 | | | |
|---|--------------------------|---------------------|---------------------|-----------------|--------------------------|---------------------|---------------------|-----------------|
| | 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 | 22,633 | 762 | – | 23,395 | 13,273 | 1,111 | – | 14,384 |
| Other receivables, deposits and prepayments (excluding prepayments) | 604 | – | – | 604 | 10,701 | – | – | 10,701 |
| Amounts due from subsidiaries | 25,045 | – | – | 25,045 | 26,851 | – | – | 26,851 |
| Cash and cash equivalents | 7,103 | – | – | 7,103 | 5,298 | – | – | 5,298 |
| Derivative financial instruments | | | | | | | | |
| – Forward currency contracts | 7,942 | – | – | 7,942 | 10,952 | – | – | 10,952 |
| Total undiscounted financial assets | 63,327 | 762 | – | 64,089 | 56,123 | 1,111 | – | 57,234 |
| Financial liabilities: | | | | | | | | |
| Trade payables | 18,571 | – | – | 18,571 | 20,117 | – | – | 20,117 |
| Other payables and Accruals (excluding customer advances) | 7,244 | – | – | 7,244 | 6,638 | – | – | 6,638 |
| Amounts due to subsidiary | 7 | – | – | 7 | 110 | – | – | 110 |
| Borrowings | 11,568 | – | – | 11,568 | 2,689 | 7,151 | – | 9,840 |
| Derivative financial instruments | | | | | | | | |
| – Forward currency contracts | 7,961 | – | – | 7,961 | 11,166 | – | – | 11,166 |
| Total undiscounted financial liabilities | 45,351 | – | – | 45,351 | 40,720 | 7,151 | – | 47,871 |
| Total net undiscounted financial assets/(liabilities) | 17,976 | 762 | – | 18,738 | 26,378 | (6,040) | – | 20,338 |

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

| | 2017 | | | | 2016 | | | |
|---|--------------------------|---------------------|---------------------|-----------------|--------------------------|---------------------|---------------------|-----------------|
| | 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 | 8,276 | 1,017 | 971 | 10,264 | 3,133 | 1,731 | 1,387 | 6,251 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

The 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 | |
|-------------------------------------|---|--|--------------------------------------|-------------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| % of total trade receivables | | | | |
| ≥ 25 | Malaysia | Malaysia | Singapore | Singapore |
| >10 and <25 | Singapore and Morocco | Singapore | – | – |
| ≤ 10 | Philippines, Indonesia, UAE and others | Philippines, Afghanistan, Morocco and others | Philippines, Korea and others | Philippines, India and others |

By Industry Sectors

| | Group | | | | Company | | | |
|------------------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | 2017 \$'000 | % of total | 2016 \$'000 | % of total | 2017 \$'000 | % of total | 2016 \$'000 | % of total |
| Telecommunications | 70,787 | 81 | 51,977 | 79 | 17,918 | 79 | 9,538 | 72 |
| Government agencies | 7,567 | 9 | 2,857 | 4 | 3,004 | 13 | 835 | 6 |
| Media and broadcasting | 2,976 | 3 | 3,054 | 5 | – | – | 105 | 1 |
| Financial institutions | 1,459 | 2 | 771 | 1 | 742 | 3 | 549 | 4 |
| Multi industry conglomerates | 911 | 1 | 3,698 | 6 | 911 | 4 | 2,147 | 16 |
| Hospitality | 539 | 1 | 1,339 | 2 | – | – | – | – |
| Others | 3,539 | 4 | 2,168 | 3 | 58 | 1 | 67 | 1 |
| | 87,778 | 100 | 65,864 | 100 | 22,633 | 100 | 13,241 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Credit risk concentration profile (Continued)

Customers' profile (Continued)

By Industry Sectors (Continued)

At the balance sheet date,

- 71% (2016: 80%) of the Group's trade receivables in Malaysia (2016: Malaysia) are due from a reputable telecommunication service provider; and
- 49% (2016: 51%) 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.

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value

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

| | Group | | | |
|---|--|---|--|-----------------|
| | 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 2017 | | | | |
| Financial liabilities | | | | |
| Derivatives – Forward currency contracts | – | 19 | – | 19 |
| At 31 December 2016 | | | | |
| Financial liabilities | | | | |
| Derivatives – Forward currency contracts | – | 214 | – | 214 |

(c) Level 2 fair value measurements

Derivatives

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

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

There are no assets and liabilities not measured at fair value at 31 December 2017 and 2016 but for which fair value is disclosed.

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

Cash and cash equivalents (Note 29), trade receivables (Note 9), other receivables (Note 10), amount due from subsidiaries (Note 11), trade payables (Note 12), other payables (Note 13), amount due to subsidiaries (Note 11) and short term borrowings (Note 15).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

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

37. DERIVATIVES

| | Group | | | | | |
|----------------------------|---------------------------------|----------------|-------------|---------------------------------|----------------|-------------|
| | Contract/ notional amount | 2017 \$'000 | | Contract/ notional amount | 2016 \$'000 | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Forward currency contracts | - | - | - | 9,139 | - | 264 |
| Forward currency contracts | 7,961 | - | 19 | 1,763 | 50 | - |

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar (2016: US dollar and Euro), against SGD for which firm commitments existed at the balance sheet date, extending to April 2018 (2016: May 2017).

The Group does not apply hedge accounting.

38. 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 2017 and 31 December 2016.

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

| | Group | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Cash and cash equivalents (Note 29) | 20,570 | 22,751 |
| Deposits pledged (Note 29) | 129 | 134 |
| Less: Borrowings (Note 15) | (11,300) | (9,585) |
| Net cash and cash equivalents | 9,399 | 13,300 |
| Capital: | | |
| Equity attributable to equity holders of the Company | 69,817 | 66,280 |
| Capital and net debt | 69,817 | 66,280 |
| Gearing ratio | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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 2017.

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.

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 | |
|---|------------------|--------|---------------|--------|----------------|--------|--------|--------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Present value of defined benefit obligation | 131 | 147 | 53 | 82 | 503 | 485 | 687 | 714 |
| Fair value of plan assets | (265) | (340) | – | – | – | – | (265) | (340) |
| Net (asset)/liability arising from defined benefit obligation | (134) | (193) | 53 | 82 | 503 | 485 | 422 | 374 |

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

| | Philippines plan | | Thailand plan | | Indonesia plan | | Total | |
|---|------------------|--------|---------------|--------|----------------|--------|--------|--------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January | 147 | 639 | 82 | 314 | 485 | 392 | 714 | 1,345 |
| Interest cost | 7 | 28 | 2 | 5 | 40 | 30 | 49 | 63 |
| Current service cost | 13 | 40 | 9 | 12 | 91 | 80 | 113 | 132 |
| Effect of curtailment | – | (231) | – | (121) | (166) | – | (166) | (352) |
| Divestiture of subsidiaries | – | (39) | – | (130) | – | (74) | – | (243) |
| Re-measurement (gains)/ losses: - | | | | | | | | |
| Actuarial changes arising from changes in financial assumptions | (9) | (38) | – | – | 72 | 38 | 63 | – |
| Actuarial changes due to experience adjustment | (16) | (220) | (41) | – | 25 | (12) | (32) | (232) |
| Benefit paid out | – | (9) | – | – | (11) | – | (11) | (9) |
| Exchange differences | (11) | (23) | 1 | 2 | (33) | 31 | (43) | 10 |
| At 31 December | 131 | 147 | 53 | 82 | 503 | 485 | 687 | 714 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. DEFINED BENEFIT OBLIGATION (CONTINUED)

Changes in fair value of plan assets are as follows:

| | Philippines plan | |
|---------------------------|-------------------------|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| At 1 January | 340 | 334 |
| Contributions by employer | – | 19 |
| Benefits paid | – | (9) |
| Interest income | 16 | 18 |
| Re-measurement losses | | |
| Return on plan assets | (12) | (10) |
| Effect of asset ceiling | (53) | – |
| Exchange differences | (26) | (12) |
| At 31 December | 265 | 340 |

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

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Investments in unit investment trust fund ("UITF") – Philippines plan | 265 | 340 |

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:

| | 2017 | 2016 |
|---|---------------|-------------|
| <i>Discount rates:</i> | | |
| Philippines plan | 5.77% | 5.19% |
| Thailand plan | 2.75% | 2.50% |
| Indonesia plan | 7.25% | 8.50% |
| <i>Expected rate of return on assets:</i> | | |
| Philippines plan | 3.00% | 3.00% |
| <i>Future salary increases:</i> | | |
| Philippines plan | 6.00% | 6.00% |
| Thailand plan | 5.00% | 5.00% |
| Indonesia plan | 10.00% | 10.00% |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. DEFINED BENEFIT OBLIGATION (CONTINUED)

| | 2017 % | 2016 % |
|-----------------------|--|---|
| <i>Mortality rate</i> | | |
| Philippines plan | The 2001 CSO Table | 1994 Group Annuity Mortality Table |
| Thailand plan | 75% of Thai Mortality Ordinary Table 2017 | 75% of Thai Mortality Ordinary Table 2008 |
| Indonesia plan | Mortality Table of Indonesia 2011 | Mortality Table of Indonesia 2011 |

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

| | Increase/ (decrease) | 31 December 2017 | | |
|-------------------------|-------------------------|------------------|---------------|----------------|
| | | Philippines plan | Thailand plan | Indonesia plan |
| Discount rates | (Actual + 1.00%) | (13) | – | (58) |
| | (Actual – 1.00%) | 15 | – | 67 |
| | (Actual + 0.50%) | – | (3) | – |
| | (Actual – 0.50%) | – | 3 | – |
| Future salary increases | (Actual + 1.00%) | 16 | 7 | 67 |
| | (Actual – 1.00%) | (12) | (6) | (59) |

| | Increase/ (decrease) | 31 December 2016 | | |
|-------------------------|-------------------------|------------------|---------------|----------------|
| | | 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) |

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 \$nil to its Philippines plan in 2018 (2017: \$2,000).

The average duration of the defined benefit obligation at the end of the reporting period is 12 years (2016: 14 years).

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2018

| | | |
|---|---|--------------------|
| 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 | 198 | 4.06 | 173,551 | 0.05 |
| 1,001 – 10,000 | 2,523 | 51.72 | 15,921,216 | 4.40 |
| 10,001 – 1,000,000 | 2,135 | 43.77 | 112,093,358 | 30.97 |
| 1,000,001 AND ABOVE | 16 | 0.33 | 233,708,839 | 64.58 |
| TOTAL | 4,878 | 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 NOMINEES SINGAPORE PTE LTD | 6,243,900 | 1.73 |
| 3 | DBS NOMINEES PTE LTD | 6,101,200 | 1.69 |
| 4 | TAN BOON KHAK HOLDINGS PTE LTD | 3,633,000 | 1.00 |
| 5 | UNITED OVERSEAS BANK NOMINEES PRIVATE LTD | 3,303,700 | 0.91 |
| 6 | RAFFLES NOMINEES (PTE) LTD | 3,225,700 | 0.89 |
| 7 | POH KHENG MUI (FU QINGMEI) | 3,057,600 | 0.84 |
| 8 | OCBC NOMINEES SINGAPORE PTE LTD | 2,823,200 | 0.78 |
| 9 | OCBC SECURITIES PRIVATE LTD | 2,185,100 | 0.60 |
| 10 | HSBC (SINGAPORE) NOMINEES PTE LTD | 1,989,000 | 0.55 |
| 11 | TAN ENG YAM @ TAN ENG ANN | 1,632,600 | 0.45 |
| 12 | UOB KAY HIAN PTE LTD | 1,553,800 | 0.43 |
| 13 | TAN ENG YAM HOLDINGS PTE LTD | 1,479,100 | 0.41 |
| 14 | LIM GECK CHIN MAVIS | 1,300,000 | 0.36 |
| 15 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 1,005,500 | 0.28 |
| 16 | KIM LENG TEE INVESTMENTS PTE LTD | 1,002,000 | 0.28 |
| 17 | ESTATE OF MRS LIM NANCY NEE TAN NANCY, DECEASED | 1,000,000 | 0.28 |
| 18 | ROSIE D/O PILLAI MRS ROSIE CHANDRADAS | 1,000,000 | 0.28 |
| 19 | PHILLIP SECURITIES PTE LTD | 938,300 | 0.26 |
| 20 | QUEK GEOK ENG | 900,000 | 0.25 |
| TOTAL | | 237,547,139 | 65.65 |

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2018

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. Mr Beck Tong Hong, the CEO of the Company, has a minority interest in Canopus.
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 12 March 2018, 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

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Temasek Club, 131 Rifle Range Road Singapore 588406 on 18 April 2018 at 11:00 a.m. for the purpose of transacting the following business:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a Final Dividend (tax exempt one-tier) of 1.5 cents per ordinary share for the financial year ended 31 December 2017. **(Resolution 2)**
3. To re-elect Mr Tan Choon Hong retiring pursuant to Article 87 of the Company's Constitution. **(Resolution 3)**
[See Explanatory Note (i)]
4. To note the retirement of Mr Ashish Jaiprakash Shastri as a Director of the Company pursuant to Article 87 of the Company's Constitution.
[See Explanatory Note (ii)]
5. To re-elect the following Directors retiring pursuant to Article 94 of the Company's Constitution.
 - (a) Mr Beck Tong Hong **(Resolution 4)**
 - (b) Mr Tommy Teo Zhi Zhuang **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

7. To approve the payment of Directors' fees of S\$409,000 for the financial year ended 31 December 2017. (FY2016: S\$270,000) **(Resolution 7)**
8. **Authority to issue shares** **(Resolution 8)**
 "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Rules of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:
 - (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares (excluding treasury shares and shares (if any) held by a subsidiary of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iii)]

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

(Resolution 9)

"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."

[See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

10. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary

Singapore,
3 April 2018

Explanatory Notes:

- (i) Mr Tan Choon Hong will, upon re-election as Director of the Company, remain as a member of Audit and Risk Committee and Remuneration Committee.
- (ii) Mr Ashish Jaiprakash Shastri has indicated that he will not be seeking re-election as Director of the Company and will retire at the conclusion of the AGM. Upon Mr Ashish Shastri's retirement, he will cease as a member of Nominating Committee.
- (iii) The Proposed Resolution 8, 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.
- (iv) The Proposed Resolution 9, 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 26 April 2017, and to allot and issue shares in the capital of the Company pursuant to the Share Plan, provided that the aggregate number of shares issued and to be issued under the Share Plan does not exceed 10% of the total number of issued shares excluding treasury shares in the capital of the Company from time to time.

Notes:

- (a) A member of the Company may appoint not more than two proxies to attend, speak and vote at the general meeting of the Company. A proxy need not be a member of the Company.
- (b) Where a member appoints more than one (1) proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage as a whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- (c) A member who is a Relevant Intermediary* is entitled to appoint more than two proxies to attend, speak and vote at the meeting. He shall specify the proportion of his shares (expressed as a percentage of the whole) to be represented by each proxy.

*Relevant Intermediary is:

- (i) a banking corporation licensed under the Banking Act (Cap.19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity; or
- (ii) a person holding a capital markets services license to provide a custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap.36), in respect of shares purchased on behalf of CPF investors.
- (d) A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.

NOTICE OF ANNUAL GENERAL MEETING

- (e) The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 signed on its behalf by an officer or attorney duly authorised in writing.
- (f) Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- (g) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 109 Defu Lane 10 Singapore 539225, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.
- (h) In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.
- (i) 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 Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
- (j) 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 shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
- (k) 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/her name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

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 adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of the Company (or its agents or service providers) 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 or service providers) 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 the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy (ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) 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, liabilities, 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 will be closed on 9 May 2018 after 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services of 80 Robinson Road #02-00 Singapore 068898 up to 5:00 p.m. on 9 May 2018 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 2018 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 18 April 2018 will be paid on 25 May 2018.

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary

Singapore,
3 April 2018

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)

Company Registration No.: 197802690R

IMPORTANT

1. For investors who have used their CPF monies to buy Nera Telecommunications Ltd's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. A Relevant Intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3) for the definition of "Relevant Intermediary").
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.

PROXY FORM

*I/We _____ (Name)

of _____ (Address)

being a *member/members of Nera Telecommunications Ltd (the "Company") hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings to be represented by proxy | |
|----------|-------------------|--|---|
| | | No. of Shares | % |
| Address: | | | |

*and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings to be represented by proxy | |
|----------|-------------------|--|---|
| | | No. of Shares | % |
| Address: | | | |

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Temasek Club, 131 Rifle Range Road Singapore 588406 on Wednesday, 18 April 2018 at 11:00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

| No. | Ordinary Resolutions | For [#] | Against [#] |
|-----|--|------------------|----------------------|
| 1. | To receive and adopt the Audited Financial Statements the Company for the financial year ended 31 December 2017 together with the Directors' Statement and the Independent Auditor's Report thereon. | | |
| 2. | To declare a Final Dividend (tax exempt one-tier) of 1.5 cents per ordinary share for the financial year ended 31 December 2017. | | |
| 3. | To re-elect Mr Tan Choon Hong as Director. | | |
| 4. | To re-elect Mr Beck Tong Hong as Director. | | |
| 5. | To re-elect Mr Tommy Teo Zhi Zhuang as Director. | | |
| 6. | To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. | | |
| 7. | To approve the payment of Directors' fees of S\$409,000 for the financial year ended 31 December 2017. | | |
| 8. | To authorise Directors to allot and issue shares. | | |
| 9. | To authorise Directors to grant award and issue shares under the Performance Share Plan. | | |

* Delete accordingly

If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this _____ day of _____ 2018

| Total number of shares in | No. of Shares |
|---------------------------|---------------|
| (a) CDP Register | |
| (b) Register of Members | |

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

IMPORTANT. Please read notes overleaf.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Where a member appoints two proxies, he shall specify the proportion of his shares (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member who is a **Relevant Intermediary*** is entitled to appoint more than two proxies to attend and vote at the meeting. He shall specify the proportion of his shares (expressed as a percentage of the whole) to be represented by each proxy.

***Relevant Intermediary is:**

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity; or
 - (b) a person holding a capital markets services license to provide a custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap.36), in respect of shares purchased on behalf of CPF investors.
4. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.
 5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 signed on its behalf by an officer or attorney duly authorised in writing.
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 11. 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/her name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accept and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2018.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms Wong Su-Yen*
Mr Beck Tong Hong, CEO**
(appointed on 8 November 2017)
Mr Ashish Jaiprakash Shastry***
Dr Lee Kwok Cheong*
Mr Tan Choon Hong***
Mr Tan Lye Huat*
Mr Tommy Teo Zhi Zhuang***
(appointed on 27 February 2018)

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

Mr Tan Wee Sin

REGISTERED OFFICE

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

REGISTRARS AND SHARE TRANSFER OFFICE

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

AUDITORS

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Ms Ho Shyan Yan
(appointed with effect from financial year ended
31 December 2015)

PRINCIPAL BANKERS

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

* Independent Director

** Executive Director

*** Non-Executive Director



NERA

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