NERA TELECOMMUNICATIONS LTD

HARNESSING DIGITAL ENABLING TRANSFORMATION

ANNUAL REPORT
2018

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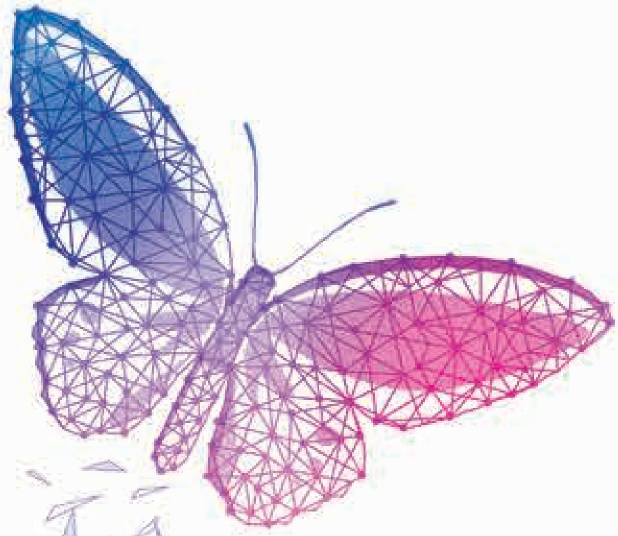


HARNESSING DIGITAL,

ENABLING TRANSFORMATION

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report and Financial Statements of Nera Telecommunications Ltd ("NeraTel" or "the Group") for the year ended 31 December 2018 ("FY2018").

ECONOMIC BACKDROP

2018 was a year of weakened global expansion. Based on the latest estimates, global growth for 2018 is expected to come in at 3.7%, down marginally from 3.8% for 2017. During the year, the global economy was impacted by trade tensions between US and China. The spillover effects of the trade spat led to a global slowdown in most regions. Business sentiments were further dampened by rapidly rising interest rates as a result of the quarterly rate hikes by the US Federal Reserve. Political conflicts within Europe, be it the Italian budget impasse with the European Commission, the Yellow Vest protest in France, or the Brexit stalemate in the UK, induced more uncertainties in the tumultuous economic outlook.

FINANCIAL HIGHLIGHTS

Against this backdrop, for FY2018, the Group's revenue decreased by 13.7% from $194.1 million to $167.5 million. Profit before tax ("PBT") decreased marginally by 2.8% from $11.9 million to $11.5 million, with lower operating expenses partially offsetting the impact of lower gross profit.

Basic earnings per ordinary share for the year, based on the net profit from continuing operations attributable to shareholders, were recorded at 2.14 Singapore cents compared to 2.15 Singapore cents in FY2017. Net Asset Value per ordinary share, based on issued share capital of 361,897,000 ordinary shares, was recorded at 18.42 Singapore cents compared to 19.09 Singapore cents in FY2017.

For FY2018, the Group secured approximately $177.4 million in order in-take, a decrease of 9.5% compared to $196.1 million achieved in FY2017. The Group ended the year with $21.5 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 FY2018. This proposed dividend, if approved at the Annual General Meeting on 23 April 2019, will be paid on 27 May 2019.

LOOKING AHEAD

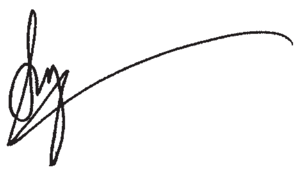
In Singapore, we expect service providers to ramp-up capital expenditure on wireless infrastructure towards the end of 2019 or early-2020 in preparation for the scheduled 5G roll-out in 2020. Meanwhile, service providers in the region are expected to continue upgrading their wireless infrastructure network to support the growing data consumption. With our experience and comprehensive portfolio of wireless network solutions, we are well-positioned to capture opportunities arising from the ongoing wave of digitisation in Singapore and across the region.

In the network infrastructure segment, we expect growth to be driven by technological adoption such as the Internet of Things, artificial intelligence and innovations in network security and digitisation. A robust secured network infrastructure needs to be established to support smart city initiatives, thus we believe NeraTel's network infrastructure segment is ready to address such smart cities of the future. Going forward, we will continue to develop and strengthen our service offerings in these domains to provide better support and comprehensive end-to-end solutions for our customers in both existing and new strategic markets.

ACKNOWLEDGEMENTS

While NeraTel is positioned in an industry with strong growth prospects, we can only achieve success by having the right team on board.

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



MS WONG SU-YEN
Chairman

CEO'S STATEMENT

BUSINESS REVIEW

FY2018 was an encouraging year for NeraTel as net profit held steady at $7.8 million, largely unchanged from the previous year. The Group continued to experience a healthy level of demand from its customers having secured approximately $177.4 million of order in-take in FY2018, compared to $196.1 million in FY2017, supported by increased orders from the Network Infrastructure ("NI") business.

As a result of lower order in-take from the Middle East and Africa markets as well as delays in project completion for both the NI and Wireless Infrastructure Networks ("WIN") segments, the Group reported a 13.7% dip in its revenue to $167.5 million in FY2018, from $194.1 million in FY2017. Profit before tax ("PBT") for FY2018 decreased marginally by 2.8% from $11.9 million to $11.5 million, mainly due to lower gross profit and lower other operating income, partially offset by lower operating expenses. At the end of the year, the Group registered positive cash and cash equivalents of $21.5 million as compared to $20.6 million in FY2017.

The NI business segment, which continues to be the Group's largest revenue contributor at 66.7%, saw a 7.8% decrease in revenue to $111.8 million in FY2018 mainly due to weaker performance from Service Provider markets in Australia and the Philippines, partially offset by higher contributions from Myanmar and Pakistan.

The WIN business segment recorded a 23.5% decrease in sales to $55.7 million mainly due to weaker performance from the Middle East and Africa markets, partially offset by higher revenue from Singapore and the Philippines.

BUSINESS OUTLOOK

The ongoing wave of digitisation provides immense growth opportunities for NeraTel and we have identified several new and potential growth opportunities, namely, cybersecurity, data analytics, and automation.

Notably, in line with the progress of digitisation, there has been an increase in the awareness of the importance of cybersecurity in Singapore and the region because of a number of high profile cybersecurity breaches. Organisations are increasingly recognising that cyberattacks can result in substantial financial losses and even reputational damages. Worldwide digital security expenditure is also forecasted to grow by 8.7% to US$124.1 billion in 2019. We will therefore continue to invest in cybersecurity expertise and build on our cybersecurity portfolio so that we can continue to grow this business.

Digitisation has also presented opportunities in the area of data analytics as organisations and businesses recognise the benefits of actionable insights derived from processing large amounts of data. To address these opportunities, we will develop new partnerships and build data analytic capabilities.

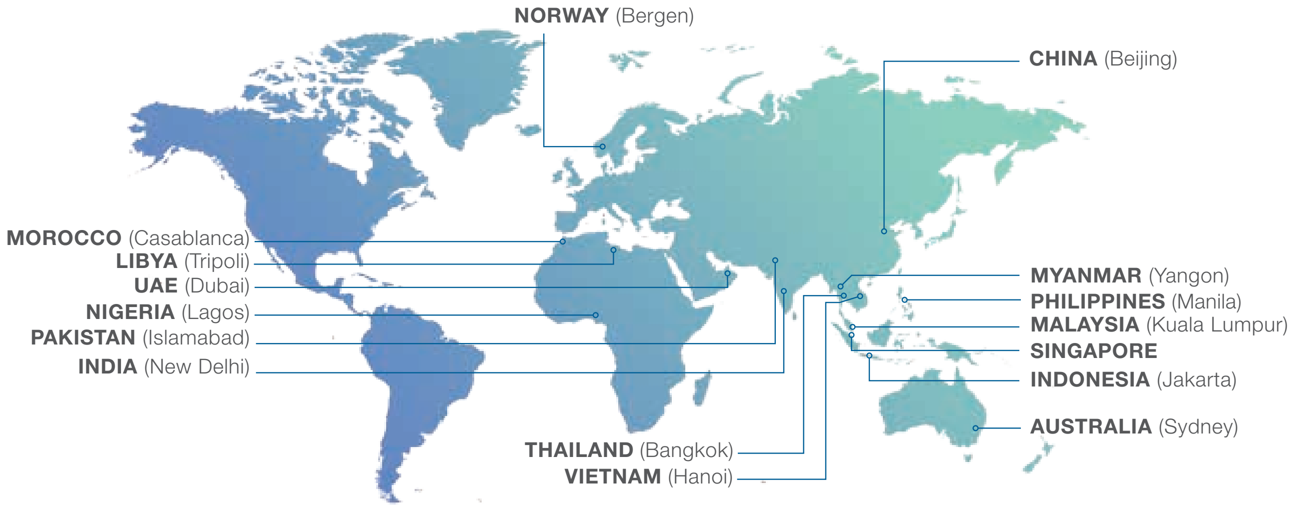
In addition, many enterprises and corporations are looking at deploying automation technologies for operational efficiency, general business improvements and other related objectives while they embark on the digital transformation journey. We will therefore leverage on our existing networking expertise to build internal competencies in the areas of network automation as well as process automation.

We are encouraged to have won contracts from repeat customers such as major government entities and key telecommunications service providers, who continue to put their trust in us, reaffirming our value proposition and capabilities in providing turnkey solutions. We will continue to build on our capabilities to offer comprehensive end-to-end solutions so that our customers can transform themselves successfully in the digital economy. At the same time, we will continue to strengthen our recurring income streams with a focus on services and maintenance contracts that offer healthier margins.

In closing, I would like to thank our valued customers, business partners and shareholders for their continued support and trust as NeraTel forges ahead in the new digital era. I would also like to extend my appreciation to the Board of Directors for the wise counsel and guidance and our leadership team and staff 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
- P.T. Nera Indonesia, Indonesia
- Nera (Thailand) Limited, Thailand
- Nera (Philippines), Inc., Philippines
- Nera Telecommunications (Myanmar) Company Limited, Myanmar
- Nera Telecommunications (India) Pvt. Ltd., India
- Nera Telecommunications (Australia) Pty Ltd, Australia
- Nera Telecommunications (Vietnam) Co. Ltd., Vietnam
- Nera Telecommunications (Vietnam) Co. Ltd. – Ho Chi Minh City Branch, Vietnam

SUBSIDIARIES OF NERA NETWORKS (S) PTE LTD

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

REPRESENTATIVE OFFICE

- Nera Telecommunications Ltd, Beijing, Representative Office, China

CORPORATE INFORMATION

BOARD OF DIRECTORS
Ms Wong Su-Yen*
Mr Beck Tong Hong***
Dr Lee Kwok Cheong*
Mr Tan Choon Hong**
Mr Tan Lye Huat*
Mr Tommy Teo Zhi Zhuang**

AUDIT AND RISK MANAGEMENT COMMITTEE
Mr Tan Lye Huat, Chairman
Dr Lee Kwok Cheong
Mr Tommy Teo Zhi Zhuang

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

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

COMPANY SECRETARY
Ms Chan Wan Mei
Ms Gan Lee Teng

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

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

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

PRINCIPAL BANKERS
DBS Bank Ltd
The Hong Kong and Shanghai Banking
Corporation Limited
RHB Bank Berhad
Hong Leong Bank Berhad

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

BOARD OF DIRECTORS

MS WONG SU-YEN

Independent Director since 23 December 2013
Chairman of the Board since 30 April 2014
Chairman, Nominating Committee since 23 December 2013
Member, Remuneration Committee since 23 December 2013
Last re-elected on 26 April 2017

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

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

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

MR BECK TONG HONG

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

Mr Beck is the CEO of the Company and is responsible for the overall performance of the Group. He was previously the Vice President for Network Infrastructure business for the Group. He has more than 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 Eléctrique and a Diplôme d'Etudes Approfondies (Master of Engineering degree) in Optoelectronics from Institut National des Sciences Appliquées de Rouen, both in France.

BOARD OF DIRECTORS

DR LEE KWOK CHEONG

Independent Director since 8 March 2013
Chairman, Remuneration Committee since 2 April 2013
Member, Audit and Risk Management Committee since 2 April 2013
Last re-elected on 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. 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, a Doctor of Science honoris causa by the University of London in 2016 and the Honorary Degree of Doctor of the University of Stirling in 2018.

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

MR TAN CHOON HONG

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

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

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

BOARD OF DIRECTORS

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

MR TOMMY Z. TEO

Non-Executive Director since 27 February 2018
Member, Audit and Risk Management Committee since 19 April 2018
Last re-elected on 18 April 2018

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

MR TAN CHAM KHAIN ORLANDO is the Senior 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.

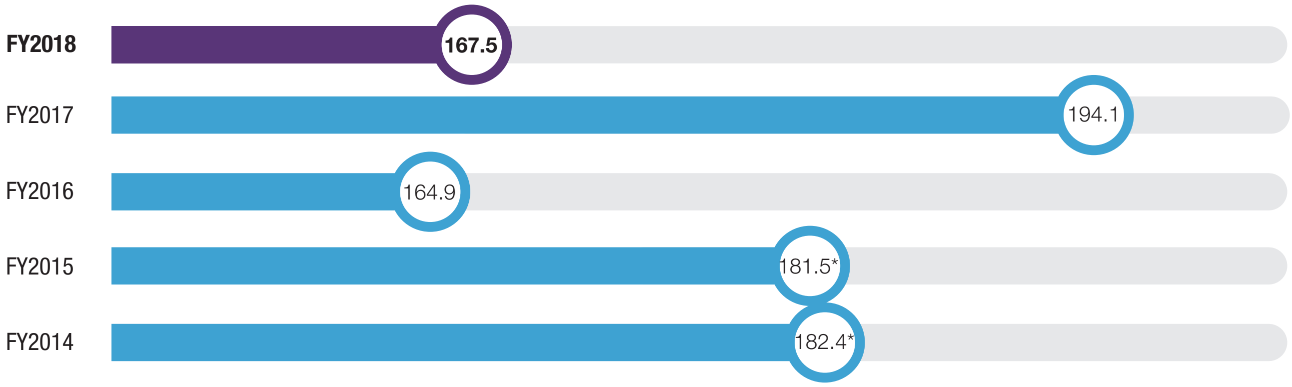
MR LINGGAJAYA BUDIMAN is the Country Manager for PT Nera Indonesia. He is responsible for the Group's business in Indonesia. Prior to joining Nera, Mr Budiman worked in Berca Group, Indonesia in varied roles, the most recent being the Managing Director/Chief Operating Officer of the group. Prior to Berca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

MR 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-eight 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.

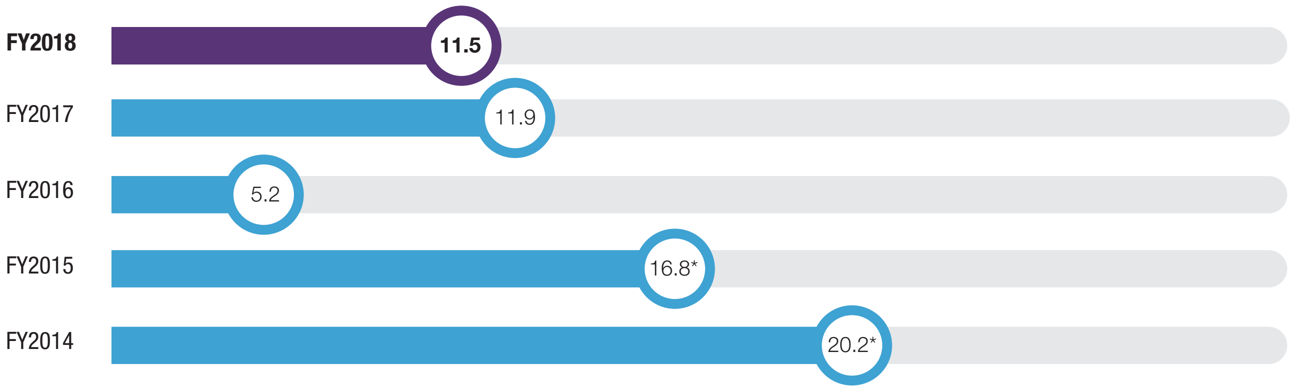
MR NG MENG YEOW EZEKIEL TEDDY is the Deputy Head of the Wireless Infrastructure Networks. He is responsible for the Group's Wireless Infrastructure Networks business. He has more than twenty years of experiences in the Information Technology industry with track records in business development, sales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

FINANCIAL HIGHLIGHTS

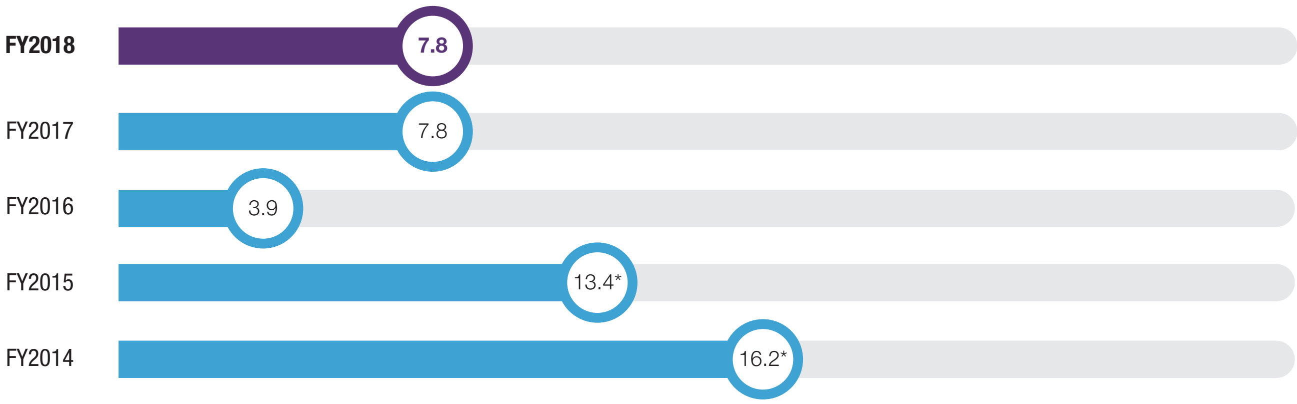
REVENUE ($M)



PROFIT BEFORE TAX ($M)



PROFIT AFTER TAX ($M)



* *Includes Payment Solutions business which was divested in FY2016*

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 designed to suit the needs of green field and brown field deployments.

Microwave

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 cutting-edge technology is also capable of supporting Native IP and TDM. Furthermore, our passive and active solutions can be applied to most hardware set-ups focusing on delivering quality solutions for our customers' indoor coverage needs. Additionally, our outdoor solutions enhances tremendous value relative to its cost.

Radio Access Network (RAN)

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

Building Analytics and Internet of Things (IoT)

With the advent of IoT devices, NeraTel's Building Analytics solution is able to collect data about the costs of operations and energy usage of any building. NeraTel's advanced Fault Detection and Diagnosis as well as Predictive Maintenance capabilities will complement the Building Analytics solution by enabling our clients to reduce their operational cost and energy consumption. In addition, these solutions will allow our clients to achieve their environmental sustainability goals and reduce their carbon footprint. It is also a solution that fits well into any Smart Building initiative.

Turnkey Solution and Projects

We maintain our strategy towards undertaking 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)

The combined forces of new disruptive technologies and innovations are changing the world of business dramatically. This wide-ranging disruption is forcing industries to adapt to meet the changing needs of their customers, employees, partners, and stakeholders. As a result, digital transformation projects have risen to the top of most organisations' priority lists. NeraTel employs technologies and solutions to support our customers with a technological framework that is flexible and adaptable to their changing business requirements. This framework covers technologies, tools and processes necessary for our customers' digital transformation.

Multi-Cloud

Most companies have realised the true capabilities of the cloud and it is gradually becoming the primary platform for new and existing IT enterprise applications. Customers have the power to speed up its digital transformation by leveraging on cloud technologies such as cloud hosting services, big data analytics, and even cloud-native application development platforms.

NeraTel's multi-cloud architecture allows our customers' IT functions to establish a competitive advantage for their business stakeholders, translating into cost savings, performance optimisation, and improved reliability, which are critical factors in driving growth for these businesses. NeraTel will recommend cloud platforms and management tools for our customers to realise the benefits of the multi-cloud architecture. NeraTel's assessment services will assist in the organisation's decision making process by running workloads across the most appropriate cloud environments with the goals of cost savings and performance optimisation.

Cybersecurity

With the increased instances of cybersecurity breaches worldwide, organisations are adopting a more proactive approach towards network security. In today's digitised world, our customers recognise that protecting their intellectual property, reputation and assets is a top priority.

To meet this growing need, we have expanded our cybersecurity product portfolio to include network security, endpoint security, application security, data security, cloud security monitoring and response. NeraTel provides a comprehensive suite of industry-leading security products, including Next Generation Firewall, Intrusion Prevention Systems, Web Application Firewall (WAF), Encryption, Security Information and Event Management (SIEM), Privilege Access Management (PAM). This provides a high level of security for our customers' digital assets while providing convenient and secure access for day-to-day business operations.

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

BUSINESS SEGMENTS:

Intent-based Networking

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

NeraTel also represents leading edge networking vendors to deliver intent-based networking architectures, which allows our customers' IT stakeholders to establish policies that specify the network's business intent, auto-prescribe the requirements, and automate the processes. Through these solutions, our customers can streamline and automate their network to enable faster network changes, quick deployment of new applications and more intuitive troubleshooting.

Optical Networks

In the Optical Networks domain, we provide carrier-grade optical network solutions to serve mobile backhaul, business services, DC Interconnection and Edge Aggregation. Our solutions cater to a full range of customers including service providers, mobile carriers, business enterprises and transport companies.

NeraTel's range of products include high-capacity long haul systems, metro DWDM applications, optical multi-service platforms, and mobile front-haul solutions. This comprehensive suite of optical networking products aims to provide our customers with seamless and cost effective solutions to enable higher data throughput in their digitised network.

Broadcast Networks

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

Automation

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

NeraTel's automation suite enables our customers' operations team to support the requirements of the digital enterprise, business and DevOps teams. Our automation capabilities provide an analytics-driven, ITIL process service orchestration and asset management.

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

SUSTAINABILITY REPORT

1. BOARD STATEMENT

Our sustainability agenda is led by our Board of Directors, which oversees and ensures that we pursue our commercial objectives, and remains a responsible and sustainable organisation. Information on the Board, Corporate Governance Model, Board Committees and their Terms of Reference is available on pages 33 to 50 of the Annual Report.

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

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

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 our business is key to our sustainability.

SUSTAINABILITY REPORT

3. VISION, MISSIONS AND CORE VALUES

PATH TO SUSTAINABILITY

CORE VALUES	MISSIONS	VISION
• Customer focus • Integrity • Performance excellence • Respect • Teamwork	• NeraTel is committed to deliver best-in-class infocomm solutions that elevate business values for our clients, enabling them to achieve goals and aspirations • To nurture our people and maintain a safe working environment • To be socially and environmentally responsible whilst maintaining economic growth	To be the global leader in enabling technology in digital world

Our vision and missions are driven by our core values and the path to sustainability is closely aligned with our vision, missions and core values as our sustainability factors and strategies will bring us to where we envision ourselves to be. Refer to Section 9 for more details on the alignment of our material sustainability factors with our vision, mission and core values.

4. REPORTING FRAMEWORK

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711 (A) and 711 (B). We have chosen to report using GRI Standards: Core option as it is an internationally recognized reporting framework.

5. REPORTING PERIOD AND COVERAGE

This reporting period is for our financial year ended 31 December 2018 ("FY2018") and a report will be published annually thereafter.

This Report covers the Singapore and Malaysia operations which contributed approximately 64% (FY2017: 44%) of our total revenue for the reporting period. We target to increase the coverage of our Report to at least 75% of our total revenue by financial year ending 31 December 2020.

6. FEEDBACK

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

SUSTAINABILITY REPORT

7. STAKEHOLDER ENGAGEMENT

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

We actively engage our key stakeholders through the following channels:

S/N	KEY STAKEHOLDER	ENGAGEMENT CHANNEL
1	Community	We focus on continuous community engagement and has initiated various campaigns to help the communities.
2	Customer	Communications with customers are made through various channels such as meetings, events, email communications, phone calls and teleconferences.
3	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, regular staff evaluation sessions and periodic town hall meetings conducted by Senior Management with employees.
4	Regulator	We participate 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 our business.
5	Shareholder	We convey timely, full and credible information to shareholders through announcement on SGXNET, our website (http://www.nera.net), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
6	Vendor	We maintain 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.

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

8. POLICY, PRACTICE AND PERFORMANCE REPORTING

8.1 REPORTING POLICY

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

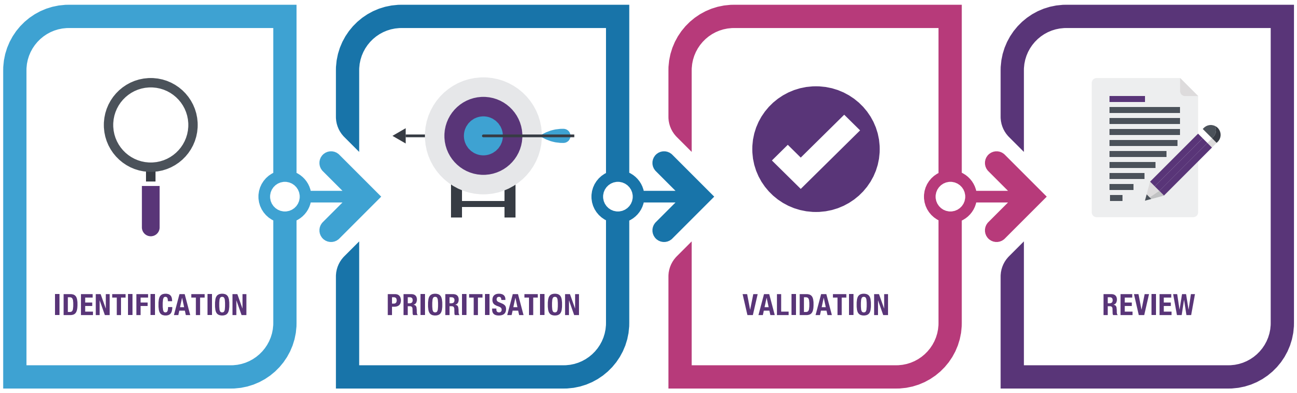
SUSTAINABILITY REPORT

8.2 REPORTING STRUCTURE

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

8.3 SUSTAINABILITY REPORTING PROCESSES

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



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

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

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 finalize the sustainability report content

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

8.4 MATERIALITY ASSESSMENT

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

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

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

SUSTAINABILITY REPORT

8.5 PERFORMANCE TRACKING AND REPORTING

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

9. MATERIAL FACTORS

Our materiality assessment performed for FY2018 involved our Senior Management in identifying sustainability factors deemed material to our businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders. Presented below are a list of key sustainability factors applicable to our business:

S/N	MATERIAL FACTOR	MISSION	KEY STAKEHOLDER	REPORTING PRIORITY
GENERAL DISCLOSURE				
1	Total customer satisfaction	Deliver best-in-class infocomm solutions	Customer	I
SOCIAL				
2	Inclusive workplace and talent development	Nurture our people	Employee	I
3	Occupational health and safety	Maintain a safe working environment	Employee	II
4	Ongoing community development	Social responsibility	Community	III
ENVIRONMENTAL				
5	Electricity and water conservation	Environmental responsibility	• Community • Shareholder	II
ECONOMIC				
6	Sustainable business performance	Maintain economic growth	Shareholder	I
7	Emphasis on code of ethics	Maintain economic growth	• Shareholder • Regulator	II
GOVERNANCE				
8	Robust corporate governance framework	Maintain economic growth	• Shareholder • Regulator	II

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

9.1 TOTAL CUSTOMER SATISFACTION

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

MAINTAIN PRESENCE AND PROXIMITY TO WHOM WE SERVE

Over the years, we have established an international operations in 16 countries across 4 different continents. This geographical spread brings us close to the markets we serve and more importantly, to the clients we serve. Refer to page 6 for our geographical presence.

SUSTAINABILITY REPORT

NURTURE A TEAM OF HIGHLY TRAINED AND EXPERIENCED EMPLOYEES

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

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

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

CULTIVATE A LONG-TERM AND SUSTAINABLE RELATIONSHIP WITH OUR VENDORS

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

With strategic vendors, we are able to gain access to a wider range of hardware and software for us to develop solutions that meet clients' requirements. In addition, our volume purchases allow us to secure competitive pricing through discounts, rebates or pricing support which we can then leverage on to provide our clients with value-for-money solutions.

BETTER SOLUTIONS THROUGH CONTINUOUS FEEDBACK AND BUILDING A KNOWLEDGE BASE

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

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

9.2 INCLUSIVE WORKPLACE AND TALENT DEVELOPMENT

We have a workforce of 253 full-time employees for the Singapore and Malaysia operations as at 31 December 2018 (As at 31 December 2017: 267).

In line with our mission to inspire and nurture our people, we focus on employee retention and aim to provide a work environment for employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of effective talent management and equal opportunities in employment.

SUSTAINABILITY REPORT

Inclusive workplace

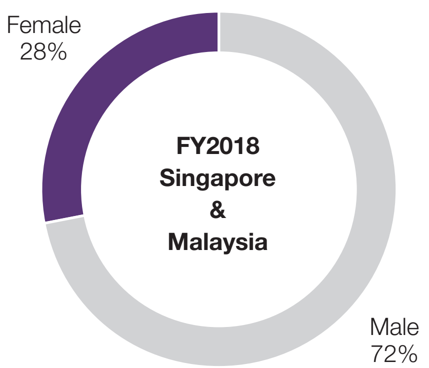
Our various cultures and inclusive values, where everyone is welcomed and treated equitably, not only augment but also enhance our customer commitment and ensure continuous improvement. The different perceptions, qualifications and experiences of our employees are of significance. It not only breed successful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

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

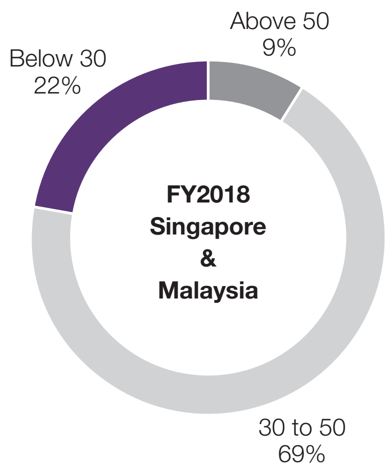
On gender diversity, we make a conscientious effort to balance our male-to-female employee ratio by hiring individuals based on the right competencies and skillsets. As at 31 December 2018, the percentage of female to total full-time employees is 28% (As at 31 December 2017: 30%).

On age diversity, matured workers are valued for their experience, knowledge and skills. As at 31 December 2018, 9% (As at 31 December 2017: 8%) of our workforce is above 50 years old.

GENDER DIVERSITY



AGE DIVERSITY



Talent development

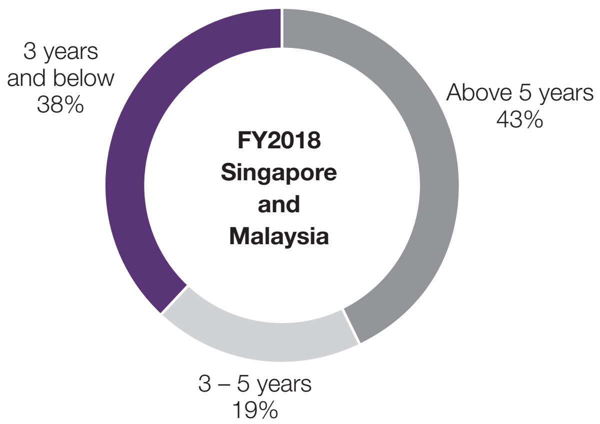
Effective employee training program is vital to the long-term success of any business. We have a set of training programs that caters to various types and levels of our employees. One of the key objectives of such programs is to develop our human capital base so that our employees can better perform their jobs, better serve our customers and also to raise productivity. We place a high priority on the competency development of our employees. Technical staff are encouraged to attain technical certifications relevant to their work whilst Management staff are also encouraged to attend Leadership Development courses and programs. During the reporting period, the average training expenditure per employee is $634 (FY2017: $500) and our certified professionals as at 31 December 2018 accounted for around 22% of total workforce (As at 31 December 2017: 19%).

SUSTAINABILITY REPORT

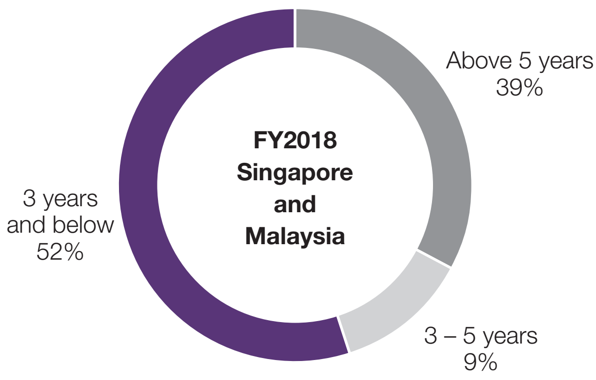
We will continue to invest in training and development to enhance our competencies, that is, not limited to functional skills but also in areas such as leadership capabilities, to build a smooth succession pipe-lining and also a high performing and achieving team.

On an overall basis, we track this factor through the employee retention rate. As at 31 December 2018, approximately 62% (As at 31 December 2017: 61%) of the employees and 48% (As at 31 December 2017: 50%) of the managers have more than 3 years of service with us. The breakdown of employees by the years of service is as follows:

YEARS OF SERVICE (ALL EMPLOYEES)



YEARS OF SERVICE (MANAGERS)



9.3 OCCUPATIONAL HEALTH AND SAFETY

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

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

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

We are OHSAS 18001, bizSAFE STAR and SafeContractor Accreditation certified and these certifications recognize our continuous efforts to incorporate safety as part of our business model.

We recorded zero (FY2017: zero) workplace fatality during the reporting period and 3 (FY2017: 3) non-fatal workplace injury[1] which resulted in 34 man-days lost (FY2017: 88 days). Lessons from the non-fatal workplace accidents are shared across business units to prevent recurrence and we will continuously work towards reducing both the occurrence and severity of workplace accidents.

[1] *A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalization 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

9.4 ONGOING COMMUNITY DEVELOPMENT

In line with our mission to give back to the Community, we strive to set a good example and encourage individuals and other corporates to embrace the spirit of giving. We recognise that the long-term success of our business is closely related with the health and prosperity of the community which we operate in. During the reporting period, were engaged in various initiatives to help the communities as follows:

Bright Hill Evergreen Home

Bright Hill Evergreen Home is an accredited non-profit nursing home providing health care and shelter for the disadvantaged and aged sick regardless of race, language or religion, alleviating their hardships through holistic nursing and medical care.

Together with Kong Meng San Phor Kark See Monastery, we had fun together singing and dancing with the residents. It is heart-warming when the elderly clapped, sang along and smiled when the volunteers performed.

They were also touched with our presence and early Lunar New Year greetings with songs, mandarin oranges and red packets contributions.

Willing Hearts Charity

A caring society is a compassionate one that cares for the less fortunate. In Willing Hearts, a non-affiliated charitable organisation, it prepares and distributes 5,000 meals daily to the elderly, disabled, low income families and children from single parent families island-wide.

Our efforts to do our part for the less fortunate is made possible through our company food donation drive. This enables Willing Hearts to prepare and distribute meals to the needy.

SUSTAINABILITY REPORT

Chen Su Lan Methodist Children's Home

Chen Su Lan Methodist Children's Home, a home that provides shelter, care and protection to boys and girls between the ages of 5 and 21 years old who come from low income, broken, dysfunctional or abusive families in Singapore.

Our volunteers put aside their time to organise, enjoy a magic show and to have lunch with the children, spreading our love and laughter to the children.

Ronald McDonald House Charity Malaysia

Ronald McDonald House Charity Malaysia ("RMHC") is a non-profit children's charity organisation that serves to improve the health and well-being of under-privileged children and their family. RMHC Malaysia was established in February 1990 and in the last 26 years, it has positively impacted more than 20,000 children's lives in the areas of Health, Education and Welfare with funding in excess of RM 16 million.

SUSTAINABILITY REPORT

We were invited to the Chinese New Year celebration hosted by RMHC. This event was intended to bring cheers and joy to the patients and their family in trying times. A total of 50 paediatric patients and their family were invited for this event, which was held at the compound of RMHC.

10 of our staff, led by our Deputy Country Manager of Malaysian operations, attended the event. We contributed goodie bags for the event, which comprised food and beverage items, drawing and colouring stationeries. In addition, we also donated 60 pieces of mattress protectors to RMHC.

The activities for this event included a birthday celebration for the kids whose birthdays fell in the months of January to March, games for the kids and parents, lion dance performance and goodie bag presentation.

Pusat Jagaan Cahaya Kasih Bestari Orphanage Home

Pusat Jagaan Cahaya Kasih Bestari is a Muslim orphanage located in Shah Alam, Malaysia which was built in the year 2010.

During the reporting period, we visited the orphanage and contributed food and beverage items, toiletries, childcare items, electrical goods and cash donations amounting to RM 2,500.

Our visit gave love and care to the children and helped to lessen the burden faced by orphanage in their day-to-day management. At the same time, the visit also created awareness and instil the sense of care and responsibility for our staff who participated. Activities held during the visit included mini games, colouring contest and mingling sessions with the children.

SUSTAINABILITY REPORT

9.5 ELECTRICITY AND WATER CONSERVATION

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

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

RESOURCE	UNIT OF MEASUREMENT	INTENSITY (CONSUMPTION PER EMPLOYEE)	
		FY2018	FY2017
Electricity	kWh	5,276	5,570
Water	cu M	9	12

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

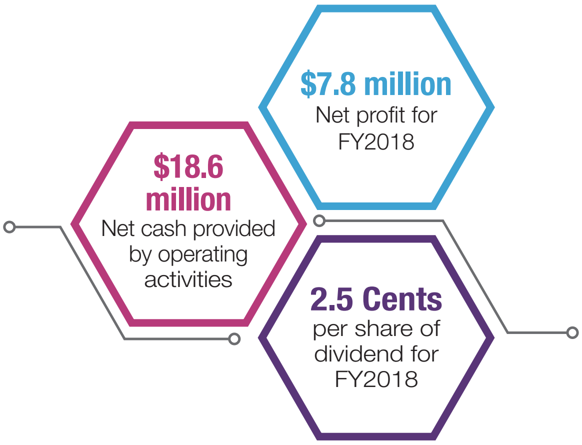
- Switch on the chiller an hour later and turn off half-an hour earlier on working days
- Switch off the office lights in the common areas half-an hour earlier on working days and to switch off office lights during the lunch hour.
- Put up signage at light switches to remind staff to switch off the lights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

9.6 SUSTAINABLE BUSINESS PERFORMANCE

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

In FY2018, we recorded revenue of $167.5 million (FY2017: $194.1 million) and a net profit after tax of $7.8 million (FY2017: $7.8 million). For FY2018, an aggregate tax-exempt (one-tier) dividend of 2.5 cents (FY2017: 2.5 cents) per share was declared.

In FY2018, we generated $18.6 million (FY2017: $2.3 million) of net cash flow from operating activities with a cash and cash equivalent balance of $21.5 million as at 31 December 2018 (As at 31 December 2017: $20.6 million).



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

9.7 EMPHASIS ON CODE OF ETHICS

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

We have put in place a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. An employee handbook is in place to provide guidance to employees about the benefits and reflect the culture of the business. In FY2018, there were no fraud incidents reported (FY2017: zero).

SUSTAINABILITY REPORT

9.8 ROBUST CORPORATE GOVERNANCE FRAMEWORK

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

We have put in place a risk management framework ("ERM framework"). We regularly assess and review our business and operational environment to better identify and manage emerging and strategic sustainability risks.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 70 for FY2018 (FY2017: 55) which placed us within the top 25 (FY2017: 40) percentile of the public listed companies that were assessed.

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

10. TARGET SETTING

For our material factors identified, we have set qualitative targets for FY2019 as follows:

S/N	MATERIAL FACTOR	TARGET FOR FY2019
1	Total customer satisfaction	Improve financial performance
2	Inclusive workplace and talent development	Improve performance measures identified on staff retention
3	Occupational health and safety	Adhere to the market standards and best practices in operations
4	Ongoing community development	Initiate campaigns to help the communities
5	Electricity and water conservation	Reduce the energy and water consumption rate
6	Sustainable business performance	Improve our financial performance whist maintaining our dividend rate where practicable
7	Emphasis on code of ethics	Maintain zero incident of fraud
8	Robust corporate governance framework	Improve our SGTI score

SUSTAINABILITY REPORT

11 GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
ORGANISATION PROFILE			
102-1	Name of the organization	Cover page	–
102-2	Activities, brands, products, and services	• Business Segments • Sustainability Report > Material Factors > Total Customer Satisfaction	13 – 14 19
102-3	Location of headquarters	Corporate Information	–
102-4	Location of operations	Geographical Presence	6
102-5	Ownership and legal form	• Notes to the Financial Statement > Corporate Information • Shareholdings Statistics	74 143 – 144
102-6	Markets served	Geographical Presence	6
102-7	Scale of the organization	• Financial Highlights • Sustainability Report > Material Factors > Inclusive Workplace and Talent Development • Balance Sheets • Consolidated Statement of Comprehensive Income	12 19 – 21 70 71
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	19 – 21
102-9	Supply chain	Sustainability Report > Material Factors > Total Customer Satisfaction	19

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
102-10	Significant changes to the organization and its supply chain	There was no significant changes to the organization and its supply chain during the reporting period	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	None	–
102-13	Membership of associations	None	–
STRATEGY			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	15
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	• Sustainability Report > Vision, Missions and Core Values • Sustainability Report > Material Factors > Robust Corporate Governance Framework • Corporate Governance Report	16 27 33 – 59
GOVERNANCE			
102-18	Governance structure of the organization	Corporate Governance Report	33 – 59
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	17
102-41	Collective bargaining agreements	Not applicable as we are not a unionised company	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	17
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	17

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
102-44	Key topics and concerns raised	• Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Total Customer Satisfaction	17 19
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statement > Investments in Subsidiaries	103 – 106
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	18
102-47	List of material topics	Sustainability Report > Material Factors	19
102-48	Restatements of information	None	–
102-49	Changes in reporting	Sustainability factors added: • Total Customer Satisfaction • Emphasis on Code of Ethics	 19 26
102-50	Reporting period	Sustainability Report > Reporting Period and Coverage	16
102-51	Date of most recent report	Annual Report 2017 > Sustainability Report	–
102-52	Reporting cycle	Sustainability Report > Reporting Period and Coverage	16
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	16

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	• Sustainability Report > Reporting Framework • Sustainability Report > GRI Content Index	16 28 – 32
102-55	GRI content index	Sustainability Report > GRI Content Index	28 – 32
102-56	External assurance	We may seek external assurance in the future	–
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	19
103-2	The management approach and its components	• Sustainability Report > Board Statement • Sustainability Report > Policy, Practice and Performance Reporting • Sustainability Report > Material Factors	15 17 – 19 19 – 27
103-3	Evaluation of management approach	Sustainability Report > Material Factors	19 – 27
CATEGORY: ECONOMIC			
201-1	Direct economic value generated and distributed	• Financial Highlights • Sustainability Report > Material Factors > Sustainable Business Performance • Balance Sheets • Consolidated Statement of Comprehensive Income	12 26 70 71
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Emphasis on Code of Ethics	26

SUSTAINABILITY REPORT

GENERAL STANDARD DISCLOSURE		SECTION REFERENCE	PAGE
CATEGORY: ENVIRONMENTAL			
302-3	Energy intensity	Sustainability Report > Material Factors > Electricity and Water Conservation	26
303-5	Water consumption	Sustainability Report > Material Factors > Electricity and Water Conservation	26
CATEGORY: SOCIAL			
403-9	Work-related injuries	Sustainability Report > Material Factors > Occupational Health and Safety	22
404-1	Average expenditure of training per year per employee	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	20 – 22
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Inclusive Workplace and Talent Development	20 – 22
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Ongoing Community Development	23 – 25

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 2018 with specific reference to each provision of the Code of Corporate Governance 2018 (the "Code") issued in August 2018. The Board confirms that the principles and provisions of the Code have been adhered to except for Provision 11.4 where the deviations and explanations have been provided.

BOARD MATTERS

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

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Provision 1.1

Board's Role

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

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

The Board's Conduct of Affairs

The principal functions of the Board include, inter alia:

(a) Providing entrepreneurial leadership, setting key business and financial strategic objectives and strategies and ensuring necessary financial and human resources are in place for the Company to meet those objectives;

(b) Approving the annual budget, major investments and divestments, and funding proposals;

(c) Reviewing and monitoring Management's performance;

(d) Establishing a framework for the oversight of prudent and effective internal controls, risk management, financial reporting and compliance; and

(e) Assuming the responsibility for good corporate governance to protect the Company's assets and enhancing the long-term value of the Company for its shareholders.

CORPORATE GOVERNANCE REPORT

Objective Decision Making

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

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

Provision 1.2

Continuous Training and Development of Directors

Management and Professional Advisers keep the Directors up-to-date on pertinent developments in the business including changes to laws and regulations, corporate governance, financial reporting standards and industry-related matters. Such periodic updates are provided to 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), Accounting and Corporate Regulatory Authority (ACRA), Australian Institute of Company Directors (AICD), INSEAD Asia Campus (INSEAD) and Ernst & Young (EY). Funding is also provided in support of relevant training for Directors.

During FY2018, Mr Tan Lye Huat, Dr Lee Kwok Cheong, Ms Wong Su-Yen, Mr Tommy Teo Zhi Zhuang and Mr Beck Tong Hong attended the courses listed below, with attendance hours totaling approximately 112 hours in aggregate.

ACRA-SGX-SID Audit Committee Seminar 2018
AICD Build your director career
AICD Issues of trust, culture, diversity and board composition
EY Valuation and the Impairment Imperative
EY Are you ready for the tax challenges of FRS 115 and FRS 109/Gaining the edge in sustainability reporting
EY AGM: from the shareholders' perspective/Tax risk management: considerations for the audit committee
INSEAD Leading From the Chair
SID CGR – Annual Corporate Governance Roundup
SID Corporate Governance Code Briefing 2018
SID Directors Conference 2018
SID Singapore Governance and Transparency Index (SGTI) Launch 2018
SID Governance, Risk Management and Compliance (GRC) Preview
SID CTP 4 – Managing Millennials In A Multi-Cultural Work Place
SID BFS 1 – Disruptive Technologies for Directors
SID CTP 3 – Strategic Use of Design for Innovation & Transformation
SID Launch of Women On Board Book and the ASEAN CG Scorecard
SID Launch of the Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition

CORPORATE GOVERNANCE REPORT

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

Appointment Letter to New Director

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

Provision 1.3

Internal Guidelines on Matters Requiring Board Approval

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

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

a) Strategic business plans and policies of the Group;

b) Annual budgets;

c) Material acquisitions and disposal of assets;

d) Corporate or financial restructuring;

e) Share issuances, interim dividends and other returns to shareholders;

f) Matters involving a conflict of interest for a substantial shareholder or a director; and

g) Terms of reference of the Board and its Committees.

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

Provision 1.4

Delegation of Authority to Board Committees

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

CORPORATE GOVERNANCE REPORT

Provision 1.5

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 FY2018, the Company has held five (5) Board Meetings.

Multiple Board Representations

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

The Directors had committed considerable time towards the many board meetings and board committee meetings held in FY2018 and adjusted their schedules to ensure participation in board and board committee meetings for the deliberation of issues. The NC finds the Directors have committed their time effectively to discharge their responsibilities.

A record of the Directors' attendance at the Board and Board Committee meetings as well as General Meetings for the financial year ended 31 December 2018 is set out below:

	Board Meetings	Audit and Risk Management Committee	Remuneration Committee	Nominating Committee	General Meeting
Number of meetings held FY2018	5	4	1	1	1
Name of Directors	**Number of meetings attended**				
Ms Wong Su-Yen, Chairman	5	Nil	1	1	1
Mr Beck Tong Hong	5	4*	1*	1*	1
Mr Ashish Jaiprakash Shastry^	1	Nil	Nil	1	1
Dr Lee Kwok Cheong	5	4	1	1*	1
Mr Tan Choon Hong	5	2***	1	1*	1
Mr Tan Lye Huat	5	4	Nil	1	1
Mr Tommy Teo Zhi Zhuang^^	5**	4**	Nil	Nil	1

* *Attended as invitees*

^ *Mr Ashish Jaiprakash Shastry retired at the AGM held on 18 April 2018.*

^^ *Mr Tommy Teo Zhi Zhuang was appointed as the Non-Executive Director with effect from 27 February 2018.*

** *Mr Tommy Teo Zhi Zhuang attended one Board Meeting and one Audit and Risk Management Committee Meeting by invitation before his formal appointment as Non-Executive Director and member of the Audit and Risk Management Committee.*

*** *Mr Tan Choon Hong attended one Audit and Risk Management Committee Meeting as a member before his cessation on 19 April 2018 and subsequently attended the Audit and Risk Management Committee Meeting by invitation.*

CORPORATE GOVERNANCE REPORT

Provision 1.6

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.

Provision 1.7

Board's Access to Management and Company Secretary

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

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

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

Appointment and Removal of Company Secretary

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

Board's Access to Independent Professional Advice

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Provisions 2.1, 2.2 & 2.3

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

As at the date of this Report, the Board comprises six Directors, one of whom is an Executive Director, two 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.

CORPORATE GOVERNANCE REPORT

Independence of Directors

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

The NC, having considered the assessment made by the Directors on the independent status of Ms Wong Su-Yen, Dr Lee Kwok Cheong and Mr Tan Lye Huat and other relevant factors, has determined that each has no relationship with the Company, its related corporations, its substantial shareholders or its officers and is also independent of the executive functions of the Company. In the discharge of their duties, they had exercised their independent business judgment to the best 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. However, taking into account the need for Board refreshment, the Board may consider developing a policy on this at the appropriate time.

Provision 2.4

Composition and Size of the Board

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

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

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

Director	**Board**	**ARMC**	**NC**	**RC**
Ms Wong Su-Yen	Chairman, Independent Director	–	Chairman	Member
Mr Beck Tong Hong	Executive Director and CEO	–	–	–
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	Member	–	–

CORPORATE GOVERNANCE REPORT

The NC with the concurrence of the Board, is of the opinion that the current Board size of six (6) Directors is appropriate and that the Board possesses the appropriate diversity. The NC also takes into account gender and age diversity in relation to the composition of the Board, as well as a mix of skills and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. Amongst the directors are IT, accounting, finance, corporate governance and human resource/talent professionals who possess the relevant expertise and skill sets in their respective fields for effective decision making. Mr 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.

Competency of the Board

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

Provision 2.5

Regular Meetings of Non-Executive Directors and Independent Directors

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

PRINCIPLE 3: CHAIRMAN AND CEO

Provisions 3.1 & 3.2 Roles and Responsibilities of Chairman & CEO

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

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

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

The Chairman and CEO are not related.

CORPORATE GOVERNANCE REPORT

Provision 3.3

The Chairman and the CEO of the Company are separately held by two unrelated individuals, in light of the foregoing, the Board is not required to appoint a lead independent director.

PRINCIPLE 4: BOARD MEMBERSHIP

Provision 4.1 and 4.2

NC Membership and Terms of Reference

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

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

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

The principal functions of the NC are:

(a) To identify candidates, review nominations for both appointment and reappointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account. The NC also reviews the Board's succession plans for the Directors, CEO, and Senior Management;

(b) To review the Board structure, size, competencies including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(c) To review the independence of each Director annually;

(d) To decide whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when the Director has multiple Board representations;

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

(f) To review suitable training and professional development programme for the Board and its directors.

NC Responsibilities

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

CORPORATE GOVERNANCE REPORT

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

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

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

(i) Mr Tan Lye Huat (Article 87)

(ii) Dr Lee Kwok Cheong (Article 87)

Upon re-election as Director, Mr Tan Lye Huat will remain as a Chairman of the Audit and Risk Management Committee and member of the Nominating Committee; and Dr Lee Kwok Cheong will remain as a Chairman of the Remuneration Committee and member of 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.

Alternate Directors

There are currently no Alternate Directors on the Board.

Provision 4.4

Determining Directors' Independence

Each Director completes a checklist to confirm his/her independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under Provision 2.1 above. The Board also recommends a maximum tenure for all Independent Directors of two consecutive terms of three years each.

Provisions 4.3 and 4.5

Process for the Selection and Appointment of New Directors

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

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

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

CORPORATE GOVERNANCE REPORT

Key Information on Directors

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

PRINCIPLE 5: BOARD PERFORMANCE

Provisions 5.1 and 5.2

Board Performance

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

For the year under review, Directors participated in the evaluation by providing feedback to the NC in the form of completing an Overall Board Performance Evaluation, 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.

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 FY2018, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review.

CORPORATE GOVERNANCE REPORT

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.

REMUNERATION MATTERS

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

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Provisions 6.1, 6.2 and 6.3

Remuneration Committee and Terms of Reference

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

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

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.

CORPORATE GOVERNANCE REPORT

The principal functions of the RC are:

(a) To review and recommend to the Board a general framework for remuneration for the Directors, CEO and Senior Management of the Company;

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

(c) To determine specific remuneration packages for each Executive Director, CEO, Senior Management and any relative of a Director and/or its 10% shareholders who is employed in a managerial position by the Company;

(d) To review the Company's obligations arising in the event of termination of the Executive Directors, CEO and Senior Management's service contracts and to ensure that these service contracts contain fair and reasonable termination clauses which are not overly generous; and

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

Provision 6.4

RC's Access to Advice on Remuneration Matters

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

No remuneration consultants were engaged by the Company in FY2018.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

Provision 7.1

Remuneration of Executive Director and Key Management Personnel

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

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

Link between Remuneration and Performance

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

The KPIs for individual performance take into consideration the broad categories of objectives, namely financial, business and functional, regulatory and controls, and organisational and people development as well as alignment to the Group's risk policies. For FY2018, the RC has evaluated the extent to which the Executive Director and 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 Executive Director and key management personnel which were endorsed by the Board.

CORPORATE GOVERNANCE REPORT

Contractual Provisions

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

Provision 7.2

Remuneration of Non-Executive Directors

The Board concurred with the RC's proposal for Non-Executive Directors' fees for the financial year ended 31 December 2018. 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.

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

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

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

Provision 7.3

Remuneration Framework

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

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

Short-term Incentive Scheme

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

CORPORATE GOVERNANCE REPORT

Employee Share Scheme

The LTI, approved at an extraordinary general meeting held on 29 April 2014, was put in place to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No shares were issued in FY2018.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

Provisions 8.1 and 8.3

Remuneration Report

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

Remuneration of Directors

The table below shows the breakdowns (in dollar terms) of the remuneration and fees of the Directors for the year ended 31 December 2018. Shareholders' approval will be sought at the Annual General Meeting for such payment to be made to the Directors.

Remuneration/Name of Directors	**Fees ($)**	**Salary ($)**	**Bonus ($)**	**Total[1] ($)**
$1,000,000 to $1,250,000				
Remuneration paid to Executive Director/CEO				
Mr Beck Tong Hong	–	509,352	527,115	1,036,467
Below $250,000				
Fees paid to Independent and Non-Executive Directors				
Ms Wong Su-Yen	78,000	–	–	78,000
Dr Lee Kwok Cheong	54,000	–	–	54,000
Mr Tan Choon Hong	42,000	–	–	42,000
Mr Tan Lye Huat	54,000	–	–	54,000
Mr Tommy Teo Zhi Zhuang	42,000	–	–	42,000
Total Directors' Remuneration	270,000 21%	509,352 39%	527,115 40%	1,306,467 100%

Notes:

(1) Executive Director/CEO does not receive director's fee. His salary and bonus disclosed above include employer's CPF contributions for FY2018.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Management Personnel

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

Name and Position of Key Management Personnel	Salary(1)	Bonus(2)	Total	Remuneration Bands of $250,000 to $500,000 and below $250,000
Mr Chan Heng Chew Michael Senior Vice President, Contracts and Corporate Secretariat	74%	26%	100%	$250,000 – $500,000
Ms Tan Geok Leng Jacqueline Senior Financial Controller	64%	36%	100%	$250,000 – $500,000
Mr Tan Cham Khain Orlando Senior Vice President, Network Infrastructure	56%	44%	100%	$250,000 – $500,000
Mr Linggajaya Budiman Country Manager, PT Nera Indonesia	60%	40%	100%	$250,000 – $500,000
Mr Ng Meng Yeow Ezekiel Teddy(3) Deputy Head, Wireless Infrastructure Networks	60%	40%	100%	Below $250,000
Total Remuneration of Top 5 Key Management Personnel	63%	37%	100%	$1,531,920

Notes:

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

(2) Bonus includes statutory contributions.

(3) Mr Ng Meng Yeow Ezekiel Teddy joined the Company on 05 February 2018.

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

Provision 8.2

Employee Related to Directors/CEO

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

Provision 9.1

Risk Management and Internal Controls System

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

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

Risk Management

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

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

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

Internal Controls

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

Provision 9.2

Adequacy and Effectiveness of Risk Management and Internal Control Systems

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

During the year, the ARMC also reviewed reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls.

CORPORATE GOVERNANCE REPORT

Board's Comment on Adequacy and Effectiveness of Risk Management and Internal Controls

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

Based on the framework of risk management and internal controls established and maintained in the Group, the work performed by the internal auditors, as well as the statutory audit review undertaken by the external auditors, the Board with the concurrence of the ARMC, is of the opinion that the risk management and internal control systems that the Group has put in place to address the financial, operational, compliance and information technology risks are adequate as at 31 December 2018. However, to meet the changing needs of the Group's business environment, continuous improvements will be required as the Group grows its business. The Board, has received written assurance from the CEO and the Senior Financial Controller that:

(a) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems are adequate and effective.

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

Risk Committee

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

PRINCIPLE 10: AUDIT AND RISK MANAGEMENT COMMITTEE

Provision 10.1

Roles, Responsibilities and Authorities of ARMC

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

The key functions of the ARMC are:

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

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

CORPORATE GOVERNANCE REPORT

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

(d) To review the assurance from the CEO and Senior Financial Controller on the financial records and financial statements;

(e) To review the quarterly and annual financial statements for recommendation to the Board for approval, focusing in particular, on:

  (i) Significant financial reporting issues and judgments

  (ii) Changes in accounting policies and practices

  (iii) Major risk areas

  (iv) Significant adjustments resulting from the audit

  (v) Going Concern statement

  (vi) Compliance with accounting standards

  (vii) Compliance with statutory and regulatory requirements

(f) To review any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;

(g) To review Interested Party Transactions;

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

(i) To review the assistance given by the Management to the auditors.

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

During FY2018, 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.

CORPORATE GOVERNANCE REPORT

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

The ARMC had reviewed the external auditor's audit plan for FY2018 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 FY2018, it had discussed with Management the accounting principles that were applied and their judgment of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARMC also reviewed and addressed, amongst other matters, the following key audit matters as reported by the external auditors for FY2018.

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 2018.
Provisions for warranty	The ARMC queried Management and the external auditors on the judgments and estimates involved in the provisions for warranty, and was satisfied that the amounts have been recorded appropriately as of 31 December 2018.
Recoverability of trade receivables and contract assets	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 the recoverability of the contract assets, and was satisfied that as of 31 December 2018, the level of allowance for doubtful debts for the Group was adequate and no impairment required for the contract assets.

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

ARMC to Keep Abreast of Changes to Accounting Standards

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

Independence of External Auditors

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

The ARMC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors and the ARMC was of the view that the non-audit services (namely for tax compliance services) provided by the external auditors in FY2018 did not prejudice their objectivity and independence.

CORPORATE GOVERNANCE REPORT

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

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

External Auditor Fees for FY2018	$'000	% of Total Fees
Total Audit Fees	209	87
Total Non-Audit Fees	31	13
Total Fees	240	100

The ARMC had recommended and the Board had accepted proposing to the 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.

Whistle-blowing Policy

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

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

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

Whistle-blowing Committee ("WBC")

The WBC consists of:

- CEO
- Assistant Vice President, Human Resource & Corporate Administration
- Senior Financial Controller

CORPORATE GOVERNANCE REPORT

The WBC is empowered to:

- Look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARMC);

- Make the necessary reports and recommendations to the ARMC or the Board for their review and further action, if deemed required by them; and

- Access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

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

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

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

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

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

Provision 10.2

ARMC Membership

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

Mr Tan Lye Huat, Chairman	(Independent Director)
Dr Lee Kwok Cheong	(Independent Director)
Mr Tommy Teo Zhi Zhuang	(Non-Executive Director)

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

CORPORATE GOVERNANCE REPORT

Provision 10.3

Expertise of ARMC Members

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

The Chairman of the ARMC, Mr 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.

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

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

Provision 10.4

Internal Auditors

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

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

Internal Audit Function

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

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

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

Adequacy and Effectiveness of Internal Audit Function

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

CORPORATE GOVERNANCE REPORT

Provision 10.5

Meeting with External and Internal Auditors

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

Provision 11.1

Sufficient Information to Shareholders

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

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

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

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

Effective Shareholders' Participation

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

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

Provision 11.2

Separate Resolutions at General Meetings

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

CORPORATE GOVERNANCE REPORT

Proxies for Nominee Companies

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

Provision 11.3

Attendees at General Meetings

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

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

Provision 11.4

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

Provision 11.5

Minutes of General Meetings

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

Provision 11.6

Dividend Policy

As at the date of this Report, the Company does not have a formal dividend policy in place as the Board intends to conserve cash for its operations. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results. The Company has proposed a Final Dividend (tax exempt one tier) of 1.5 Singapore cents per ordinary share for the financial year ended 31 December 2018, payment of which is subject to shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

Provisions 12.1, 12.2 and 12.3

Communication with Shareholders

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

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

Timely Information to Shareholders

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, Annual Reports are distributed to shareholders at least 14 days before each AGM.

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

Soliciting and Understanding Views of Shareholders

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

All resolutions at AGMs are put to vote by poll to allow greater transparency and more equitable participation by shareholders. An independent scrutineer, 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 2018.

Regular Dialogue with Shareholders

General Meetings have been and are still the principal forum for dialogue with shareholders. The Company also communicates with its shareholders, both institutional and retail, on a regular basis. Annual Reports and Notices of Annual General Meetings are forwarded to all shareholders of the Company. Notices of Annual General Meetings are also advertised in the newspaper. All Directors, including chairpersons of the ARMC, NC and RC are encouraged to be present at the Annual General Meeting. At the Annual General Meeting, shareholders are given the opportunity to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. To further enhance its communication with investors, the Company maintains a corporate website which includes a dedicated Investor Relations section. (http://www.nera.net/).

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

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

Provisions 13.1 and 13.2

Relationship with stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staffs, regulators, shareholders and vendors. During FY2018, the Company's strategy and keys areas of focus in relation to the management of stakeholder relationships can be found under Sustainability Report on page 17.

Provision 13.3

Communications with stakeholders

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

OTHER CORPORATE GOVERNANCE MATTERS

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

Dealings in Securities – 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 2018.

CODE OF CONDUCT AND PRACTICES

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

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 2018 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	
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:

	Direct interest		**Deemed interest**	
Name of directors	**At the beginning of financial year or date of appointment, if later**	**At the end of financial year**	**At the beginning of financial year or date of appointment, if later**	**At the end of financial year**
Ordinary shares of The Company				
Beck Tong Hong	68,000	68,000	–	–

DIRECTORS' STATEMENT

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

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

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 2019.

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 2019.

* Shares are held in trust for the Company.

DIRECTORS' STATEMENT

5. SHARE PLAN

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

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

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

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

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

6. AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

DIRECTORS' STATEMENT

6. AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

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

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

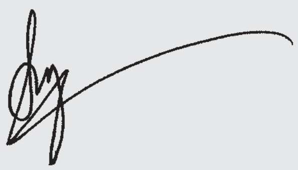
The ARMC convened four meetings during the year with full attendance from all members. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

7. AUDITORS

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

On behalf of the board of directors,



Wong Su-Yen
Director

Beck Tong Hong
Director

Singapore
29 March 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018, 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 Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation. These assessments contain significant management estimates and judgment such as the measurement of costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion. Furthermore, as disclosed in Note 2.2 to the financial statements, the Group's initial application of SFRS(I) 15 *Revenue from contracts with customers* ("SFRS(I) 15") has resulted in significant transitional adjustments to the Group's financial statements due to how the performance obligations are identified and assessed and the requirement to combine customer contracts that are interrelated. The subjectivity and complexity involved in these assessments can significantly impact the results of the Group and accordingly we have determined this to be a key audit matter.

As part of our audit, we:

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

- evaluated the Group's procedures and processes for recognising revenue from contracts with customers and assessed the basis for the identification of performance obligations and whether they are satisfied over time or at a point in time. These include examining project documents and reviewing, on a sample basis, contractual terms and conditions and discussion with management on the performance obligations identified.

- assessed contract revenues recognised and project costs incurred, on a sample basis, by comparing against the relevant contracts and supporting documents such as sales invoices, customer acceptance and supplier invoices.

- evaluated the key inputs used by management in their estimation of the total cost to complete, on a sample basis, by comparing to supporting documentation such as supplier quotations.

- assessed the arithmetic accuracy of the revenue and profit recognised based on the stage of completion calculations made for individually significant projects.

- obtained an understanding of the progress of significant outstanding projects by discussing with management, finance and project heads for any known disputes, variation order claims, technical issues or other significant developments and events that could impact the estimated costs to complete the projects.

- assessed whether the estimates showed any evidence of management bias based on our assessment of the historical accuracy of management's estimates in previous periods, identification and analysis of changes in assumptions from prior periods, and an assessment of the consistency of assumptions across projects.

- evaluated management's assessment of the impact to revenue recognition from the adoption of SFRS(I) 15 and reviewed the quantification of the transitional adjustments made to the Group's financial statements.

- evaluated the presentation and disclosure of significant accounting policies for revenue from contracts with customers, judgement and methods used in estimating revenue, contract assets and contract liabilities, capitalised contract costs, transaction price allocated to remaining performance obligation and note on initial application of SFRS(I) 15 in Notes 2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS (I))* and Note 8 *Revenue*.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

KEY AUDIT MATTERS (CONTINUED)

Provisions for warranty

As of 31 December 2018, the provisions for warranty amounted to $1,996,000. A provision is recognised for expected warranty claims on goods and services sold in the past 12 months based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty were based on current sales level and current information available about the utilisation trend. Depending on the complexity of the network and integration process involved, the duration and amount of warranty utilisation can differ significantly and management has to exercise significant judgement in determining the amount of warranty provision. The estimation uncertainty is also affected by the following factors:

- 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 work on projects and install equipment for customers in environments that are considerably more challenging; and
- the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments.

As part of our audit, we:

- assessed the key assumptions applied by the management in determining the present obligations under the contracts, amongst others, by analysing the underlying contracts in place, reviewing reasonableness of provision by checking to historical utilisation trends, and through inquiry of operations personnel.
- assessed the consistency of management's bases and assumptions for determining the provision for warranty applied throughout the Group.
- checked arithmetic accuracy of management's computation of the provisions for warranty.
- evaluated the presentation and adequacy of Note 14 *Provision for warranty on the provisions*.

Recoverability of trade receivables and contract assets

Trade receivable and contract asset balances were significant to the Group as they represent 60% of the total assets of the consolidated balance sheet. Trade receivables and contract assets amounted to $95,658,000 as at 31 December 2018, against which an allowance for expected credit loss ("ECL") and impairment of $801,000 was made. As at 31 December 2018, 19% of the trade receivables are aged more than 90 days.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

KEY AUDIT MATTERS (CONTINUED)

Recoverability of trade receivables and contract assets (Continued)

The Group determines ECL and impairment of trade receivables and contract assets by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors and economic environment. These assessments involved significant management judgment and accordingly, we determined that this is a key audit matter.

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

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

- evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments.

- requested for confirmations and checked for evidence of receipts subsequent to the year end from selected customers.

- assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, notably through analyses of ageing of receivables and consideration of their specific profiles and risks.

- checked the arithmetic accuracy of management's computation of ECL and impairment.

- assessed the adequacy of the disclosures on the trade receivables, contract assets, expected credit losses and the related risks such as credit risk and liquidity risk in Note 9 *Trade receivables* and Note 34 *Financial risk management* objectives and policies.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Yeow Hui Cheng.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2019

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		2018 $'000	2017 $'000 (Restated)	1.1.2017 $'000 (Restated)	2018 $'000	2017 $'000 (Restated)	1.1.2017 $'000 (Restated)
Non-current assets							
Property, plant and equipment	4	**2,147**	1,376	2,077	**403**	457	863
Intangible asset	5	**774**	838	903	**774**	838	903
Investments in subsidiaries	6	**–**	–	–	**4,668**	4,668	4,668
Long term trade and other receivables	10,16	**1,727**	784	990	**1,687**	762	990
Deferred tax assets	25	**1,465**	2,618	1,622	**726**	1,024	21
		6,113	5,616	5,592	**8,258**	7,749	7,445
Current assets							
Stocks	7	**17,802**	16,607	12,460	**11,186**	10,005	4,124
Contract assets	8	**35,684**	35,551	22,145	**15,065**	16,225	5,516
Trade receivables	9	**59,974**	74,155	64,287	**17,832**	14,613	12,864
Other receivables, deposits and prepayments	10	**17,368**	13,736	24,570	**11,721**	8,141	19,692
Amounts due from subsidiaries							
– trade	11	**–**	–	–	**15,436**	16,522	20,438
– non-trade	11	**–**	–	–	**4,700**	8,523	6,413
Fixed deposits	28	**3,528**	1,249	134	**2,467**	–	–
Cash and bank balances	28	**18,028**	19,450	22,751	**6,531**	7,103	5,298
		152,384	160,748	146,347	**84,938**	81,132	74,345
Current liabilities							
Trade payables	12	**32,146**	30,827	28,848	**11,704**	10,249	12,150
Other payables and accruals	13	**12,009**	13,082	12,091	**5,257**	7,244	6,638
Contract liabilities	8	**37,691**	35,863	32,386	**24,287**	19,030	11,868
Amounts due to subsidiaries							
– trade	11	**–**	–	–	**1,692**	7	110
– non-trade	11	**–**	–	–	**581**	–	–
Short term borrowings	15	**5,500**	11,300	2,812	**5,500**	11,300	2,500
Provision for taxation		**2,178**	2,970	139	**1,251**	1,618	808
Provision for warranty	14	**1,996**	2,800	2,176	**1,058**	1,550	1,024
		91,520	96,842	78,452	**51,330**	50,998	35,098
Net current assets		**60,864**	63,906	67,895	**33,608**	30,134	39,247
Non-current liabilities							
Borrowings	15	**–**	–	6,773	**–**	–	6,773
Defined benefit obligation	38	**310**	422	374	**–**	–	–
		310	422	7,147	**–**	–	6,773
Net assets		**66,667**	69,100	66,340	**41,866**	37,883	39,919
Equity attributable to equity holders of the Company							
Share capital	17	**29,909**	29,909	29,909	**29,909**	29,909	29,909
Revenue reserve		**40,271**	43,162	40,827	**11,957**	7,974	10,010
Translation reserve	18	**(3,932)**	(4,167)	(4,620)	**–**	–	–
Other reserve		**419**	196	224	**–**	–	–
		66,667	69,100	66,340	**41,866**	37,883	39,919

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 2018

	Note	2018 $'000	2017 $'000 (Restated)
Revenue	8	**167,528**	194,117
Cost of sales		**(124,588)**	(148,869)
Gross profit		**42,940**	45,248
Other operating income	19	**129**	726
Distribution and selling expenses		**(20,380)**	(20,283)
Administrative expenses		**(9,474)**	(11,604)
Other operating expenses	20	**(1,792)**	(2,151)
Profit from operating activities	21	**11,423**	11,936
Finance income	23	**322**	143
Finance expenses	24	**(220)**	(217)
Profit before tax		**11,525**	11,862
Tax	25	**(3,771)**	(4,099)
Profit after tax		**7,754**	7,763
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		**235**	453
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation		**223**	(28)
Other comprehensive income for the year, net of tax		**458**	425
Total comprehensive income for the year attributable to owners of the Company		**8,212**	8,188
Earnings per share attributable to owners of the Company (cents per share)			
Basic	26 (a)	**2.14**	2.15
Diluted	26 (a)	**2.14**	2.15

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 2018

	Attributable to equity holders of the Company				
	Share capital (Note 17) $'000	**Revenue reserve $'000**	**Translation reserve (Note 18) $'000**	**Other reserve $'000**	**Total equity $'000**
Group					
At 1 January 2018 (FRS framework)	29,909	43,879	(4,167)	196	69,817
Cumulative effects of adopting SFRS(I)	–	(853)	–	–	(853)
At 1 January 2018 (SFRS(I) framework)	29,909	43,026	(4,167)	196	68,964
Profit for the year	–	7,754	–	–	7,754
Other comprehensive income for the year	–	–	235	223	458
Total comprehensive income for the year	–	7,754	235	223	8,212
Contributions by and distributions to owners					
Dividends (Note 27)	–	(9,047)	–	–	(9,047)
Dividends paid to preference shareholder by a subsidiary	–	(1,464)	–	–	(1,464)
Refund of unclaimed dividends	–	2	–	–	2
Total contributions by and distributions to owners	–	(10,509)	–	–	(10,509)
At 31 December 2018	29,909	40,271	(3,932)	419	66,667
At 1 January 2017 (FRS framework)	29,909	40,767	(4,620)	224	66,280
Cumulative effects of adopting SFRS(I)	–	60	–	–	60
At 1 January 2017 (SFRS(I) framework)	29,909	40,827	(4,620)	224	66,340
Profit for the year	–	7,763	–	–	7,763
Other comprehensive income for the year	–	–	453	(28)	425
Total comprehensive income for the year	–	7,763	453	(28)	8,188
Contributions by and distributions to owners					
Dividends (Note 27)	–	(5,428)	–	–	(5,428)
Total contributions by and distributions to owners	–	(5,428)	–	–	(5,428)
At 31 December 2017	29,909	43,162	(4,167)	196	69,100
Company					
At 1 January 2018 (FRS framework)	29,909	9,720	–	–	39,629
Cumulative effects of adopting SFRS(I)	–	(1,746)	–	–	(1,746)
At 1 January 2018 (SFRS(I) framework)	29,909	7,974	–	–	37,883
Profit for the year	–	13,028	–	–	13,028
Total comprehensive income for the year	–	13,028	–	–	13,028
Contributions by and distributions to owners					
Dividends (Note 27)	–	(9,047)	–	–	(9,047)
Refund of unclaimed dividends	–	2	–	–	2
Total contributions by and distributions to owners	–	(9,045)	–	–	(9,045)
At 31 December 2018	29,909	11,957	–	–	41,866
At 1 January 2017 (FRS framework)	29,909	10,877	–	–	40,786
Cumulative effects of adopting SFRS(I)	–	(867)	–	–	(867)
At 1 January 2017 (SFRS(I) framework)	29,909	10,010	–	–	39,919
Profit for the year	–	3,392	–	–	3,392
Total comprehensive income for the year	–	3,392	–	–	3,392
Contributions by and distributions to owners					
Dividends (Note 27)	–	(5,428)	–	–	(5,428)
Total contributions by and distributions to owners	–	(5,428)	–	–	(5,428)
At 31 December 2017	29,909	7,974	–	–	37,883

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			**(Restated)**
Profit before tax		**11,525**	11,862
Adjustments for:			
Amortisation of intangible asset	5	**64**	65
Depreciation of property, plant and equipment	4	**642**	729
Interest expense	24	**220**	217
Interest income	23	**(322)**	(143)
Net fair value loss on derivatives		**34**	19
Net (gain)/loss on disposal/write-off of property, plant and equipment	21	**(1)**	134
Net allowance for stock obsolescence	7	**(5)**	32
Net writeback for doubtful trade debts	9	**(26)**	(312)
Net (writeback)/provision for warranty	14	**(399)**	1,175
Pension cost	38	**229**	162
Operating profit before working capital changes		**11,961**	13,940
(Increase)/decrease in:			
Stocks		**(1,190)**	(4,179)
Contract assets		**(133)**	(13,406)
Trade receivables		**13,319**	(10,153)
Other receivables, deposits and prepayments		**(2,844)**	12,849
(Decrease)/increase in:			
Trade payables		**1,284**	1,960
Other payables and accruals		**(1,335)**	991
Contract liabilities		**1,828**	3,477
Provision for warranty		**(405)**	(551)
Effect of exchange rates changes		**707**	1,118
Cash generated from operations		**23,192**	6,046
Income tax paid		**(4,349)**	(3,508)
Interest paid		**(220)**	(217)
Contributions to pension fund	38	**(5)**	(11)
Net cash flows from operating activities		**18,618**	2,310
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**–**	22
Purchase of property, plant and equipment	4	**(1,384)**	(254)
Interest received		**132**	126
Decrease in deposits pledged		**36**	5
Net cash flows used in investing activities		**(1,216)**	(101)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	27	**(9,047)**	(5,428)
Dividends paid to preference shareholder by a subsidiary		**(1,464)**	–
Refund of unclaimed dividends		**2**	–
Proceeds from bank loans		**16,500**	12,144
Repayment of bank loans		**(22,300)**	(10,434)
Net cash flows used in financing activities		**(16,309)**	(3,718)
Net increase/(decrease) in cash and cash equivalents		**1,093**	(1,509)
Effect of exchange rates changes on cash and bank balances		**(200)**	(672)
Cash and cash equivalents at beginning of year		**20,570**	22,751
Cash and cash equivalents at end of year	28	**21,463**	20,570

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 2018

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The ultimate holding company is PGA Partners Ltd, acting solely in its capacity as general partner of Canopus Asia Systems, L.P.. The immediate holding company is Asia Systems Ltd, a wholly-owned subsidiary of Canopus Asia Systems, L.P.. Asia Systems Ltd, PGA Partners Ltd and Canopus Asia Systems, L.P. are domiciled in Cayman Islands.

The registered office and principal place of business of the Company is 109 Defu Lane 10, Singapore 539225.

The principal activities of the Company are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission networks and satellite communications and information technology networks. The principal activities of the subsidiaries are shown in Note 6 to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2017 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

SFRS(I)9 Financial Instruments (Continued)

Classification and measurement (Continued)

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

There is no significant impact arising from measurement of the instruments above under SFRS(I) 9. The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

Impairment

SRFS(I) 9 requires the Group to record expected credit losses on all its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $136,000. The additional impairment recognised arising from adoption of SRFS(I) 9 above resulted in corresponding decrease in retained earnings of $136,000 as at 1 January 2018.

The reconciliation for loss allowance for the Group are as follow:

	Group
	Trade receivables $'000
Opening loss allowance as at 1 January 2018	788
Amount restated through opening retained earnings	136
Adjusted loss allowance	924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I)1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017;
- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been higher;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of providing a full suite of turnkey network and wireless solution. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) Bundled contracts

SFRS (I) establishes a comprehensive framework for determining whether how much and when revenue is recognised. Under SFRS(I) 15, the Group is required to identify distinct performance obligations ("PO") in bundled contracts and accounts for each PO separately.

(b) Variable consideration

The Group is also required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainty is resolved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

SFRS(I) 15 Revenue from Contracts with Customers (Continued)

(c) Combine contract

Entities within the Group entered into different contracts at or near the same time with the same customer whereby one entity supplied equipment and another entity provide the installation service and performed testing. Under SFRS (I) 15, an entity should combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contract as a single contract as these contracts are negotiated as a package with a single commercial objective.

(d) Accounting for loss-making contracts

Under SFRS (I) 15, there is no guidance on how to account for expected losses on loss making contracts. As such, the Group applies SFRS (I) 37: *Provisions, Contingent liabilities and Contingent Assets* to identify and account for onerous contracts. The Group has assessed and concluded that the loss-making contracts are not onerous. Accordingly, the provision for foreseeable losses as at 31 December 2017 of $138,000 was reversed upon adoption of SFRS (I) 15.

(e) Presentation of contract assets and liabilities

The Group has also changed the presentation of certain amount in the balance sheet on adopting SFRS (I) 15:

(i) Contract assets mainly relates to the Group's right to the consideration for work completed but not billed at the reporting date. Contracts assets were previously presented as contract work-in-progress and trade receivables under FRS.

(ii) Contract liabilities relate mainly to advance consideration received from customer and progress billings in excess of the Group's right to the consideration. Contract liabilities were previously presented as trade payables and other payables under FRS.

(f) Tax adjustments

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 15 resulted in a decrease in income tax expense of $393,000 with a corresponding decrease in provision for taxation on 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group		
	1.1.2017 FRS $'000	**SFRS(I)15 adjustments $'000**	**1.1.2017 (SFRS(I)) $'000**
Non-current assets			
Property, plant and equipment	2,077	–	2,077
Intangible asset	903	–	903
Long term trade and other receivables	990	–	990
Deferred tax assets	1,622	–	1,622
	5,592	–	5,592
Current assets			
Stocks	77	12,383	12,460
Contract work-in-progress	33,158	(33,158)	–
Contract assets	–	22,145	22,145
Trade receivables	65,864	(1,577)	64,287
Other receivables, deposits and prepayments	15,606	8,964	24,570
Fixed deposits	134	–	134
Cash and bank balances	22,751	–	22,751
	137,590	8,757	146,347
Current liabilities			
Trade payables	49,685	(20,837)	28,848
Other payables and accruals	14,943	(2,852)	12,091
Contract liabilities	–	32,386	32,386
Short term borrowings	2,812	–	2,812
Provision for taxation	139	–	139
Provision for warranty	2,176	–	2,176
	69,755	8,697	78,452
Net current assets	67,835	60	67,895
Non-current liabilities			
Borrowings	6,773	–	6,773
Defined benefit obligation	374	–	374
	7,147	–	7,147
Net assets	66,280	60	66,340
Equity attributable to equity holders of the Company			
Share capital	29,909	–	29,909
Revenue reserve	40,767	60	40,827
Translation reserve	(4,620)	–	(4,620)
Other reserve	224	–	224
	66,280	60	66,340

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group				
	31.12.2017 FRS $'000	**SFRS(I)15 adjustments $'000**	**31.12.2017 (SFRS(I)) $'000**	**SFRS(I)9 adjustments $'000**	**1.1.2018 (SFRS(I)) $'000**
Non-current assets					
Property, plant and equipment	1,376	–	1,376	–	**1,376**
Intangible asset	838	–	838	–	**838**
Long term trade and other receivables	784	–	784	–	**784**
Deferred tax assets	2,618	–	2,618	–	**2,618**
	5,616	–	5,616	–	**5,616**
Current assets					
Stocks	61	16,546	16,607	–	**16,607**
Contract work-in-progress	36,921	(36,921)	–	–	**–**
Contract assets	–	35,551	35,551	–	**35,551**
Trade receivables	87,778	(13,623)	74,155	(136)	**74,019**
Other receivables, deposits and prepayments	6,213	7,523	13,736	–	**13,736**
Fixed deposits	1,249	–	1,249	–	**1,249**
Cash and bank balances	19,450	–	19,450	–	**19,450**
	151,672	9,076	160,748	(136)	**160,612**
Current liabilities					
Trade payables	53,063	(22,236)	30,827	–	**30,827**
Other payables and accruals	16,663	(3,581)	13,082	–	**13,082**
Contract liabilities	–	35,863	35,863	–	**35,863**
Short term borrowings	11,300	–	11,300	–	**11,300**
Provision for taxation	3,363	(393)	2,970	–	**2,970**
Provision for warranty	2,660	140	2,800	–	**2,800**
	87,049	9,793	96,842	–	**96,842**
Net current assets	64,623	(717)	63,906	(136)	**63,770**
Non-current liabilities					
Defined benefit obligation	422	–	422	–	**422**
	422	–	422	–	**422**
Net assets	69,817	(717)	69,100	(136)	**68,964**
Equity attributable to equity holders of the Company					
Share capital	29,909	–	29,909	–	**29,909**
Revenue reserve	43,879	(717)	43,162	(136)	**43,026**
Translation reserve	(4,167)	–	(4,167)	–	**(4,167)**
Other reserve	196	–	196	–	**196**
	69,817	(717)	69,100	(136)	**68,964**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Company.

	Company		
	1.1.2017 FRS $'000	**SFRS(I)15 adjustments $'000**	**1.1.2017 (SFRS(I)) $'000**
Non-current assets			
Property, plant and equipment	863	–	863
Intangible asset	903	–	903
Investments in subsidiaries	4,668	–	4,668
Long term trade and other receivables	990	–	990
Deferred tax assets	21	–	21
	7,445	–	7,445
Current assets			
Stocks	–	4,124	4,124
Contract work-in-progress	16,432	(16,432)	–
Contract assets	–	5,516	5,516
Trade receivables	13,241	(377)	12,864
Other receivables, deposits and prepayments	10,859	8,833	19,692
Amounts due from subsidiaries			
– trade	20,438	–	20,438
– non-trade	6,413	–	6,413
Cash and bank balances	5,298	–	5,298
	72,681	1,664	74,345
Current liabilities			
Trade payables	20,308	(8,158)	12,150
Other payables and accruals	7,817	(1,179)	6,638
Contract liabilities	–	11,868	11,868
Amounts due to subsidiaries (trade)	110	–	110
Short term borrowings	2,500	–	2,500
Provision for taxation	808	–	808
Provision for warranty	1,024	–	1,024
	32,567	2,531	35,098
Net current assets	40,114	(867)	39,247
Non-current liabilities			
Borrowings	6,773	–	6,773
	6,773	–	6,773
Net assets	40,786	(867)	39,919
Equity attributable to equity holders of the Company			
Share capital	29,909	–	29,909
Revenue reserve	10,877	(867)	10,010
	40,786	(867)	39,919

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Company.

	Company				
	31.12.2017 FRS $'000	SFRS(I)15 adjustments $'000	31.12.2017 (SFRS(I)) $'000	SFRS(I)9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
Non-current assets					
Property, plant and equipment	457	–	457	–	**457**
Intangible asset	838	–	838	–	**838**
Investments in subsidiaries	4,668	–	4,668	–	**4,668**
Long term trade and other receivables	762	–	762	–	**762**
Deferred tax assets	1,024	–	1,024	–	**1,024**
	7,749	–	7,749	–	**7,749**
Current assets					
Stocks	–	10,005	10,005	–	**10,005**
Contract work-in-progress	17,860	(17,860)	–	–	**–**
Contract assets	–	16,225	16,225	–	**16,225**
Trade receivables	22,633	(8,020)	14,613	–*	**14,613**
Other receivables, deposits and prepayments	683	7,458	8,141	–	**8,141**
Amounts due from subsidiaries					
– trade	16,522	–	16,522	–	**16,522**
– non-trade	8,523	–	8,523	–	**8,523**
Cash and bank balances	7,103	–	7,103	–	**7,103**
	73,324	7,808	81,132	–*	**81,132**
Current liabilities					
Trade payables	18,590	(8,341)	10,249	–	**10,249**
Other payables and accruals	8,519	(1,275)	7,244	–	**7,244**
Contract liabilities	–	19,030	19,030	–	**19,030**
Amounts due to subsidiaries (trade)	7	–	7	–	**7**
Short term borrowings	11,300	–	11,300	–	**11,300**
Provision for taxation	1,618	–	1,618	–	**1,618**
Provision for warranty	1,410	140	1,550	–	**1,550**
	41,444	9,554	50,998	–	**50,998**
Net current assets	31,880	(1,746)	30,134	–	**30,134**
Net assets	39,629	(1,746)	37,883	–	**37,883**
Equity attributable to equity holders of the Company					
Share capital	29,909	–	29,909	–	**29,909**
Revenue reserve	9,720	(1,746)	7,974	–*	**7,974**
	39,629	(1,746)	37,883	–*	**37,883**

* amount less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income of the Group for the year ended 31 December 2017.

	2017 FRS $'000	SRFS(I)15 adjustments $'000	2017 (SFRS(I)) $'000
Revenue	196,154	(2,037)	194,117
Cost of sales	(147,121)	(1,748)	(148,869)
Gross profit	49,033	(3,785)	45,248
Other operating income	726	–	726
Distribution and selling expenses	(22,898)	2,615	(20,283)
Administrative expenses	(11,604)	–	(11,604)
Other operating expenses	(2,151)	–	(2,151)
Profit from operating activities	13,106	(1,170)	11,936
Finance income	143	–	143
Finance expenses	(217)	–	(217)
Profit before tax	13,032	(1,170)	11,862
Tax	(4,492)	393	(4,099)
Profit after tax	8,540	(777)	7,763
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations	453	–	453
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation	(28)	–	(28)
Other comprehensive income for the year, net of tax	425	–	425
Total comprehensive income for the year attributable to owners of the Company	8,965	(777)	8,188
Earnings per share attributable to owners of the Company (cents per share)			
Basic	2.36	(0.21)	2.15
Diluted	2.36	(0.21)	2.15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above 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) 16 is described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:–

a. its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

b. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:–

– not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;

– to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and

– to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

2.4 Basis of consolidation

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.6 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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 2018

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 derecognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

<u>Investment in debt instruments</u>

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

(i) Amortised cost

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

(ii) Fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Derivatives

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

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Stocks

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

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

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

2.14 Provisions

General

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

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

Warranty provisions

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

2.15 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee benefits (Continued)

(b) Defined benefit plans (Continued)

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

Defined benefit costs comprise the following:

– Service cost

– Net interest on the net defined benefit liability or asset

– Remeasurements of net defined benefit liability or asset

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

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

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

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

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

(c) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 2.17(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.17 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale and installation of network equipment

The Group supply and install network equipment. The sale of equipment and rendering of installation service are either sold separately or in a bundled contract. For bundled contract, the Group accounts for the sale of equipment and installation service separately. The transaction price is allocated to the sale of equipment and installation service based on their relative stand-alone selling prices. See Note 2.17(b) for the revenue recognition relating to the installation services. For sale of equipment, revenue is recognised upon delivery of equipment and all criteria for acceptance have been satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue (Continued)

(b) Rendering of services

(i) Professional services

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

(ii) Maintenance services

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

(c) Turnkey project

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

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified project milestones. A contract asset is recognised when the Group has performed under the contract but has yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract asset are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognised the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue (Continued)

(d) Rental income

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

For the revenue streams stated above, in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that includes a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customers.

2.18 Government grants

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

2.19 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (Continued)

(b) *Deferred tax* (Continued)

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

– where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (Continued)

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

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

2.20 Derivative financial instruments and hedging activities

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

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

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

2.21 Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING 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 2018 are $2,178,000 (31 December 2017: $2,970,000, 1 January 2017: $139,000) and $1,465,000 (31 December 2017: $2,618,000, 1 January 2017: $1,622,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty

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

(i) Revenue from contracts

The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation. These assessment contains significant management estimates and judgment such as the measurement of costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion.

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

(ii) Recoverability of trade receivables and contract assets

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

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

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

The carrying amount of trade receivables and contract assets as at 31 December 2018 are $59,974,000 and $35,684,000 (31 December 2017: $74,155,000 and $35,551,000, 1 January 2017: $64,287,000 and $22,145,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Provision for warranty

The Group recognises provision for warranty when the product is sold or service is provided. Initial recognition is based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty were based on current sales level and current information available about the expected warranty claims. The Group's provision for warranty at 31 December 2018 was $1,996,000 (31 December 2017: $2,800,000, 1 January 2017: $2,176,000). The warranty provision will be reversed if not utilised upon expiry of warranty period.

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 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 and 1 January 2018	5,150	1,019	4,699	651	1,194	318	13,031
Additions	–	517	245	206	116	571	1,655
Disposals/written off	–	(2)	(20)	(19)	(337)	–	(378)
Currency realignment	–	(2)	(55)	(2)	(49)	(23)	(131)
At 31 December 2018	5,150	1,532	4,869	836	924	866	14,177
Accumulated depreciation							
At 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 and 1 January 2018	5,150	924	3,912	383	1,117	169	11,655
Charge for the year	–	86	355	68	34	99	642
Reclassification	–	–	–	–	–	206	206
Disposals/written off	–	(2)	(20)	(11)	(337)	–	(370)
Currency realignment	–	(2)	(42)	(4)	(44)	(11)	(103)
At 31 December 2018	5,150	1,006	4,205	436	770	463	12,030
Net carrying amount							
At 1 January 2017	–	167	1,175	335	171	229	2,077
At 31 December 2017	–	95	787	268	77	149	1,376
At 31 December 2018	–	526	664	400	154	403	2,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,655,000 (2017: $254,000). The cash outflow on acquisition of property, plant and equipment amounted to $1,384,000 (2017: $254,000). The remaining amount of $271,000 (2017: nil) were unpaid and is recorded in other payables as at year end.

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 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 and 1 January 2018	5,150	746	2,367	305	591	–	9,159
Additions	–	–	23	–	115	–	138
Disposals/written off	–	(2)	–	(10)	(337)	–	(349)
At 31 December 2018	5,150	744	2,390	295	369	–	8,948
Accumulated depreciation							
At 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 and 1 January 2018	5,150	719	2,023	228	582	–	8,702
Charge for the year	–	5	164	14	9	–	192
Disposals/written off	–	(2)	–	(10)	(337)	–	(349)
At 31 December 2018	5,150	722	2,187	232	254	–	8,545
Net carrying amount							
At 1 January 2017	–	47	657	79	80	–	863
At 31 December 2017	–	27	344	77	9	–	457
At 31 December 2018	–	22	203	63	115	–	403

As at 31 December 2018, 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 2018

5. INTANGIBLE ASSET

	Group $'000	Company $'000
Brand		
Cost		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,289	1,289
Accumulated amortisation		
At 1 January 2017	386	386
Amortisation	65	65
At 31 December 2017 and 1 January 2018	451	451
Amortisation	64	64
At 31 December 2018	**515**	**515**
Net carrying amount		
At 1 January 2017	903	903
At 31 December 2017	838	838
At 31 December 2018	**774**	**774**

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 12 years.

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

6. INVESTMENTS IN SUBSIDIARIES

		Company	
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Unquoted shares, at cost	**5,438**	5,438	5,438
Impairment loss	**(770)**	(770)	(770)
Carrying amount after impairment loss	**4,668**	4,668	4,668
Movement in impairment loss:			
At 1 January	**770**	770	1,115
Charge for the year	**–**	–	200
Write off for the year	**–**	–	(545)
At 31 December	**770**	770	770

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
			2018 %	31.12.17 %	1.1.17 %	2018 $'000	31.12.17 $'000	1.1.17 $'000
Nera Networks (S) Pte Ltd(β)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	**100**	100	100	**1,000**	1,000	1,000
Nera (Thailand) Limited(*)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	**100**	100	100	**975**	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	100	**1,128**	1,128	1,128
Nera Infocom (M) Sdn. Bhd.(*)	Sales, installation and maintenance of information technology equipment	Malaysia	**100**	100	100	**225**	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	100	**347**	347	347
Nera Telecom-munications (Australia) Pty Ltd(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	**100**	100	100	**589**	589	589
Nera Telecom-munications (India) Pvt. Ltd.(#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	India	**100**	100	100	**570**	570	570
Nera (Malaysia) Sdn. Bhd.(*)	Sales, installation and maintenance of communications equipment	Malaysia	**100**	100	100	**404**	404	404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest			Cost of Investment		
			2018 %	31.12.17 %	1.1.17 %	2018 $'000	31.12.17 $'000	1.1.17 $'000
Nera Telecommunications (Myanmar) Company Limited(#)	Service, maintenance and leasing	Myanmar	**100**	100	100	**133**	133	133
Nera Telecommunications (Vietnam) Co., Ltd.(#)	Installation, maintenance, service and repair of info-communications and telecommunications equipment	Vietnam	**100**	100	100	**67**	67	67
						5,438	5,438	5,438
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	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	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	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	100	**–**	–	–
Nera Networks Nigeria Limited (#)(i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	**100**	100	100	**–**	–	–
Nera Telecommunications Holding (Thailand) Co. Ltd (**) (i)	Investment holding	Thailand	**100**	–	–	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(ß) Audited by Ernst & Young LLP, Singapore.
(*) Audited by member firms of Ernst & Young Global in the respective countries.
(#) Audited by other CPA firms in the respective countries.
(**) 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 FY2016, impairment losses of $133,000 and $67,000 were recognised to write down the investments in Nera Telecommunications (Myanmar) Co Ltd and Nera Telecommunications (Vietnam) Co Ltd, respectively. There were no provision of impairment losses made during the year (2017: nil).

7. STOCKS

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Network equipment	**17,802**	16,607	12,460	**11,186**	10,005	4,124

At 31 December 2018, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to $25,639,000 (2017: $23,520,000) inclusive of stocks net write-back of ($5,000) (net written-down: 2017: $32,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. REVENUE

(a) Disaggregation of revenue

Segments	WIN		NI		Total revenue	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Primary geographical markets						
Singapore	**7,068**	4,352	**66,775**	63,799	**73,843**	68,151
Malaysia	**10,848**	13,324	**17,062**	21,269	**27,910**	34,593
Philippines	**3,609**	2,006	**9,419**	16,450	**13,028**	18,456
Indonesia	**4,932**	4,535	**5,226**	6,731	**10,158**	11,266
Australia	**–**	–	**4,783**	9,693	**4,783**	9,693
China	**4,625**	2,906	**2,290**	–	**6,915**	2,906
Thailand	**2,078**	2,282	**1,340**	1,127	**3,418**	3,409
Norway	**1,048**	16	**–**	–	**1,048**	16
Pakistan	**4,014**	4,596	**1,778**	–	**5,792**	4,596
Morocco	**7,542**	22,400	**–**	–	**7,542**	22,400
Burkina Faso	**4,191**	7,778	**–**	–	**4,191**	7,778
Dubai	**1,913**	4,288	**–**	–	**1,913**	4,288
Afghanistan	**398**	2,161	**–**	–	**398**	2,161
Nigeria	**154**	740	**–**	–	**154**	740
Others	**3,293**	1,417	**3,142**	2,247	**6,435**	3,664
	55,713	72,801	**111,815**	121,316	**167,528**	194,117
Major product or service lines						
Sale of equipment	**13,420**	32,750	**38,135**	40,758	**51,555**	73,508
Rendering of services	**11,680**	10,950	**44,234**	39,580	**55,914**	50,530
Turnkey project	**30,327**	29,446	**29,446**	40,978	**59,773**	69,713
Rental income	**286**	366	**–**	–	**286**	366
	55,713	111,815	**111,815**	121,316	**167,528**	194,117
Timing of transfer of goods or services						
At a point in time	**13,420**	32,750	**38,135**	40,758	**51,555**	73,508
Over time	**42,293**	40,051	**73,680**	80,558	**115,973**	120,609
	55,713	72,801	**111,815**	121,316	**167,528**	194,117

(b) Judgement and methods used in estimating revenue

(i) Determining transaction price and amounts allocated to sale of equipment with installation services, sales of equipment with maintenance services and turnkey project with maintenance services

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. **REVENUE** (CONTINUED)

(b) **Judgement and methods used in estimating revenue** (Continued)

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

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

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

(iii) Estimating variable consideration for turnkey projects

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

(c) **Contract assets and contract liabilities**

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

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables (Note 9)	**59,974**	74,155	64,287	**17,832**	14,613	12,864
Contract assets	**35,684**	35,551	22,145	**15,065**	16,225	5,516
Contract liabilities	**37,691**	35,863	32,386	**24,287**	19,030	11,868

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $622,000 (2017: $416,000).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. REVENUE (CONTINUED)

(c) Contract assets and contract liabilities (Continued)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Contract assets reclassified to receivables	**31,231**	32,517	**13,175**	14,263
Changes in estimate of transaction price	**876**	–	**847**	–

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**J$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**30,926**	29,569	**17,166**	10,544

(d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2017 is $39,816,000. This amount has not included the following:

Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:

- The performance obligation is part of a contract that has an original expected duration for one year or less, or
- The Group recognises revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.
- Variable consideration that is constrained and therefore not included in the transaction price.

The Group expects to recognise $48,316,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in 2019 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. TRADE RECEIVABLES

	Group			Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Trade receivables	**60,775**	74,943	65,474	**17,833**	14,988	13,334
Less: Allowance for impairment of trade receivables	**(801)**	(788)	(1,187)	**(1)**	(375)	(470)
Total trade receivables	**59,974**	74,155	64,287	**17,832**	14,613	12,864
Add:						
Other receivables and deposits (excluding prepayments and tax recoverable) (Note 10)	**14,458**	10,437	23,026	**11,512**	8,047	19,534
Cash and cash equivalents (Note 28)	**18,028**	19,450	22,751	**6,531**	7,103	5,298
Fixed deposits (Note 28)	**3,528**	1,249	134	**2,467**	–	–
Amounts due from subsidiaries	**–**	–	–	**20,136**	25,045	26,851
Long term trade receivables (Note 16)	**1,687**	762	990	**1,687**	762	990
Total loans and receivables	**97,675**	106,053	111,188	**60,165**	55,570	65,537

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 $6,624,000 and $1,451,000 (2017: $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 $1,360,000 (2017: $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.

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		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
US Dollar	**9,407**	20,037	12,916	**1,464**	4,374	3,688
Euro	**–**	72	174	**–**	72	180
Others	**122**	40	145	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. TRADE RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $32,592,000 as at 31 December 2017 and $27,699,000 as at 1 January 2017 and $8,502,000 as at 31 December 2017 and $6,584,000 as at 1 January 2017 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**	
	31.12.2017	**1.1.2017**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'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

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**	
	31.12.2017	**1.1.2017**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'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)
	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired (Continued)

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

	Group		Company	
	31.12.2017	**1.1.2017**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**
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

Expected credit losses

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

	Group
	2018
	$'000
Movement in allowance accounts:	
At 1 January	**924**
Charge for the year	**622**
Written back	**(648)**
Written off	**(83)**
Currency realignment	**(14)**
At 31 December	**801**

No allowance for expected credit losses of contract assets has been provided as the amount is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Advances to suppliers	**11,753**	7,904	9,794	**11,381**	7,819	9,254
Deposits	**1,658**	1,720	2,664	**22**	20	47
Prepayments	**583**	1,776	445	**209**	79	158
Staff advances	**–**	51	114	**–**	–	2
Tax recoverable	**2,367**	1,545	1,099	**–**	15	–
Other debtors	**1,047**	762	454	**109**	208	231
Other debtors (escrow account)	**–**	–	10,000	**–**	–	10,000
	17,408	13,758	24,570	**11,721**	8,141	19,692
Non-current	**40**	22	–	**–**	–	–
Current	**17,368**	13,736	24,570	**11,721**	8,141	19,692
	17,408	13,758	24,570	**11,721**	8,141	19,692

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

Included in other debtors (escrow account) is an amount of $10,000,000 maintained in an escrow account in relation to the divestiture of the NPS Group Companies. The amount was released to the Group in financial year 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 $4,491,000 (2017: $4,201,000; 2016: $5,473,000) that bears interest from 3.190% to 4.270% per annum (2017: 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 $10,017,000 (2017: $8,053,000; 2016: $6,915,000) and a fair value loss on forward currency contracts amounting to $34,000 (2017: $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		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
US Dollar	**12,795**	9,606	13,345	**6,935**	5,509	8,915
Euro	**764**	1,420	2,229	**456**	214	1,881
Thai Baht	**–**	106	72	**–**	106	72
Norwegian Krone	**169**	147	324	**53**	–	–
Other currencies	**–**	293	487	**–**	25	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accrued payroll and staff expenses	**8,607**	10,002	8,097	**4,748**	6,290	5,635
Other accrued operating expenses	**1,843**	1,392	2,931	**509**	942	771
Other creditors	**1,015**	1,227	782	**–**	12	232
Withholding tax payables	**544**	461	281	**–**	–	–
Total other payables and accruals	**12,009**	13,082	12,091	**5,257**	7,244	6,638
Add:						
Trade payables	**32,146**	30,827	28,848	**11,704**	10,249	12,150
Amounts due to subsidiaries	**–**	–	–	**2,273**	7	110
Borrowings (Note 15)	**5,500**	11,300	9,585	**5,500**	11,300	9,273
Less: Withholding tax payables	**(544)**	(461)	(281)	**–**	–	–
Total financial liabilities carried at amortised cost	**49,111**	54,748	50,243	**24,734**	28,800	28,171

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.

14. PROVISION FOR WARRANTY

A provision is recognised for expected warranty claims on goods and services sold in the past 12 months (average warranty period) based on past experience of the level of repairs and returns. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

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

(b) the Group continues to work on projects and install equipment for customers in environment that are considerably more challenging;

(c) the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and

(d) there is a mismatch of the duration of the warranty coverage of at least six months or even longer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. PROVISION FOR WARRANTY (CONTINUED)

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

	Group			Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**2,800**	2,176	2,481	**1,550**	1,024	656
Provision for the year	**2,836**	2,166	1,680	**2,099**	1,430	1,045
Write-back of provision	**(3,235)**	(991)	(1,617)	**(2,216)**	(496)	(504)
Utilised during the year	**(375)**	(525)	(294)	**(375)**	(408)	(173)
Divestiture of subsidiaries	**–**	–	(97)	**–**	–	–
Currency realignment	**(30)**	(26)	23	**–**	–	–
At 31 December	**1,996**	2,800	2,176	**1,058**	1,550	1,024

15. BORROWINGS

	Effective %	Maturities	Group			Company		
			2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Short-term borrowings (unsecured):								
Singapore dollar floating rate bank loans	2.90% to 3.17%	January 2019	**5,500**	–	–	**5,500**	–	–
Singapore dollar floating rate bank loans	2.20% to 2.37%	January 2018	**–**	11,300	–	**–**	11,300	–
Singapore dollar floating rate bank loans	1.76% to 2.75%	April 2017, May 2017	**–**	–	2,500	**–**	–	2,500
Malaysian Ringgit floating rate bank loans	7.95%	February 2017	**–**	–	312	**–**	–	–
			5,500	11,300	2,812	**5,500**	11,300	2,500
Non-current: (secured):								
Singapore dollar floating rate bank loans	2.48% to 3.98%	Note A	**–**	–	6,773	**–**	–	6,773

Note A:

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

In FY2017, 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.

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

	2017 $'000	Cash flows $'000	Non-cash changes arising from foreign exchange $'000	2018 $'000
Short-term borrowings (unsecured): – current	11,300	(5,800)	–	**5,500**
Borrowings – non-current	–	–	–	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. BORROWINGS (CONTINUED)

	1.1.2017 $'000	Cash flow $'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. LONG TERM TRADE RECEIVABLES

	Group			Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Gross receivable	**2,987**	1,111	1,408	**2,987**	1,111	1,408
Less: Unearned finance income	**(260)**	(121)	(190)	**(260)**	(121)	(190)
At 31 December	**2,727**	990	1,218	**2,727**	990	1,218
Of which:						
Current	**1,040**	228	228	**1,040**	228	228
Non-current	**1,687**	762	990	**1,687**	762	990
At 31 December	**2,727**	990	1,218	**2,727**	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).

17. SHARE CAPITAL

	Group and Company					
				Number of shares		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 '000	31.12.2017 '000	1.1.2017 '000
Issued and fully paid ordinary shares:–						
At 1 January and 31 December	**29,909**	29,909	29,909	**361,897**	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.

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18. 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		
	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
At 1 January	**(4,167)**	(4,620)	(6,018)
Current year translation	**235**	453	1,398
At 31 December	**(3,932)**	(4,167)	(4,620)
Net effect of exchange differences arises from:–			
Translation of financial statements of foreign operations	**235**	453	1,398

19. OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Government grants	**66**	95
Service income	**–**	445
Others	**63**	186
	129	726

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

20. OTHER OPERATING EXPENSES

	Group	
	2018	2017
	$'000	$'000
Amortisation of intangible asset	**64**	65
Foreign exchange loss, net	**1,725**	1,639
Property, plant and equipment written off	**–**	155
Others	**3**	292
	1,792	2,151

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2018	**2017**
	$'000	**$'000**
Audit fees to:–		
Auditors of the Company	**154**	104
Audit fees paid to other member firms of EY Global	**55**	39
Other auditors	**77**	87
Non-audit fees to:–		
Auditors of the Company	**31**	25
Other auditors	**10**	27
Net write back for doubtful trade receivables	**(26)**	(312)
Impairment loss on trade receivables	**622**	416
Foreign exchange loss/(gain), net – forward currency contracts	**155**	(212)
Foreign exchange loss, net – others	**1,570**	1,851
Net loss on disposal/write-off of property, plant and equipment	**1**	134

22. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	Group	
	2018	**2017**
	$'000	**$'000**
Wages, salaries and bonuses	**18,911**	19,950
Pension contributions	**2,340**	2,098
Termination benefits	**–**	45
Other personnel benefits	**2,208**	2,043
	23,459	24,136

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

23. FINANCE INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Interest income from:–		
Bank deposits	**132**	74
Long term trade receivables	**190**	69
	322	143

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. FINANCE EXPENSES

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expense	**(220)**	(217)

25. TAX

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

	Group	
	2018	**2017**
	$'000	**$'000**
Consolidated income statement:		
Current income tax		
Current income taxation	**2,731**	3,422
(Over)/under provision in respect of previous years	**(113)**	1,673
Deferred income tax		
Current year	**650**	(115)
Prior year	**503**	(881)
Income tax expense recognised in profit and loss	**3,771**	4,099

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	
	2018	**2017**
	$'000	**$'000**
Profit before tax from continuing operations	**11,525**	11,862
Tax at 17%	**1,959**	2,017
Tax effect of expenses that are not deductible in determining taxable profit	**1,291**	937
Additional tax deductions	**(35)**	(53)
Under provision in respect of prior years	**390**	792
Difference in tax rates applicable to subsidiaries	**(58)**	382
Deferred tax assets not recognised by subsidiaries	**393**	496
Tax effect of income not subject to tax	**(16)**	(345)
Effect of change in tax rate	**5**	17
Tax exemption, incentives and rebates	**(158)**	(148)
Others	**–**	4
Income tax expense	**3,771**	4,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. TAX (CONTINUED)

Deferred tax as at 31 December related to the following:

	Group			Consolidated income statement		Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Deferred tax liabilities:–								
Differences in depreciation of property, plant and equipment for tax purposes	**(75)**	(51)	(123)	**24**	(72)	**(53)**	(55)	(135)
Difference in amortisation of intangible assets	**(131)**	(142)	(153)	**(11)**	(11)	**(131)**	(142)	(153)
	(206)	(193)	(276)			**(184)**	(197)	(288)
General provisions	**1,671**	2,665	1,801	**994**	(864)	**910**	1,221	309
Tax losses	**–**	146	97	**146**	(49)	**–**	–	–
Net deferred tax assets	**1,465**	2,618	1,622			**726**	1,024	21
Net deferred expense/(income)				**1,153**	(996)			

Changes in corporate tax rate from financial year 2018, 2017 are as follows:

– Norway : from 24% to 23% (2017: from 25% to 24%)
– Pakistan : from 31% to 30% (2017: from 32% to 31%)

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately $10,845,000 (2017: $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 (2017: 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 $6,544,000 (2017: $11,216,000; 2016: $10,385,000). The deferred tax liability is estimated to be $671,000 (2017: $1,217,000; 2016: $995,000).

Tax consequences of proposed dividends

There are no income tax consequences (2017: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. EARNINGS PER SHARE

(a) Continuing operations

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following tables reflect the income and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2018	**2017**
	$'000	**$'000**
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	**7,754**	7,763
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**361,897**	361,897

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

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for both basic and diluted earnings per share computation. The profit and share data are presented in Note 26(a) above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
– An interim exempt (one-tier) dividend paid in respect of the current financial year of 1 cent (2017: 1 cent) per share	**3,619**	3,619
– A final exempt (one-tier) dividend paid in respect of the previous financial year of 1.5 cents (2016: 0.5 cents) per share	**5,428**	1,809
	9,047	5,428
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– A final exempt (one-tier) dividend for the current financial year of 1.5 cents (2017: 1.5 cents) per share	**5,428**	5,428

28. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fixed deposits	**3,528**	1,249	134	**2,467**	–	–
Cash and bank balances	**18,028**	19,450	22,751	**6,531**	7,103	5,298
Deposits pledged	**(93)**	(129)	(134)	**–**	–	–
Cash and cash equivalents in the cashflow statement	**21,463**	20,570	22,751	**8,998**	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% (2017: 0.01% to 3.00%; 2016: 0.10% to 3.00%) per annum. Included in cash and cash equivalents are amounts totaling $93,000 (2017: $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 (2017: 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% (2017: 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 2018

28. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
US Dollar	**3,249**	2,089	3,258	**2,946**	943	1,779
Australian Dollar	**2,564**	2,454	4	**2,564**	2,454	4
Euro	**189**	897	1,643	**153**	2	1,622
Thai Baht	**–**	280	–	**–**	280	–
Libyan Dollar	**235**	231	239	**–**	–	–
Norwegian Krone	**233**	106	281	**–**	1	1
Other currencies	**1**	3	26	**1**	2	7

29. EMPLOYEE SHARE PLAN

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

During the financial year, no shares (2017: nil) were granted under the employee share plan.

30. COMMITMENTS

(a) Capital commitments

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

(b) Non-cancellable operating lease commitments – as 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 $1,542,000 (2017: $1,681,000).

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

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**1,425**	1,221
Later than one year but not later than five years	**2,424**	3,097
Later than five years	**3,845**	4,253
	7,694	8,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. COMMITMENTS (CONTINUED)

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

As at 31 December 2018, 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 $286,000 (2017: $366,000).

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

	Group	
	2018 $'000	2017 $'000
Not later than one year	**335**	285
Later than one year but not later than five years	**857**	655
	1,192	940

31. CONTINGENT LIABILITIES

Guarantees

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Bankers' guarantees issued by banks on behalf of:				
Subsidiaries	**–**	–	**5,161**	10,264

32. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2018 $'000	2017 $'000
Directors of the Company:–		
Directors' fees	**270**	409
Directors' remuneration	**1,019**	1,000
Defined contribution benefits	**17**	17
Key management:–		
Key management's remuneration	**1,663**	1,584
Defined contribution benefits	**81**	82

NOTES TO THE FINANCIAL STATEMENTS

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33. SEGMENT INFORMATION

For management purposes, the Group is organised on a worldwide basis into operating businesses (divisions) as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group is organised into two main operating businesses, namely:

Wireless Infrastructure Networks ("WIN") – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications, transmission products and systems and wireless solutions.

Network Infrastructure ("NI") – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, network security solutions, IP networks, optical networks and broadcast infrastructure.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Allocation basis and transfer pricing

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

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

2018	**WIN $'000**	**NI $'000**	**Adjustments $'000**	**Notes**	**Total $'000**
Revenue	**55,713**	**111,815**			**167,528**
Cost of sales	**(41,652)**	**(82,936)**			**(124,588)**
Gross profit	**14,061**	**28,879**			**42,940**
Other operating income	**38**	**91**			**129**
Distribution and selling expenses	**(8,419)**	**(11,961)**			**(20,380)**
Administrative expenses	**(3,990)**	**(5,484)**			**(9,474)**
Other operating expenses	**(908)**	**(884)**			**(1,792)**
Profit from operating activities	**782**	**10,641**			**11,423**
Financial income					**322**
Financial expenses					**(220)**
Profit before tax					**11,525**
Tax					**(3,771)**
Net profit for the year					**7,754**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SEGMENT INFORMATION (CONTINUED)

2018	WIN $'000	NI $'000	Adjustments $'000	Notes	Total $'000
Other information					
Segment assets	**42,104**	**75,964**	**40,429**	**A**	**158,497**
Segment liabilities	**23,308**	**48,525**	**19,997**	**B**	**91,830**
Capital expenditure	**638**	**1,017**			**1,655**
Depreciation and amortisation	**536**	**170**			**706**
Other non-cash expenses(*)	**(73)**	**(357)**			**(430)**
2017					
Revenue	72,801	121,316			194,117
Cost of sales	(52,884)	(95,985)			(148,869)
Gross profit	19,917	25,331			45,248
Other operating income	159	567			726
Distribution and selling expenses	(9,220)	(11,063)			(20,283)
Administrative expenses	(5,192)	(6,412)			(11,604)
Other operating expenses	(1,324)	(827)			(2,151)
Profit from operating activities	4,340	7,596			11,936
Financial income					143
Financial expenses					(217)
Profit before tax					11,862
Tax					(4,099)
Net profit for the year					7,763
Other information					
Segment assets	58,805	70,484	37,075	A	166,364
Segment liabilities	27,474	42,016	27,774	B	97,264
Capital expenditure	86	168			254
Depreciation and amortisation	544	250			794
Other non-cash expenses (*)	187	568			755

(*) 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 TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SEGMENT INFORMATION (CONTINUED)

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:

	2018 $'000	2017 $'000
Deferred tax assets	**1,465**	2,618
Other receivables, deposits and prepayments	**17,408**	13,758
Cash and cash equivalents	**18,028**	19,450
Fixed deposits	**3,528**	1,249
	40,429	37,075

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

	2018 $'000	2017 $'000
Defined benefit obligation	**310**	422
Other payables and accruals	**12,009**	13,082
Borrowings	**5,500**	11,300
Provision for taxation	**2,178**	2,970
	19,997	27,774

Geographical segments

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

	Revenue		Non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Singapore	**73,843**	68,151	**2,869**	2,068
Malaysia	**27,910**	34,593	**190**	156
Philippines	**13,028**	18,456	**806**	162
Indonesia	**10,158**	11,266	**530**	323
Australia	**4,783**	9,693	**15**	20
China	**6,915**	2,906	**–**	–
Thailand	**3,418**	3,409	**177**	175
Norway	**1,048**	16	**5**	–
Pakistan	**5,792**	4,596	**23**	42
Morocco	**7,542**	22,400	**7**	12
Burkina Faso	**4,191**	7,778	**–**	–
Dubai	**1,913**	4,288	**8**	14
Afghanistan	**398**	2,161	**–**	–
Nigeria	**154**	740	**–**	–
Others	**6,435**	3,664	**18**	26
	167,528	194,117	**4,648**	2,998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SEGMENT INFORMATION (CONTINUED)

Geographical segments (Continued)

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

Revenue from one major customer amounted to $30,696,000 (2017: $30,036,000), arising from revenue by the WIN and NI segments (2017: WIN and NI segments).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly US Dollars and Euro. Approximately 20% (2017: 23%) of the Group's revenue and 56% (2017: 63%) 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 $6,471,000 (2017: $6,060,000) and $5,664,000 (2017: $3,682,000) for the Group and the Company respectively.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

	Group	
	2018	**2017**
	$'000	**$'000**
US dollar –		
– Strengthened 3% (2017: 3%)	**1,043**	554
– Weakened 3% (2017: 3%)	**(1,043)**	(554)
AU dollar –		
– Strengthened 3% (2017: 3%)	**74**	74
– Weakened 3% (2017: 3%)	**(74)**	(74)
Euro –		
– Strengthened 5% (2017: 5%)	**75**	(23)
– Weakened 5% (2017: 5%)	**(75)**	23
THB –		
– Strengthened 3% (2017: 3%)	**–**	(7)
– Weakened 3% (2017: 3%)	**–**	7

Interest rate risk

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

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

Surplus funds are placed with reputable banks.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

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

	Group	
	Increase/ (decrease) basis points	**Effect on profit before tax $'000**
2018		
US dollar bank placements	(100)	(20)
AU dollar bank placements	(100)	(11)
Euro bank placements	(100)	(1)
Singapore dollar bank borrowings	(100)	55
US dollar bank placements	100	44
AU dollar bank placements	100	25
Euro bank placements	100	3
Singapore dollar bank borrowings	100	(55)
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)

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

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

	2018				2017			
	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	**59,974**	**1,687**	**–**	**61,661**	74,155	762	–	74,917
Other receivables and deposits (excluding prepayments and tax recoverable)	**14,418**	**40**	**–**	**14,458**	10,415	22	–	10,437
Cash and cash equivalents	**18,028**	**–**	**–**	**18,028**	19,450	–	–	19,450
Fixed deposits	**3,528**	**–**	**–**	**3,528**	1,249	–	–	1,249
Derivative financial instruments – Forward currency contracts	**–**	**–**	**–**	**–**	7,942	–	–	7,942
Total undiscounted financial assets	**95,948**	**1,727**	**–**	**97,675**	113,211	784	–	113,995
Financial liabilities:								
Trade payables	**32,146**	**–**	**–**	**32,146**	30,827	–	–	30,827
Other payables and accruals (excluding withholding tax payables)	**11,465**	**–**	**–**	**11,465**	12,621	–	–	12,621
Borrowings	**5,509**	**–**	**–**	**5,509**	11,568	–	–	11,568
Derivative financial instruments – Forward currency contracts	**3,453**	**–**	**–**	**3,453**	7,961	–	–	7,961
Total undiscounted financial liabilities	**52,573**	**–**	**–**	**52,573**	62,977	–	–	62,977
Total net undiscounted financial assets	**43,375**	**1,727**	**–**	**45,102**	50,234	784	–	51,018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2018				2017			
	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	**17,832**	**1,687**	**–**	**19,519**	14,613	762	–	15,375
Other receivables and deposits (excluding prepayments and tax recoverable)	**11,512**	**–**	**–**	**11,512**	8,047	–	–	8,047
Amounts due from subsidiaries	**20,136**	**–**	**–**	**20,136**	25,045	–	–	25,045
Cash and cash equivalents	**6,531**	**–**	**–**	**6,531**	7,103	–	–	7,103
Fixed deposits	**2,467**	**–**	**–**	**2,467**	–	–	–	–
Derivative financial instruments - Forward currency contracts	**–**	**–**	**–**	**–**	7,942	–	–	7,942
Total undiscounted financial assets	**58,478**	**1,687**	**–**	**60,165**	62,750	762	–	63,512
Financial liabilities:								
Trade payables	**11,704**	**–**	**–**	**11,704**	10,249	–	–	10,249
Other payables and accruals	**5,257**	**–**	**–**	**5,257**	7,244	–	–	7,244
Amounts due to subsidiaries	**2,273**	**–**	**–**	**2,273**	7	–	–	7
Borrowings	**5,509**	**–**	**–**	**5,509**	11,568	–	–	11,568
Derivative financial instruments - Forward currency contracts	**3,453**	**–**	**–**	**3,453**	7,961	–	–	7,961
Total undiscounted financial liabilities	**28,196**	**–**	**–**	**28,196**	37,029	–	–	37,029
Total net undiscounted financial assets	**30,282**	**1,687**	**–**	**31,969**	25,721	762	–	26,483

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

	2018				2017			
	1 year or less $'000	1-5 years $'000	> 5 years $'000	Total $'000	1 year or less $'000	1-5 years $'000	> 5 years $'000	Total $'000
Company								
Financial guarantees in relation to contracts	**3,505**	**715**	**941**	**5,161**	8,276	1,017	971	10,264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 365 days when they fall due, which are derived based on the Group's historical information.

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

– Internal credit rating;

– External credit rating;

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– Actual or expected significant changes in the operating results of the customer;

– Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

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

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

– There is significant difficulty of the debtor;

– A breach of contract, such as a default or past due event;

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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

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

Trade and other receivables

The Group provides for lifetime expected credit losses for all trade and other receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions and expected inflation rates.

Summarised below is the information about the credit risk exposure on the Group's trade and other receivables using provision matrix, grouped by geographical

(i) Singapore

		Past due		
31 December 2018	**Current $'000**	**Less than 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	22,660	5,540	4,717	32,917
Loss allowance provision	2	26	232	260

(ii) Other geographical area

		Past due		
31 December 2018	**Current $'000**	**Less than 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	27,179	10,847	8,931	46,957
Loss allowance provision	12	126	407	545

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

During the year, the Group wrote-off $83,000 (2017: $79,000) of trade and other receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Credit risk concentration profile

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

Customers' profile

By country

% of total trade receivables	Group 2018	Group 2017	Company 2018	Company 2017
≥ 25	Singapore and Malaysia	Malaysia	Singapore	Singapore
>10 and <25	Philippines and Morocco	Singapore and Morocco	–	–
≤ 10	Indonesia, UAE and others	Philippines, Indonesia, UAE and others	Philippines, Korea and others	Philippines, Korea and others

By Industry Sectors

	Group				Company			
	2018		2017		2018		2017	
	$'000	% of total	$'000	% of total	$'000	% of total	$'000	% of total
Telecommunications	**42,316**	71	60,391	81	**14,746**	83	9,897	68
Government agencies	**6,116**	10	5,351	7	**779**	4	3,004	21
Media and broadcasting	**1,599**	3	1,964	3	**151**	1	–	–
Financial institutions	**2,116**	4	1,459	2	**1,697**	10	742	5
Multi industry conglomerates	**2,486**	4	911	1	**195**	1	911	6
Hospitality	**1,855**	3	2,716	4	**5**	–	–	–
Others	**3,486**	5	1,363	2	**259**	1	59	–
	59,974	100	74,155	100	**17,832**	100	14,613	100

At the balance sheet date,

- 56% (2017: 71%) of the Group's trade receivables in Malaysia (2017: Malaysia) are due from a reputable telecommunication service provider; and

- 37% (2016: 49%) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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.

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

(b) *Assets and liabilities measured at fair value*

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

	Group			
	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 2018				
Financial liabilities				
Derivatives – Forward currency contracts	**–**	**34**	**–**	**34**
At 31 December 2017				
Financial liabilities				
Derivatives – Forward currency contracts	–	19	–	19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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 2018 and 2017 but for which fair value is disclosed.

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

Cash and cash equivalents (Note 28), trade receivables (Note 9), other receivables (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.

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

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

36. DERIVATIVES

	Group					
	2018 $'000			2017 $'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts	**3,453**	**–**	**34**	7,961	–	19

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar (2017: US dollar), against SGD for which firm commitments existed at the balance sheet date, extending to February 2019 (2017: April 2018).

The Group does not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

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	
	2018	**2017**
	$'000	**$'000**
Cash and cash equivalents (Note 28)	**21,463**	20,570
Deposits pledged (Note 28)	**93**	129
Less: Borrowings (Note 15)	**(5,500)**	(11,300)
Net cash and cash equivalents	**16,056**	9,399
Capital:		
Equity attributable to equity holders of the Company	**66,667**	69,100
Capital and net debt	**66,667**	69,100
Gearing ratio	**–**	–

38. DEFINED BENEFIT OBLIGATION

Nera (Thailand) Ltd and P.T. Nera Indonesia have unfunded, non-contributory defined benefit retirement plans while Nera (Philippines) Inc. has funded, non-contributory defined benefit plans covering all their qualified employees. The provision for post-employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method, and is in pursuant of Republic Act 7641 in Philippines, Labor Law No. 13/2003 in Indonesia, and Legal Severance Pay Law in Thailand. The Group's latest actuarial valuation reports are dated 31 December 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

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

	Philippines plan			Thailand plan			Indonesia plan			Total		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Present value of defined benefit obligation	**109**	131	147	**15**	53	82	**433**	503	485	**557**	687	714
Fair value of plan assets	**(247)**	(265)	(340)	**–**	–	–	**–**	–	–	**(247)**	(265)	(340)
Net (asset)/liability arising from defined benefit obligation	**(138)**	(134)	(193)	**15**	53	82	**433**	503	485	**310**	422	374

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

	Philippines plan			Thailand plan			Indonesia plan			Total		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**131**	147	639	**53**	82	314	**503**	485	392	**687**	714	1,345
Interest cost	**7**	7	28	**2**	2	5	**35**	40	30	**44**	49	63
Current service cost	**13**	13	40	**12**	9	12	**160**	91	80	**185**	113	132
Effect of curtailment	**–**	–	(231)	**–**	–	(121)	**–**	(166)	–	**–**	(166)	(352)
Divestiture of subsidiaries	**–**	–	(39)	**–**	–	(130)	**–**	–	(74)	**–**	–	(243)
Remeasurement (gains)/losses:												
Actuarial changes arising from changes in financial assumptions	**(21)**	(9)	(38)	**(2)**	–	–	**(210)**	72	38	**(233)**	63	–
Actuarial changes due to experience adjustment	**(17)**	(16)	(220)	**(52)**	(41)	–	**(20)**	25	(12)	**(89)**	(32)	(232)
Benefit paid out	**–**	–	(9)	**–**	–	–	**(5)**	(11)	–	**(5)**	(11)	(9)
Exchange differences	**(4)**	(11)	(23)	**2**	1	2	**(30)**	(33)	31	**(32)**	(43)	10
At 31 December	**109**	131	147	**15**	53	82	**433**	503	485	**557**	687	714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

Changes in fair value of plan assets are as follows:

	Philippines plan		
	2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
At 1 January	**265**	340	334
Contributions by employer	**–**	–	19
Benefits paid	**–**	–	(9)
Interest income	**18**	16	18
Remeasurement losses			
Return on plan assets	**(26)**	(12)	(10)
Effect of asset ceiling	**(2)**	(53)	–
Exchange differences	**(8)**	(26)	(12)
At 31 December	**247**	265	340

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

	2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Investments in unit investment trust fund ("UITF") – Philippines plan	**247**	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:

	2018	**31.12.2017**	**1.1.2017**
Discount rates:			
Philippines plan	**7.70%**	5.77%	5.19%
Thailand plan	**3.25%**	2.75%	2.50%
Indonesia plan	**8.40%**	7.25%	8.50%
Expected rate of return on assets:			
Philippines plan	**3.00%**	3.00%	3.00%
Future salary increases:			
Philippines plan	**6.00%**	6.00%	6.00%
Thailand plan	**5.00%**	5.00%	5.00%
Indonesia plan	**8.00%**	10.00%	10.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

	2018 %	**31.12.2017** %	**1.1.2017** %
Mortality rate			
Philippines plan	The 2001 CSO Table	The 2001 CSO Table	1994 Group Annuity Mortality Table
Thailand plan	75% of Thai Mortality Ordinary Table 2017	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	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:

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

		31 December 2017		
	Increase/ (decrease)	**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%)	14	7	67
	(Actual – 1.00%)	(12)	(6)	(59)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. DEFINED BENEFIT OBLIGATION (CONTINUED)

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

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 (2017: 12 years).

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2019

Issued and fully paid-up capital	–	$29,909,152.00
Total number of shares	–	361,897,000
Number of treasury shares	–	Nil
Class of Shares	–	Ordinary
Voting Rights (excluding treasury shares)	–	One Vote Per Share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	5	0.10	35	0.00
100 – 1,000	196	4.14	170,851	0.05
1,001 – 10,000	2,391	50.52	14,994,317	4.14
10,001 – 1,000,000	2,127	44.94	114,485,758	31.64
1,000,001 AND ABOVE	14	0.30	232,246,039	64.17
TOTAL	**4,733**	**100.00**	**361,897,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	194,780,739	53.82
2	DBS NOMINEES PTE LTD	6,694,400	1.85
3	CITIBANK NOMINEES SINGAPORE PTE LTD	6,004,700	1.66
4	TAN BOON KHAK HOLDINGS PTE LTD	3,860,000	1.07
5	RAFFLES NOMINEES (PTE) LIMITED	3,723,300	1.03
6	POH KHENG MUI (FU QINGMEI)	3,152,600	0.87
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,047,300	0.84
8	OCBC NOMINEES SINGAPORE PTE LTD	2,913,900	0.81
9	TAN ENG YAM @ TAN ENG ANN	1,662,600	0.46
10	OCBC SECURITIES PRIVATE LTD	1,558,800	0.43
11	TAN ENG YAM HOLDINGS PTE LTD	1,509,100	0.42
12	LIM GECK CHIN MAVIS	1,300,000	0.36
13	PHILLIP SECURITIES PTE LTD	1,036,600	0.29
14	KIM LENG TEE INVESTMENTS PTE LTD	1,002,000	0.28
15	ESTATE OF MRS LIM NANCY NEE TAN NANCY, DECEASED	1,000,000	0.28
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	940,200	0.26
17	CHOW HUNG THOW	850,000	0.23
18	ANG JUI KHOON	842,600	0.23
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	789,500	0.22
20	ROSIE D/O PILLAI MRS ROSIE CHANDRADAS	763,400	0.21
	TOTAL	**237,431,739**	**65.62**

SHAREHOLDINGS STATISTICS

AS AT 12 MARCH 2019

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 UOB Kay Hian Pte Ltd.

2. Canopus Asia Systems, L.P. ("**Canopus**") owns 100% of ASL and is deemed to be interested in all the shares held by ASL in the Company.

3. PGA Partners Ltd ("**PGA**") is the general partner of and controls Canopus. PGA is deemed to be interested in the shares held via by ASL.

4. Mr Ashish Jaiprakash Shastry owns all the issued share capital of PGA and he is deemed to be interested in the shares held by ASL.

PUBLIC FLOAT

Based on information available to the Company as at 12 March 2019, approximately 46.60% of the total number of issued shares of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Temasek Club, 131 Rifle Range Road Singapore 588406 on 23 April 2019 at 10:00 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 2018 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 2018. **(Resolution 2)**

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

   Mr Tan Lye Huat *[See Explanatory Note (i)]* **(Resolution 3)**
   Dr Lee Kwok Cheong *[See Explanatory Note (ii)]* **(Resolution 4)**

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

AS SPECIAL BUSINESS

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

5. To approve the payment of Directors' fees of $270,000 for the financial year ended 31 December 2018. (FY2017: $409,000) **(Resolution 6)**

   [See Explanatory Note (iii)]

6. **Authority to issue shares**

   (Resolution 7)

   "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

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

7. **Authority to grant awards and issue shares under the Performance Share Plan** **(Resolution 8)**

   "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 (v)]

8. To transact any other business which may be properly transacted at the Annual General Meeting.

BY ORDER OF THE BOARD

Chan Wan Mei
Company Secretary

Singapore,
5 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 3 is to re-elect Mr Tan Lye Huat who will be retiring by rotation under Article 87 of the Constitution and if he is re-elected, he will remain as Chairman of the Audit and Risk Management Committee and member of the Nominating Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited and Provision 2.1 of Principle 2 of the Code of Corporate Governance 2018. Key information on Mr Tan is found on page 10 of the Annual Report.

(ii) Ordinary Resolution 4 is to re-elect Dr Lee Kwok Cheong who will be retiring by rotation under Article 87 of the Constitution and if he is re-elected, he will remain as Chairman of the Remuneration Committee and member of the Audit and Risk Management Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited and Provision 2.1 of Principle 2 of the Code of Corporate Governance 2018. Key information on Dr Lee is found on page 9 of the Annual Report.

(iii) Ordinary Resolution 6 is to seek approval for the payment of $270,000 to all Non-Executive Directors as Directors' Fees for the financial year ended 31 December 2018 (FY2017: $409,000). The exact amount of director's fees to be received by each Director for the financial year ended 31 December 2018 is disclosed in full in the Annual Report.

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

(v) The Proposed Resolution 8, if passed, will empower the Directors effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Share Plan, approved by shareholders on 29 April 2014 and was last renewed at the Annual General Meeting of the Company on 18 April 2018, 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.

(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.

NOTICE OF
ANNUAL GENERAL MEETING

(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 Register of Members and Share Transfer Books of the Company will be closed on 9 May 2019 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 at 80 Robinson Road, #02-00, Singapore 068898 up to 5:00 p.m. on 9 May 2019 will be registered to determine shareholders' entitlements to the final dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 9 May 2019 will be entitled to the final dividend.

Payment of the proposed dividend, if approved by the shareholders at the Annual General Meeting to be held on 23 April 2019 will be paid on 27 May 2019.

BY ORDER OF THE BOARD

Chan Wan Mei
Company Secretary

Singapore,
5 April 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tan Lye Huat and Dr Lee Kwok Cheong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 23 April 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

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

	MR TAN LYE HUAT	DR LEE KWOK CHEONG
Date of Appointment	28 January 2013	8 March 2013
Date of last re-appointment	26 April 2017	28 April 2016
Age	70	64
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Tan Lye Huat for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that he possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Dr Lee Kwok Cheong for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that he possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Audit and Risk Management Committee and member of the Nominating Committee.	Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit and Risk Management Committee.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN LYE HUAT	DR LEE KWOK CHEONG
Professional qualifications	Member of the Institute of Singapore Chartered Accountants (ISCA), Fellow of the Association of Chartered Certified Accountants (FCCA), member of the Australian Institute of Company Directors (AICD) as well as a Chartered Director Fellow (C. Dir FIoD) of the Institute of Directors (IOD, UK).	BS (MIT), MS (UC Berkeley) Hon Fellow, Singapore Computer Society
Working experience and occupation(s) during the past 10 years	Professional Independent Director	CEO, SIM Pte Ltd Board of Directors of companies & statutory boards
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years)	NIL	Defence Science & Technology Agency (2008-2014) ITE Holdings (2003-2015) Inland Revenue Authority of Singapore (2010-2016)
Present	SP Corporation Limited (1999-present) Japan Foods Holding Ltd (2008-present) Dynamic Colours Limited (2011-present) Neo Group Limited (2012-present)	Nera Telecommunications Ltd (listed on SGX main board) (2013-present) TENG Ensemble Limited (music company with IPC status) (2017-present) ILA Vietnam Limited (biggest English language school in Vietnam) (2017-present) Worldwide Education and Training Limited (holding company of ILA) (2017-present) Various SIM companies

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR TAN LYE HUAT	DR LEE KWOK CHEONG
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c)	Whether there is any unsatisfied judgment against him?	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR TAN LYE HUAT	DR LEE KWOK CHEONG
f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes[1]	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN LYE HUAT	DR LEE KWOK CHEONG
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Note 1

Mr Tan Lye Huat assisted in the ‘post crisis’ work at CAM International Holdings Ltd in 1998 and Raffles United Holdings Ltd (formerly known as Kian Ho Bearings Ltd) in 1999:

CAM International Holdings Ltd (“CAM International” or “the company”)

Raymond Chew, the former Managing Director (“MD”) and substantial shareholder of CAM International, was involved in accounting fraud and triggered a collapse of the Group that resulted in the authorities having to carry out a special investigation. The CAD and the CPIB were involved.

Resulting from the aforesaid, several Independent Directors resigned and a new management and Board was appointed. Tan Lye Huat was recommended by the management of one of the CAM International’s creditor banks to join the Board as an Independent Director to restructure the company and to assist in finding a potential investor for the company.

He resigned from the company after the substantial shareholder vetoed a potential investment opportunity.

Raffles United Holdings Ltd [formerly known as Kian Ho Bearings Ltd (the “company”)]

Mr Tan Lye Huat was urgently appointed as an Independent Director in 1999 to balance the composition of the Board so as to reassure authorities, shareholders and other stakeholders that the company would be properly managed following the sudden resignation of its Managing Director.

The former Managing Director was involved in fraudulent business activities involving about $10 million and Mr Tan Lye Huat played a key role as the facilitator between the Board and the numerous creditor bankers of the company.

About six months was needed to secure a deal with the outgoing foreign creditor banks and to persuade some of the local creditor banks not only to stay but put in more money. The implementation of the deal took another six months and his aforesaid role as the facilitator ended soon thereafter.

He continued to be an active Independent Director until 2009.

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NERA TELECOMMUNICATIONS LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 197802690R

PROXY FORM

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.

*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 Tuesday, 23 April 2019 at 10:00 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 2018 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 2018.		
3.	To re-elect Mr Tan Lye Huat as Director.		
4.	To re-elect Dr Lee Kwok Cheong as Director.		
5.	To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.		
6.	To approve the payment of Directors' fees of $270,000 for the financial year ended 31 December 2018.		
7.	To authorise Directors to allot and issue shares.		
8.	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 ____________________ 2019

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.*

6. *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.*

7. *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.*

8. *In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.*

9. *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.*

10. *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.*

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 5 April 2019.

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