

SCHEME DOCUMENT DATED 14 JUNE 2012

THIS SCHEME DOCUMENT IS ISSUED BY NERA TELECOMMUNICATIONS LTD (“COMPANY”). THIS SCHEME DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN ANY DOUBT ABOUT THIS SCHEME DOCUMENT OR THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all or any of your issued and fully paid-up ordinary shares in the capital of the Company, you should immediately hand this Scheme Document and the accompanying Proxy Form (as defined below) to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Scheme Document.

The logo for NERA, consisting of the word "NERA" in a bold, red, sans-serif font. The letter "A" is stylized with a sharp peak.

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197802690R)

**PROPOSED ACQUISITION OF NERA TELECOMMUNICATIONS LTD
BY SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER
SECTION 210 OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE**

Independent Financial Adviser to the Independent Directors

The logo for Deloitte, featuring the word "Deloitte" in a blue, sans-serif font with a green dot at the end of the "e".

Deloitte & Touche Corporate Finance Pte Ltd

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200200144N)

IMPORTANT

Latest date and time for lodgement of Proxy Form : 4 July 2012 at 3.30 p.m.
for Scheme Meeting

Date and time of Scheme Meeting : 6 July 2012 at 3.30 p.m.

Place of Scheme Meeting : Ballroom 1 (Level 3), Hilton Hotel
581 Orchard Road, Singapore 238883

The action to be taken by you is set out on page 35 of this Scheme Document.

The expected timetable which sets out the important dates, times and place relating to the Scheme Meeting is set out on page 7 of this Scheme Document. Your attention is also drawn to the notes under the expected timetable.

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PROXY FORM FOR THE SCHEME MEETING

DEFINITIONS

In this Scheme Document, the following definitions apply throughout except where the context otherwise requires:

“1Q 2012”	:	First quarter ended 31 March 2012
“Acquiror”	:	Singapore Technologies Electronics Limited
“Acquiror Concert Group”	:	Acquiror and its concert parties
“Acquiror Convertible Securities”	:	Convertible securities, warrants, options and derivatives in respect of Acquiror Shares or securities which carry voting rights in the Acquiror
“Acquiror Shares”	:	Issued shares of any class in the capital of the Acquiror
“Acquiror’s Letter”	:	Letter from the Acquiror to the Shareholders as set out in Appendix 3 to this Scheme Document
“Acquisition”	:	As defined in paragraph 1.1 of the Letter to Shareholders
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“Announcement Date”	:	10 February 2012, being the date of the Joint Announcement
“Books Closure Date”	:	A date and time to be announced (before the Effective Date) by the Company on which the Transfer Books and the Register of Members will be closed in order to determine the entitlements of the Shareholders under the Scheme
“Business Day”	:	A day (other than Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	Nera Telecommunications Ltd
“Company Convertible Securities”	:	Convertible securities, warrants, options and derivatives in respect of Shares or securities which carry voting rights in the Company
“Company Employees’ Share Option Scheme”	:	The share option scheme for the granting of share options to all employees, executive and non-executive directors of the Company as approved and adopted at the Company’s extraordinary general meeting held on 26 April 2002
“Conditions Precedent”	:	The conditions precedent which must be satisfied for the Scheme to be implemented and which are reproduced in Appendix 10 to this Scheme Document

DEFINITIONS

“Court”	:	The High Court of the Republic of Singapore
“CPF”	:	The Central Provident Fund
“CPF Agent Banks”	:	Agent banks included under the CPFIS
“CPFIS”	:	CPF Investment Scheme
“CPFIS Investors”	:	Investors who purchased Shares using their CPF savings under the CPFIS
“Deed of Amendment”	:	As defined in paragraph 10.2 of Appendix 4 to this Scheme Document
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“EBITDA”	:	Earnings before interest, taxes, depreciation and amortisation
“Effective Date”	:	The date on which the Scheme, if approved, becomes effective and binding in accordance with its terms
“Eltek”	:	Eltek ASA
“Encumbrance”	:	Any charge, mortgage, lien, hypothecation, judgment, encumbrance, easement, right of pre-emption, security, title retention, preferential right, trust arrangement or other security interest or any other agreement or arrangement having a commercial effect analogous to the conferring of security or a similar right in favour of any person
“Entitled Shareholders”	:	Shareholders as at 5.00 p.m. on the Books Closure Date
“EPS”	:	Earnings per Share
“Explanatory Statement”	:	The explanatory statement in compliance with Section 211 of the Companies Act as set out on pages 22 to 35 of this Scheme Document
“EY”	:	Ernst & Young LLP
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries, and “ Group Company ” means any of them
“Holding Announcement”	:	The holding announcement made by the Company on 3 February 2012 stating that the Company has received an approach from a third party and is in advanced discussions with it
“IFA”	:	Deloitte & Touche Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors
“IFA Letter”	:	As defined in paragraph 12.1 of the Letter to Shareholders

DEFINITIONS

“Implementation Agreement”	:	The implementation agreement dated 10 February 2012 entered into between the Company and the Acquiror in relation to the implementation of the Scheme
“Incentive Agreement”	:	As defined in paragraph 5 of the Letter to Shareholders
“Independent Directors”	:	The Directors who are considered independent for the purposes of making a recommendation on the Scheme, namely all the Directors other than Mr. Ang
“Irrevocable Undertaking”	:	As defined in paragraph 4 of the Letter to Shareholders
“Joint Announcement”	:	The joint announcement by the Company and the Acquiror dated 10 February 2012 in relation to the Acquisition and the Scheme
“Last Full Trading Day”	:	9 February 2012, being the last full trading day preceding the Announcement Date
“Latest Practicable Date”	:	11 June 2012, being the latest practicable date prior to the printing of this Scheme Document
“Letter to Shareholders”	:	The letter from the Directors to the Shareholders as set out on pages 9 to 21 of this Scheme Document
“Listing Manual”	:	The listing manual issued by the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for the trading of securities
“Mr. Ang”	:	Mr. Ang Seong Kang Samuel
“Nera (Malaysia)”	:	Nera (Malaysia) Sdn. Bhd.
“NTA”	:	Net tangible assets
“Offer”	:	Any other voluntary offer on terms to be made by the Acquiror to acquire all the Shares
“Official List”	:	As defined in the Listing Manual
“Optionholders”	:	Holders of the outstanding Options
“Options”	:	Options granted by the Company under the Company Employees’ Share Option Scheme
“Options Proposal”	:	As defined in paragraph 3.4 of the Letter to Shareholders
“Overseas Shareholders”	:	As defined in paragraph 18.1 of the Explanatory Statement
“Party”	:	Either the Acquiror or the Company, and “Parties” shall mean both of them
“PBT”	:	Profit before tax

DEFINITIONS

“Permitted Dividend”	:	As defined in paragraph 3.1 of the Letter to Shareholders
“P/NTA”	:	As defined in paragraph 3.5 of the Letter to Shareholders
“Prescribed Occurrences”	:	The prescribed occurrences, which if any such event occurs between the date of the Implementation Agreement and the Record Date, the occurrence of such an event would be a failure to fulfill one of the Conditions Precedent, and which are reproduced in Appendix 11 to this Scheme Document
“Proxy Form” or “form of proxy”	:	The proxy form for the Scheme Meeting is as set out in this Scheme Document
“PwCCF”	:	PricewaterhouseCoopers Corporate Finance Pte Ltd, being the financial adviser to the Acquiror
“Record Date”	:	The Business Day immediately preceding the Effective Date
“Register of Members”	:	The register of members of the Company
“Regulatory Authority”	:	Any foreign or Singapore government or governmental, semi-governmental, administrative, regulatory (including, without limitation, the SIC), fiscal or judicial agency, authority, body, commission, department, stock exchange (including, without limitation, the SGX-ST), tribunal or entity
“Restructuring”	:	As defined in paragraph 3.6 of the Letter to Shareholders
“Retention Bonuses”	:	As defined in paragraph 6.1 of the Letter to Shareholders
“Retention Bonus Letter”	:	As defined in paragraph 6.1 of the Letter to Shareholders
“Rippledote”	:	Rippledote Capital Advisers Pte. Ltd., being the financial adviser to Eltek
“Sale Process”	:	As defined in paragraph 1.7 of the Letter to Shareholders
“Scheme”	:	The scheme of arrangement under Section 210 of the Companies Act which is dated 14 June 2012 and set out on pages 168 to 173 of this Scheme Document (as may be amended or modified from time to time)
“Scheme Consideration”	:	As defined in paragraph 3.1 of the Letter to Shareholders
“Scheme Court Order”	:	The order of the Court sanctioning the Scheme under Section 210 of the Companies Act
“Scheme Document”	:	This document dated 14 June 2012 and any other document(s) which may be issued by or on behalf of the Company to amend, revise, supplement or update the document(s) from time to time
“Scheme Meeting”	:	The meeting of Shareholders to be convened at the direction of the Court, notice of which is set out on pages 174 to 175 of this Scheme Document, and any adjournment thereof

DEFINITIONS

“ Securities Account ”	:	The relevant securities account maintained by a Depositor with CDP but does not include a securities sub-account
“ Service Agreement ”	:	As defined in paragraph 10.2 of Appendix 4 to this Scheme Document
“ Service Contract ”	:	As defined in paragraph 7 of the Letter to Shareholders
“ SGXNET ”	:	The website of the SGX-ST
“ SGX-ST ”	:	Singapore Exchange Securities Trading Limited
“ SGX-ST Approval ”	:	As defined in paragraph 11.1 of the Explanatory Statement
“ Share Consideration ”	:	As defined in paragraph 3.1 of the Letter to Shareholders
“ Shareholders ”	:	Persons who are registered as holders of the Shares in the Register of Members and Depositors who have Shares entered against their names in the Depository Register
“ Share Registrar ”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“ Shares ”	:	Issued and fully paid-up ordinary shares in the capital of the Company
“ SIC ”	:	Securities Industry Council of Singapore
“ SIC Approval ”	:	As defined in paragraph 11.1 of the Explanatory Statement
“ SIC Undertaking ”	:	As defined in paragraph 12.1 of the Explanatory Statement
“ ST Engineering ”	:	Singapore Technologies Engineering Ltd
“ ST Engineering Group ”	:	ST Engineering group of companies
“ ST Engineering Restricted Share Plan ”	:	Singapore Technologies Engineering Restricted Share Plan 2010, as approved by members of ST Engineering at the annual general meeting held on 21 April 2010
“ Substantial Shareholders ”	:	Shareholders who hold five (5) per cent. or more interests in the Company
“ Switch Option ”	:	As defined in paragraph 3.3 of the Letter to Shareholders
“ S\$ ”	:	Singapore dollars
“ Transfer Books ”	:	The transfer books of the Company
“ VWAP ”	:	Volume weighted average price
“ % ” or “ per cent. ”	:	Per centum or percentage

DEFINITIONS

Acting in Concert and Concert Parties. The expression “**acting in concert**” and the term “**concert parties**” shall have the meanings ascribed to them respectively in the Code.

Depositors and Depository Register. The expressions “**Depositor**” and “**Depository Register**” shall have the same meanings as ascribed to them respectively in Section 130A of the Companies Act.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words indicating a specific gender shall, where applicable, include the other genders (male, female or neuter). References to persons shall, where applicable, include corporations.

Headings. The headings in this Scheme Document are inserted for convenience only and shall be ignored in construing this Scheme Document.

Rounding. Any discrepancies in the figures included in this Scheme Document between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in totals in this Scheme Document may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Scheme Document are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST).

Statutes. Any reference in this Scheme Document to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Companies Act, the Code, the Listing Manual or any modification thereof and not otherwise defined in this Scheme Document shall, where applicable, have the meaning ascribed to that word under the Companies Act, the Code, the Listing Manual or that modification, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporations. The expressions “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of day and date in this Scheme Document shall be a reference to Singapore time and date respectively, unless otherwise specified.

Total Number of Shares. In this Scheme Document, the total number of Shares (excluding treasury shares) is 361,897,000 as at the Latest Practicable Date.

EXPECTED TIMETABLE

Latest date and time for lodgement of Proxy Form in respect of the Scheme Meeting	:	4 July 2012, 3.30 p.m. ⁽¹⁾⁽²⁾
Date and time of the Scheme Meeting	:	6 July 2012, 3.30 p.m.
Place of the Scheme Meeting	:	Ballroom 1 (Level 3), Hilton Hotel 581 Orchard Road, Singapore 238883
Expected date of Court hearing application to sanction the Scheme	:	19 July 2012
Expected last day of trading of the Shares	:	26 July 2012
Expected Books Closure Date	:	1 August 2012, 5.00 p.m.
Expected Record Date	:	1 August 2012 ⁽³⁾
Expected Effective Date	:	2 August 2012 ⁽⁴⁾
Expected date for the payment of the Scheme Consideration	:	By 12 August 2012 ⁽³⁾
Expected date for the delisting of the Company Shares	:	After payment of the Scheme Consideration

You should note that save for the latest date and time for lodgement of the Proxy Form and the date, time and place of the Scheme Meeting, the above timetable is indicative only and may be subject to change. For the events listed above which are described as “expected”, please refer to future announcement(s) by the Company and/or the SGX-ST for the exact dates of these events.

Notes:

- ⁽¹⁾ Shareholders are requested to lodge the Proxy Forms for the Scheme Meeting in accordance with the instructions contained therein not less than 48 hours before the time set for the Scheme Meeting, but if it is not so lodged, it must be handed to the Chairman of the Scheme Meeting at the Scheme Meeting.
- ⁽²⁾ All Proxy Forms for the Scheme Meeting (if lodged before the Scheme Meeting) must be lodged with the Company at 109 Defu Lane 10, Singapore 539225. Completion and lodgement of a Proxy Form will not prevent a Shareholder from attending and voting in person at the Scheme Meeting if they subsequently wish to do so. In such event, the relevant Proxy Form will be deemed to be revoked.
- ⁽³⁾ Assuming that the Effective Date is on 2 August 2012.
- ⁽⁴⁾ The Scheme will only be effective and binding upon lodgement of the Scheme Court Order with ACRA. The Scheme Court Order will be lodged with ACRA upon the satisfaction (or, where applicable, waiver) of all the Conditions Precedent, a list of which is set out in **Appendix 10** to this Scheme Document.

CORPORATE INFORMATION

DIRECTORS	:	S. Chandra Das Ang Seong Kang Samuel Lau Ping Sum Sitoh Yih Pin Jørgen Larsen Pål Skistad
COMPANY SECRETARY	:	Tan Cher Liang
REGISTERED OFFICE	:	50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623
PLACE OF BUSINESS	:	109 Defu Lane 10 Singapore 539225
SHARE REGISTRAR	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623
LEGAL ADVISER TO THE COMPANY	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
INDEPENDENT FINANCIAL ADVISER	:	Deloitte & Touche Corporate Finance Pte Ltd 6 Shenton Way #32-00, DBS Building Tower Two Singapore 068809
AUDITORS	:	Ernst & Young LLP One Raffles Quay North Tower, Level 18 Singapore 048583

LETTER TO SHAREHOLDERS

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197802690R)

Directors:

S. Chandra Das, *Chairman, Independent, Non-executive Director*
Ang Seong Kang Samuel, *President and CEO, Executive Director*
Lau Ping Sum, *Independent, Non-executive Director*
Sitoh Yih Pin, *Independent, Non-executive Director*
Jørgen Larsen, *Non-independent, Non-executive Director*
Pål Skistad, *Non-independent, Non-executive Director*

Registered Office:

50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

14 June 2012

To: The Shareholders of Nera Telecommunications Ltd

Dear Sir/Madam

PROPOSED ACQUISITION OF NERA TELECOMMUNICATIONS LTD BY THE ACQUIROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE

1. INTRODUCTION

1.1 Announcement of the Acquisition and the Scheme

On 10 February 2012, the Company and the Acquiror jointly announced the proposed acquisition of the Company by the Acquiror to be effected by way of a Scheme ("**Acquisition**").

1.2 Effect of the Scheme and the Delisting

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST subject to the Scheme being approved by the Shareholders and the Court. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

SHAREHOLDERS SHOULD NOTE THAT BY VOTING IN FAVOUR OF THE SCHEME, THE COMPANY WILL BE DELISTED AND THE SHARES WITHDRAWN FROM THE OFFICIAL LIST OF THE SGX-ST IF THE SCHEME BECOMES EFFECTIVE AND BINDING IN ACCORDANCE WITH ITS TERMS.

1.3 Purpose

The purpose of this Scheme Document is to set out information pertaining to the Scheme, to give you notice of the Scheme Meeting and to seek your approval of the Scheme.

1.4 Explanatory Statement

An Explanatory Statement setting out the key terms of, the rationale for and the effect of the Scheme and the procedures for its implementation is set out on pages 22 to 35 of this Scheme Document. The Explanatory Statement should be read in conjunction with the full text of this Scheme Document, including the Scheme as set out on pages 168 to 173 of this Scheme Document.

LETTER TO SHAREHOLDERS

1.5 Information on the Company

The Company is incorporated in the Republic of Singapore and listed on the Official List of the SGX-ST.

The Company is a premier solutions provider, which offers a comprehensive range of products, solutions and services from satellite communications, wireless infrastructure networks to internet protocol, optical and broadcast network infrastructure and payment solutions. The Company which is headquartered in Singapore was established in 1978 and markets its products, solutions and services to customers in Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Brunei, Laos, Cambodia, Myanmar, Taiwan, Korea, China, India, Bangladesh, Pakistan, Sri Lanka, Nepal, Middle East and North Africa.

The Company's market capitalisation as of the close of market trading on 8 June 2012 being the Market Day immediately preceding the Latest Practicable Date was approximately S\$159,234,680.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 361,897,000 Shares. There are no outstanding Options granted under the Company Employees' Share Option Scheme.

A structure chart setting out the Group and its associated company is set out in **Appendix 1** to this Scheme Document.

1.6 Information on the Acquiror

As stated in the Acquiror's Letter, the Acquiror is a wholly-owned subsidiary of ST Engineering, which is listed on the Official List of the SGX-ST.

The Acquiror, the electronics arm of the ST Engineering Group, delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide, and markets its solutions to more than 100 countries internationally. It specialises in the design, development and integration of advanced electronics and communications systems, such as broadband radio frequency and satellite communication, e-Government solutions, information communications technologies and IT, rail and traffic management, real-time command and control, modelling and simulation, interactive digital media, intelligent building management and information security.

The Acquiror Concert Group's shareholdings in the Company are set out in **paragraph 11** of the Acquiror's Letter.

1.7 Information on Eltek's Sale Process

In April 2011, Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares, appointed Rippledote as its financial adviser to undertake the process of selling its 50.05 per cent. interest in the Company (the "**Sale Process**"). The Company facilitated the Sale Process by making available key personnel for the purposes of providing views on the list of potential bidders provided by Rippledote, providing information on the Company's business for Rippledote to include in an information memorandum as well as commenting on the information memorandum, participating in management presentations to bidders, making available information and documents as well as responding to Rippledote's and the bidders' queries during the due diligence process. The Company and Eltek had signed tripartite confidentiality agreements with potential bidders as part of the Sale Process.

Eltek has confirmed that the Sale Process was a private auction process that involved a wide range of potential bidders. From June 2011 to September 2011, Rippledote had reached out to parties across the globe, including various strategic players and private equity firms. A total of 23 parties signed the confidentiality agreement and received the information memorandum, following which 12 parties chose to participate in the management presentation.

LETTER TO SHAREHOLDERS

On 18 November 2011, Eltek received a bid letter from the Acquiror. Post clarifications from the Acquiror on certain conditions to the bid, it was determined by Eltek and its advisers to be the best offer received in terms of pricing and certainty of completion. On 30 November 2011, the bid letter received from the Acquiror and associated draft transaction documents were forwarded to the board of directors of the Company following an Eltek board meeting accepting the Acquiror's bid.

A board meeting of the Company was held on 5 December 2011 to consider the proposal from the Acquiror, following which Mr. Ang (President and CEO of the Company) and Allen & Gledhill LLP proceeded to negotiate the Implementation Agreement on behalf of the Company, under the terms and conditions set out in the Acquiror's acquisition proposal letter dated 18 November 2011 and the draft Implementation Agreement provided by the Acquiror. At the same time, Eltek and its advisers negotiated those terms of the agreements with the Acquiror as they pertained to Eltek.

On 3 February 2012, the Company issued the Holding Announcement. The Joint Announcement was subsequently made on 10 February 2012.

1.8 Third Party Proposals

From the Announcement Date up to the Latest Practicable Date, the Company has not received any alternative offer for the Shares from any third party.

2. RATIONALE FOR THE ACQUISITION AND FUTURE PLANS FOR THE COMPANY

2.1 Acquiror's Rationale

As stated in the Acquiror's Letter, the acquisition of the Group is a further step in the Acquiror's business strategy to expand its info-communication technology business. It will complement and enhance the Acquiror's existing business in terrestrial and wireless broadband networks.

The Scheme is also an attractive opportunity for Shareholders to monetise their investments, particularly in light of the current uncertain global economic and volatile stock market conditions. Recent market records show that the Shares have been generally thinly traded on the SGX-ST and with sporadic trading volume, which has inhibited the orderly selling of the Shares in the stock market. For the six-month period prior to the date of (a) the Holding Announcement and (b) the Announcement Date, the average trading volume for the Market Days on which the Shares were traded was 221,000 Shares and 332,470 Shares per day, representing approximately 0.06 per cent. and 0.09 per cent. of the total number of Shares, respectively.

2.2 Acquiror's Future Plans

As stated in the Acquiror's Letter, the Acquiror intends to retain the current management team and employees after the Effective Date. The Acquiror will conduct a comprehensive review of the Group's businesses over 12 to 18 months together with the current management team with the objective to achieve maximum synergies from the Acquisition. In the course of review, the Acquiror may identify areas which can be rationalised and streamlined and expressly reserves the right to make any changes that it deems necessary, appropriate or convenient in light of its review or in light of future developments.

Pending the aforesaid, the Acquiror currently has no intention to (a) introduce any major changes to the business of the Company or the operations of any of its subsidiaries, (b) re-deploy the Company's fixed assets or (c) discontinue the employment of any of the existing employees of the Group, other than in the ordinary course of business. However, the Acquiror retains the flexibility at any time to consider any options and opportunities, including the restructuring of the Group which may present themselves and which it may regard to be in the interest of the Acquiror.

LETTER TO SHAREHOLDERS

3. THE ACQUISITION AND THE SCHEME

3.1 Terms of the Scheme

The Acquisition will be effected by way of a scheme of arrangement under Section 210 of the Companies Act in accordance with the Code and the terms and conditions of the Implementation Agreement.

The Scheme is proposed to all Shareholders. As at the Latest Practicable Date, the Company has an issued share capital of S\$29,909,152 comprising 361,897,000 Shares.

Pursuant to the Scheme:

- (a) all the Shares held by the Entitled Shareholders will be transferred to the Acquiror; and
- (b) in consideration for such transfer, the Entitled Shareholders will receive an aggregate cash amount of S\$0.45 ("**Scheme Consideration**") for each Share so transferred comprising the following:
 - (i) S\$0.06 per Share payable by the Company as a cash dividend ("**Permitted Dividend**") amounting in aggregate to approximately S\$21.7 million¹; and
 - (ii) S\$0.39 per Share (excluding the Permitted Dividend) payable by the Acquiror ("**Share Consideration**") amounting in aggregate to approximately S\$141.1 million.

The Permitted Dividend and Share Consideration payable to any Entitled Shareholder in respect of the Shares held by such Entitled Shareholder will be rounded down to the nearest whole cent.

Pursuant to the Scheme, the Shares will be transferred to the Acquiror fully paid, free from any Encumbrance and together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date but excluding the Permitted Dividend. For the avoidance of doubt, the Entitled Shareholders will be entitled to retain the Permitted Dividend if the Scheme is approved in accordance with its terms.

3.2 Permitted Dividend

The Company will pay to the Shareholders the Permitted Dividend, amounting in aggregate to approximately S\$21.7 million. The Permitted Dividend is conditional on the Scheme becoming binding and effective and Shareholders will not be entitled to the Permitted Dividend if the Scheme is not approved in accordance with its terms for the following reasons:

- (a) the Permitted Dividend is an integral component of the Acquisition and was determined on the assumption that the Scheme would become effective; and
- (b) in the event the Scheme is not effective, the Company may have different considerations and utilisation for its cash position. The Company may reserve its cash position for (i) future investments or expansion plans including exploring other merger and acquisitions options, and/or (ii) dividends (at such time and in such amounts as the Directors may deem appropriate).

The Company will make the payment of the Permitted Dividend entirely from its profits and cash. The Company does not need to realise its assets to pay the Permitted Dividend to the Shareholders. For the avoidance of doubt, the Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

¹ The Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

LETTER TO SHAREHOLDERS

3.3 Switch Option

Pursuant to the terms of the Implementation Agreement, in the event of a competing offer, the Acquiror has the discretion to increase the Scheme Consideration, or subject to consultation with the SIC, withdraw from the Scheme and make the Offer. In the event the Acquiror makes the Offer in lieu of proceeding with the Scheme (“**Switch Option**”), such Offer will be at a consideration per Share not less than the Scheme Consideration and conditional only upon such level of acceptances as the SIC may approve. If the Acquiror exercises the Switch Option, the Implementation Agreement shall terminate with effect from the date of announcement of the Offer save for provisions relating to confidentiality, costs and expenses and governing law and jurisdiction. Following termination of the Implementation Agreement, neither the Company nor the Acquiror shall have any claim against the other under the Implementation Agreement.

3.4 No Options Proposal

As at the Latest Practicable Date, the Company does not have any outstanding Options granted under the Company Employees’ Share Option Scheme. Accordingly, no Options proposal will be made by the Acquiror (“**Options Proposal**”). The SIC has confirmed that it has no objections to the Acquiror not making an Options Proposal to the Optionholders pursuant to Rule 19 of the Code.

3.5 Analysis of the Scheme Consideration

The Scheme Consideration for each Share is S\$0.45 in cash.

The implied premium of the Scheme Consideration compared to the Share price as at the close of trading on 18 November 2011, being the date on which Eltek received a bid letter from the Acquiror, is as follows:

	Share Price	Scheme Consideration per Share	Premium to Share Price	
	(S\$)	(S\$)	(S\$)	(%)
Closing price on 18 November 2011	0.365	0.450	0.085	23.29
1 calendar month VWAP up to 18 November 2011	0.362	0.450	0.088	24.31
3 calendar months VWAP up to 18 November 2011	0.354	0.450	0.096	27.12
6 calendar months VWAP up to 18 November 2011	0.359	0.450	0.091	25.35
9 calendar months VWAP up to 18 November 2011	0.368	0.450	0.082	22.28

Source: Bloomberg

LETTER TO SHAREHOLDERS

The implied premium of the Scheme Consideration compared to the Share price as at the close of trading on 2 February 2012, being the date preceding the Holding Announcement Date, is as follows:

	Share Price (S\$)	Scheme Consideration per Share (S\$)	Premium to Share Price	
			(S\$)	(%)
Closing price on 2 February 2012	0.430	0.450	0.020	4.65
1 calendar month VWAP up to 2 February 2012	0.424	0.450	0.026	6.13
3 calendar months VWAP up to 2 February 2012	0.401	0.450	0.049	12.22
6 calendar months VWAP up to 2 February 2012	0.381	0.450	0.069	18.11
9 calendar months VWAP up to 2 February 2012	0.378	0.450	0.072	19.05

Source: Bloomberg

The implied premium/discount of the Scheme Consideration compared to the Share price as at the close of trading on the Last Full Trading Day, is as follows:

	Share Price (S\$)	Scheme Consideration per Share (S\$)	Premium/Discount to Share Price	
			(S\$)	(%)
Closing price on 9 February 2012	0.475	0.450	(0.025)	(5.26)
1 calendar month VWAP up to 9 February 2012	0.450	0.450	0.000	0.00
3 calendar months VWAP up to 9 February 2012	0.429	0.450	0.021	4.90
6 calendar months VWAP up to 9 February 2012	0.412	0.450	0.038	9.22
9 calendar months VWAP up to 9 February 2012	0.403	0.450	0.047	11.66

Source: Bloomberg

The Price-to-Net Tangible Assets (“**P/NTA**”) multiple implied by the Scheme Consideration is as follows:

	NTA S\$'000	NTA ⁽¹⁾ per Share	Implied P/NTA ratio (times)
Before Restructuring	S\$66,641	S\$0.184	2.45
After Restructuring	S\$72,133	S\$0.199	2.26

Note:

⁽¹⁾ NTA per Share is calculated based on the Company’s unaudited consolidated NTA as at 31 March 2012 and 361,897,000 Shares as at 31 March 2012.

LETTER TO SHAREHOLDERS

3.6 Restructuring

One of the Conditions Precedent is the transfer of all the remaining shares in Nera (Malaysia) from the other shareholders of Nera (Malaysia) to the Company free from all Encumbrances, such that Nera (Malaysia) will become a wholly-owned subsidiary of the Company (the “**Restructuring**”). Notwithstanding that the Restructuring is a Condition Precedent, the Company had always intended to undertake the Restructuring. Therefore, in the event the Scheme does not become effective, it is still the Company’s intention to proceed with the Restructuring.

A comparative table which sets out the financial effects of the Restructuring in relation to the Group is as follows:

	The Group before the Restructuring as at 31 December 2011	The Group after the Restructuring as at 31 December 2011 ⁽¹⁾	The Group before the Restructuring as at 31 March 2012	The Group after the Restructuring as at 31 March 2012 ⁽²⁾
	S\$’000	S\$’000	S\$’000	S\$’000
Revenue	156,238	168,895	43,544	45,938
Cash balance	46,535	52,018	54,014	60,374
Borrowings	35	35	28	28
Net assets	61,246	66,381	67,850	73,342
EBITDA	19,232	20,499	9,057	9,505
Profit after tax	13,505	14,695	6,492	6,967

Notes:

⁽¹⁾ The numbers are calculated on an illustrative basis on the assumption that Nera (Malaysia) is 100 per cent. owned by the Company post-Restructuring as at 31 December 2011.

⁽²⁾ The numbers are calculated on an illustrative basis on the assumption that Nera (Malaysia) is 100 per cent. owned by the Company post-Restructuring as at 31 March 2012.

4. IRREVOCABLE UNDERTAKING

Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares, has given an irrevocable undertaking (“**Irrevocable Undertaking**”) to the Acquiror to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme.

In the event the Acquiror exercises the Switch Option, Eltek has also undertaken to accept the Offer in respect of all its Shares, provided that where the competing offer is made at not less than S\$0.475 per Share before the Scheme is approved by Shareholders or two (2) Business Days prior to the final closing date of the Offer, and the Acquiror does not revise its terms, whether under the Scheme or Switch Option (as the case may be), to match or surpass the same, Eltek may opt to accept the competing offer subject to payment of a compensation amount of S\$1.6 million to the Acquiror for its advisory costs, financing costs, costs of management and directors’ time and reasonable opportunity costs in pursuing the Scheme or the Offer (as the case may be).

The Irrevocable Undertaking lapses if the Scheme is withdrawn or terminated or lapses or fails to become or be declared to be unconditional, or is not completed prior to the date falling on the expiry of six (6) calendar months from the date of the Irrevocable Undertaking (or such other date as Eltek and the Acquiror may agree), for any reason other than a breach of Eltek’s obligations thereunder or pursuant to the Offer.

Further details of the Irrevocable Undertaking can be found in **paragraph 5** of the Explanatory Statement.

LETTER TO SHAREHOLDERS

5. INCENTIVE PAYMENT BY ELTEK

The Company had been informed by Eltek and Mr. Ang in August 2011 that Mr. Ang, the President and CEO of the Company, had at the request of Eltek, on 5 August 2011 entered into an incentive agreement with Eltek ("**Incentive Agreement**"), pursuant to which Mr. Ang had undertaken, *inter alia*,

- (a) subject to the consent, and directions, of the board of Directors and any legal, equitable, fiduciary or contractual obligations, to consult in good faith with Eltek with a view to providing and establishing appropriate procedures for the purpose of facilitating the possible sale of Eltek's Shares; and
- (b) subject to the directions of the board of Directors or Shareholders and except as otherwise required under, *inter alia*, applicable laws or by the terms of any contract, not to take, or procure the taking of, any action without the approval of the Shareholders on the affairs of any Group Company that could result in the possible sale of Eltek's Shares being frustrated.

Mr. Ang's role pursuant to the Incentive Agreement is over and above his regular duty as the President and CEO of the Company. In particular, Mr. Ang had, pursuant to the Incentive Agreement, provided reasonable and timely access to information in relation to the Group for the purpose of preparing the information memorandum and management presentations with potential bidders.

In consideration of his undertakings, Eltek had agreed to pay to Mr. Ang on (and subject to) completion of the sale of Eltek's Shares, a fixed retention incentive and a transaction incentive pegged to the aggregate amount received by Eltek for the sale of its Shares. Based on the Scheme Consideration payable, Eltek will pay Mr. Ang an aggregate sum of S\$2.0 million.

6. KEY PERSONNEL RETENTION BONUSES

6.1 Rationale for Retention Bonuses

To reinforce and encourage the continued attention and dedication of key officers and employees of the Group to their assigned duties and to retain such key personnel to ensure the continued growth and profitability of the Group, the Company has, at the request of and after negotiations with the Acquiror, offered retention bonuses to various key personnel (excluding Mr. Ang, in view of the retention bonus amount he will receive pursuant to the Service Contract with ST Engineering as defined and described in **paragraph 7** below) by way of a retention bonus letter ("**Retention Bonus Letter**"), comprising payments of an aggregate sum not exceeding S\$1.5 million ("**Retention Bonuses**"). The terms of payments of the Retention Bonuses were determined by the Acquiror. None of the Directors have been offered any Retention Bonuses by the Company.

6.2 Terms of the Retention Bonuses

Subject to certain exceptions, the Retention Bonuses are payable as follows:

- (a) 40 per cent. is payable subject to such key personnel remaining employed by the Group from the date of the Retention Bonus Letter to the Effective Date;
- (b) 20 per cent. is payable subject to such key personnel remaining employed by the Group from the Effective Date to a date falling 12 months thereafter and the Group meeting the stipulated PBT target for the financial period from 1 January 2012 to 31 December 2012; and
- (c) the final 40 per cent. is payable subject to such key personnel remaining employed by the Group from the Effective Date to a date falling 12 months thereafter and the Group meeting the stipulated PBT target for the financial period from 1 January 2013 to 30 June 2013.

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7. SERVICE CONTRACT

Mr. Ang has entered into a service contract with ST Engineering ("**Service Contract**"), which will come into effect on the Effective Date. Pursuant to the Service Contract, he will be employed as President of the Group (the Company will on the Effective Date become a wholly-owned subsidiary of the Acquiror which is in turn a wholly-owned subsidiary of ST Engineering). Other than terms relating to gross salary, transport allowance, medical, dental and hospitalisation benefits, and annual, medical, compassionate and hospitalisation leave, the Service Contract also provides for Mr. Ang to receive, *inter alia*,

- (a) a variable bonus of up to a maximum of 2.5 per cent. of the Group's audited PBT for each financial year;
- (b) a retention bonus of up to six (6) months of gross salary which is payable respectively in 2 tranches of three (3) months each subject to the Group meeting 70 per cent. of its PBT for the 12-month and 24-month periods after the Effective Date; and
- (c) upon completion of 24 months of service:
 - (i) a special incentive equivalent to 0.8 per cent. of the Group's audited PBT for the preceding 12 months before the first anniversary date of the Effective Date;
 - (ii) a special incentive equivalent to 1 per cent. of the Group's audited PBT for the preceding 12 months before the second anniversary date of the Effective Date, and
 - (iii) 100,000 ST Engineering shares under the ST Engineering Restricted Share Plan,

on the terms and subject to the conditions in the Service Contract.

Please refer to **paragraph 8** of the Explanatory Statement and **paragraph 10.1** of the Acquiror's Letter for further information.

Save as disclosed, as at the Latest Practicable Date, there is no other service contract with any Director or any person proposed to be appointed as a director of the Company and/or the Acquiror in connection with the Scheme.

8. NO CASH OUTLAY

Shareholders should note that no cash outlay (including any stamp duties or brokerage expenses) will be required from the Entitled Shareholders under the Scheme.

9. WAIVER OF RIGHTS TO A GENERAL OFFER

Shareholders should note that by voting in favour of the Scheme, the Shareholders will be regarded as having waived their rights to a general offer by the Acquiror Concert Group to acquire the Shares under the Code.

10. DELISTING

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST subject to the Scheme being approved by the Shareholders and the Court. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

LETTER TO SHAREHOLDERS

11. CONFIRMATION OF FINANCIAL RESOURCES

As stated in **paragraph 12** of the Acquiror's Letter, PwCCF, as financial adviser to the Acquiror, confirms that the Acquiror has sufficient financial resources to undertake and complete the Acquisition under the Scheme.

12. INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

12.1 Appointment of IFA

Deloitte & Touche Corporate Finance Pte Ltd has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Scheme. The advice of the IFA is set out in its letter dated 14 June 2012 ("**IFA Letter**") in **Appendix 2** to this Scheme Document.

12.2 Advice of the IFA

Extracts of the IFA Letter summarising its opinion to the Independent Directors in relation to the Scheme are reproduced in italics below. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as ascribed to them in the IFA Letter.

Shareholders should read the following extracts in conjunction with, and in the context of, the IFA Letter in its entirety as set out in **Appendix 2** to this Scheme Document:

"In arriving at our opinion in respect of the financial terms of the Scheme, we have taken into account the factors which we consider to have a significant bearing on our assessment which include the following:

- a. The Sale Process was undertaken by Eltek and Eltek has confirmed that the Sale Process was competitive and the Scheme Consideration is the best offer received by Eltek in terms of pricing and certainty of completion.*
- b. The Scheme Consideration is higher than the traded price of the Shares at any point in the two year period preceding the Holding Announcement Date (where, the Shares traded in the range of S\$0.31 to S\$0.43 per Share).*
- c. The premium of the Scheme Consideration is lower than the average and the median takeover premium for all the Successful TOPs in the Reference Period but still within the range of such premiums.*
- d. The average and premium offered in scheme of arrangements and voluntary delistings are lower than that for all the Successful TOPs but still higher than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.*
- e. The average and median premium offered in successful cash offers are higher than that for all the Successful TOPs and are substantially greater than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.*
- f. The LTM EV/EBITDA implied by the Scheme Consideration is below the minimum of those of the Comparable Companies and the LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Companies even when (i) the Company's financial ratios generally compare favourably with that of the Comparable Companies, and (ii) the Comparable Companies are themselves not under any takeover or privatisation offer and their respective share prices do not reflect any takeover premia.*

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- g. The LTM EV/EBITDA implied by the Scheme Consideration is marginally below the minimum of those of the Comparable Transactions and the LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Transactions.*
- h. The Scheme has to be approved by a majority in number of Shareholders AND 75% in value of the Shares voted at the Scheme Meeting and is binding on all Shareholders.*
- i. The Irrevocable Undertaking and the Switch Option allow Eltek to accept a competing offer should the offer be S\$0.475 per Share or higher, and the Acquiror does not match or exceed this offer. As such, it is possible for a competing offeror to gain control of the Company. However, from the Announcement Date up to the Latest Practicable Date, the Company has not received any competing offers for the Shares from any third party.*

*Having considered the factors listed in paragraph 7 and subject to the assumptions and qualifications set out elsewhere in this letter and taking into account the conditions prevailing as at the Latest Practicable Date, we are of the opinion that the Scheme Consideration is **fair and reasonable but not compelling**. Further, we are of the opinion that the Scheme Consideration is not prejudicial to the interests of the Shareholders as a whole.”*

13. INDEPENDENT DIRECTORS' RECOMMENDATION

13.1 Independence of Directors

The SIC ruled on 14 March 2012 that Mr. Ang is exempted from the requirement to make a recommendation to the Shareholders on the Scheme as he would face an irreconcilable conflict of interests by reason of his (i) economic interest in the successful completion of the Acquisition (arising from both the Incentive Agreement and the Service Contract) and (ii) entering into the Service Contract to become (on the Effective Date) an employee of ST Engineering. Nonetheless, in accordance with Note 1 on Rule 8.3 of the Code, Mr. Ang will continue to assume responsibility for the accuracy of the facts stated in documents which the Company will send to its Shareholders in connection with the Scheme.

Save as disclosed above, all Directors consider themselves to be independent for the purpose of making a recommendation to the Shareholders in respect of the Scheme.

As at the Latest Practicable Date, none of the directors and controlling shareholders of the Acquiror are related to the Directors and controlling shareholder of the Company.

13.2 Recommendation of Independent Directors

In reaching the recommendation set out below, the Independent Directors have considered carefully, amongst other things, the rationale and the terms of the Scheme, the terms of the Irrevocable Undertaking, Eltek's intention to focus on its power electric business and divest its Shares, the absence of a competing offer, the advice of the IFA as set out in the IFA Letter, and current general market and economic considerations. Having taken all the above matters into consideration and in the absence of a competing offer, the Independent Directors recommend as follows:

- (a) Shareholders who wish to realise their investment in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Scheme Consideration should VOTE IN FAVOUR of the Scheme. Shareholders should note that they will not bear any brokerage costs under the Scheme;
- (b) Shareholders who wish to realise all or part of their investment in the Company at this time, should consider disposing their Shares in the open market if they are able to obtain a price (after deducting related expenses) equal to or higher than the Scheme Consideration. Shareholders should note that the Shares have not traded above the value represented by the Scheme Consideration since the Announcement Date until the Latest Practicable Date; and

LETTER TO SHAREHOLDERS

- (c) Shareholders who are confident of the long-term prospects of the Company and who believe that they will be able to realise greater value from continuing to own their Shares should NOT VOTE IN FAVOUR of the Scheme. Shareholders who do not vote in favour of the Scheme should note that the future performance of the Share price is dependent on, amongst other things, the performance and future prospects of the Company, general market sentiment in the stock market and the prevailing and future economic conditions and outlook in the markets that the Group operates in.

Shareholders should note that there is no assurance that the trading volumes and market prices of the Shares will be maintained at the current levels as at the Latest Practicable Date in the short term if the Scheme does not become effective for whatever reason. In the event the Scheme becomes effective, it will be binding on all Shareholders. Shareholders should also be aware that there is currently no certainty that the Scheme will become effective.

Shareholders should read and consider carefully this Scheme Document in its entirety, in particular, the advice of the IFA as set out in the IFA Letter in **Appendix 2** to this Scheme Document before deciding whether or not to vote in favour of the Scheme.

13.3 No Regard to Specific Objectives

The Independent Directors advise the Shareholders, in deciding whether or not to vote in favour of the Scheme, to carefully consider the advice of the IFA and in particular, the various factors highlighted by the IFA in the IFA Letter.

In giving the above recommendation, the Independent Directors have not had regard to the specific objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints and circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

14. DIRECTORS' INTENTIONS WITH RESPECT TO THEIR SHARES

In the absence of a competing offer, the Directors who have a direct interest in Shares (namely, Mr. Lau Ping Sum, Mr. Sitoh Yih Pin and Mr. Ang) currently intend to vote in favour of the Scheme in respect of the Shares they have a direct interest in.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Scheme Document) having taken all reasonable care, collectively and individually accept full responsibility for the fairness and accuracy of the facts, information given and the opinions expressed in this Scheme Document and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Scheme Document constitutes full and true disclosure of all material facts about the Acquisition, the Scheme, and the Group (other than information relating to the Acquiror, the Irrevocable Undertaking (as defined and described in **paragraph 4** above), the Incentive Agreement (as defined and described in **paragraph 5** above), and the Service Contract (as defined and described in **paragraph 7** above) or opinions expressed by the Acquiror), and the Directors are not aware of any facts the omission of which would make any statement in this Scheme Document misleading.

Where any information in this Scheme Document has been (a) extracted from published or otherwise publicly available sources, (b) obtained from a named source or (c) obtained from the Acquiror, PwCCF, EY, Rippledots and/or the IFA, the sole responsibility of the Directors has been to ensure that, through reasonable enquiries, such information has been accurately and correctly extracted from those sources and/or reproduced in this Scheme Document in its proper form and context. The Directors do not accept responsibility for any information relating to or opinions expressed by the Acquiror, PwCCF, EY, Rippledots and/or the IFA.

LETTER TO SHAREHOLDERS

16. GENERAL INFORMATION

Your attention is drawn to the further relevant information in the Explanatory Statement and Appendices to this Scheme Document.

Yours faithfully
For and on behalf of
the Board of Directors of
NERA TELECOMMUNICATIONS LTD

S. Chandra Das
Chairman

EXPLANATORY STATEMENT
(in compliance with Section 211 of the Companies Act)

PROPOSED ACQUISITION OF THE COMPANY BY THE ACQUIROR BY WAY OF THE SCHEME

1. INTRODUCTION

1.1 Announcement of the Acquisition and the Scheme

On 10 February 2012, the directors of the Company and the Acquiror jointly announced the Acquisition of the Company by the Acquiror to be effected by way of a scheme of arrangement under Section 210 of the Companies Act in accordance with the Code and the terms and conditions of the Implementation Agreement.

1.2 Effect of the Scheme and the Delisting

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has granted its approval that, *inter alia*, subject to the Scheme being approved by the Shareholders and the Court, it has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

1.3 Explanatory Statement

This Explanatory Statement should be read in conjunction with the full text of this Scheme Document, including the Scheme as set out on pages 168 to 173 of this Scheme Document. Capitalised terms used in this Explanatory Statement which are not defined in this Explanatory Statement and the Scheme, shall bear the same meanings as ascribed to them on pages 1 to 6 of this Scheme Document.

2. RATIONALE FOR THE ACQUISITION

The rationale for the Acquisition is set out in **paragraph 7** of the Acquiror's Letter.

3. THE SCHEME

3.1 Holdings of the Acquiror

The Acquiror Concert Group's shareholdings in the Company are set out in **paragraph 11** of the Acquiror's Letter.

3.2 The Scheme

The Scheme is proposed to all Shareholders. Pursuant to the Scheme:

- (a) all the Shares held by the Entitled Shareholders will be transferred to the Acquiror; and
- (b) in consideration for such transfer, the Entitled Shareholders will receive the Scheme Consideration, being S\$0.45 in cash for each Share so transferred comprising the following:
 - (i) S\$0.06 per Share payable by the Company as the Permitted Dividend amounting in aggregate to approximately S\$21.7 million¹; and
 - (ii) S\$0.39 per Share (excluding the Permitted Dividend) payable by the Acquiror as the Share Consideration amounting in aggregate to approximately S\$141.1 million.

¹ The Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

EXPLANATORY STATEMENT

(in compliance with Section 211 of the Companies Act)

The Permitted Dividend and Share Consideration payable to any Entitled Shareholder in respect of the Shares held by such Entitled Shareholder will be rounded down to the nearest whole cent.

Pursuant to the Scheme, the Shares will be transferred to the Acquiror fully paid, free from any Encumbrance and together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date but excluding the Permitted Dividend. For the avoidance of doubt, the Entitled Shareholders will be entitled to retain the Permitted Dividend if the Scheme is approved in accordance with its terms.

3.3 Permitted Dividend

The Company will pay to the Shareholders the Permitted Dividend, amounting in aggregate to S\$21.7 million. The Permitted Dividend is conditional on the Scheme becoming binding and effective and Shareholders will not be entitled to the Permitted Dividend if the Scheme is not approved in accordance with its terms for the following reasons:

- (a) the Permitted Dividend is an integral component of the Acquisition and was determined on the assumption that the Scheme would become effective; and
- (b) in the event the Scheme is not effective, the Company may have different considerations and utilisation for its cash position. The Company may reserve its entire cash position for (i) future investments or expansion plans including exploring other merger and acquisition options, and/or (ii) dividends (at such time and in such amounts as the Directors may deem appropriate).

The Company will make the payment of the Permitted Dividend entirely from its profits and cash. The Company does not need to realise its assets to pay the Permitted Dividend to the Shareholders. For the avoidance of doubt, the Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

3.4 Scheme Consideration

The Scheme Consideration was arrived at after arm's length negotiations between Eltek and the Acquiror after taking into account, *inter alia*, the Company's historical and present financial performance and position, operations and business prospects, intellectual property rights (including brand recognition) and Share price performance. The Directors further understand from Eltek that the Scheme Consideration was obtained on a competitive basis and it was the best offer received by Eltek in terms of pricing and certainty of completion.

3.5 Switch Option

Pursuant to the terms of the Implementation Agreement, in the event of a competing offer, the Acquiror has the discretion to increase the Scheme Consideration, or subject to consultation with the SIC, withdraw from the Scheme and make the Offer. In the event the Acquiror exercises the Switch Option, such Offer will be at a consideration per Share not less than the Scheme Consideration and conditional only upon such level of acceptances as the SIC may approve. If the Acquiror exercises the Switch Option, the Implementation Agreement shall terminate with effect from the date of announcement of the Offer save for provisions relating to confidentiality, costs and expenses and governing law and jurisdiction. Following termination of the Implementation Agreement, neither the Company nor the Acquiror shall have any claim against the other under the Implementation Agreement.

3.6 No Cash Outlay

Shareholders should note that no cash outlay (including any stamp duties or brokerage expenses) will be required from the Entitled Shareholders under the Scheme.

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3.7 Waiver of Rights to a General Offer

Shareholders should note that by voting in favour of the Scheme, the Shareholders will be regarded as having waived their rights to a general offer by the Acquiror Concert Group to acquire the Shares under the Code.

4. COMPANY EMPLOYEES' SHARE OPTION SCHEME

4.1 Outstanding Options

As at the Latest Practicable Date, there are no outstanding Options exercisable into Shares. Consequentially, there will be no Options Proposal.

4.2 No Options Proposal

As there are no outstanding Options, no separate Options Proposal will be made by the Acquiror. The SIC has confirmed that it has no objections to the Acquiror not making an Options Proposal to the Optionholders pursuant to Rule 19 of the Code.

5. IRREVOCABLE UNDERTAKING

5.1 Undertaking to Vote

Eltek, being the sole controlling Shareholder holding 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares, has given an Irrevocable Undertaking to the Acquiror to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme. The Irrevocable Undertaking relates to an aggregate of 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares as at the Latest Practicable Date.

In the event the Acquiror exercises the Switch Option, Eltek has also undertaken to accept the Offer in respect of all its Shares, provided that where the competing offer is made at not less than S\$0.475 per Share before the Scheme is approved by Shareholders or two (2) Business Days prior to the final closing date of the Offer, and the Acquiror does not revise its terms, whether under the Scheme or Switch Option (as the case may be), to match or surpass the same, Eltek may opt to accept the competing offer subject to payment of a compensation amount of S\$1.6 million to the Acquiror for its advisory costs, financing costs, costs of management and directors' time and reasonable opportunity costs in pursuing the Scheme or the Offer (as the case may be).

5.2 Termination of the Irrevocable Undertaking

Pursuant to the terms of the Irrevocable Undertaking, the obligations of Eltek under the Irrevocable Undertaking shall lapse if:

- (a) the Joint Announcement is not released within three (3) Business Days of the date of the Irrevocable Undertaking provided that the lapsing of Eltek's obligations thereunder shall not affect any rights or liabilities under the Irrevocable Undertaking in respect of prior instances of non-compliance of the terms of the same by Eltek; or
- (b) the Scheme is (i) withdrawn or terminated or lapses or fails to become or be declared to be unconditional or (ii) is not completed prior to the date falling on the expiry of six (6) calendar months from the date of the Irrevocable Undertaking (or such other date as Eltek and the Acquiror may agree) for any reason other than a breach of Eltek's obligations thereunder or pursuant to the Offer.

In such event, Eltek's obligations and liabilities under the Irrevocable Undertaking shall cease and determine and the Acquiror shall have no claim against Eltek thereunder, save for accrued rights.

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6. INCENTIVE PAYMENT BY ELTEK

The Company had been informed by Eltek and Mr. Ang in August 2011 that Mr. Ang, the President and CEO of the Company, had at the request of Eltek, on 5 August 2011 entered into the Incentive Agreement, pursuant to which Mr. Ang had undertaken, *inter alia*,

- (a) subject to the consent, and directions, of the board of Directors and any legal, equitable, fiduciary or contractual obligations, to consult in good faith with Eltek with a view to providing and establishing appropriate procedures for the purpose of facilitating the possible sale of Eltek's Shares; and
- (b) subject to the directions of the board of Directors or Shareholders and except as otherwise required under, *inter alia*, applicable laws or by the terms of any contract, not to take, or procure the taking of, any action without the approval of the Shareholders on the affairs of any Group Company that could result in the possible sale of Eltek's Shares being frustrated.

Mr. Ang's role pursuant to the Incentive Agreement is over and above his regular duty as the President and CEO of the Company. In particular, Mr. Ang had, pursuant to the Incentive Agreement, provided reasonable and timely access to information in relation to the Group for the purpose of preparing the information memorandum and management presentations with potential bidders.

In consideration of his undertakings, Eltek had agreed to pay to Mr. Ang on (and subject to) completion of the sale of Eltek's Shares, a fixed retention incentive and a transaction incentive pegged to the aggregate amount received by Eltek for the sale of its Shares. Based on the Scheme Consideration, Eltek will pay Mr. Ang an aggregate sum of S\$2.0 million.

7. KEY PERSONNEL RETENTION BONUSES

7.1 Rationale for Retention Bonuses

To reinforce and encourage the continued attention and dedication of key officers and employees of the Group to their assigned duties and to retain such key personnel to ensure the continued growth and profitability of the Group, the Company has, at the request of and after negotiations with the Acquiror, offered Retention Bonuses to various key personnel (excluding Mr. Ang, in view of the retention bonus amount he will receive pursuant to the Service Contract with ST Engineering as defined and described in **paragraph 7** of the Letter to Shareholders) by way of a Retention Bonus Letter, comprising the Retention Bonuses being an aggregate sum not exceeding S\$1.5 million. The terms of payments of the Retention Bonuses were determined by the Acquiror. None of the Directors have been offered any Retention Bonuses by the Company.

7.2 Terms of the Retention Bonuses

Subject to certain exceptions, the Retention Bonuses are payable as follows:

- (a) 40 per cent. is payable subject to such key personnel remaining employed by the Group from the date of the Retention Bonus Letter to the Effective Date;
- (b) 20 per cent. is payable subject to such key personnel remaining employed by the Group from the Effective Date to a date falling 12 months thereafter and the Group meeting the stipulated PBT target for the financial period from 1 January 2012 to 31 December 2012; and
- (c) the final 40 per cent. is payable subject to such key personnel remaining employed by the Group from the Effective Date to a date falling 12 months thereafter and the Group meeting the stipulated PBT target for the financial period from 1 January 2013 to 30 June 2013.

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8. SERVICE CONTRACT

Mr. Ang has entered into the Service Contract, which will come into effect on the Effective Date. Pursuant to the Service Contract, he will be employed as President of the Group (the Company will on the Effective Date become a wholly-owned subsidiary of the Acquiror which is in turn a wholly-owned subsidiary of ST Engineering). Other than terms relating to gross salary, transport allowance, medical, dental and hospitalisation benefits, and annual, medical, compassionate and hospitalisation leave, the Service Contract also provides for Mr. Ang to receive, *inter alia*,

- (a) a variable bonus of up to a maximum of 2.5 per cent. of the Group's audited PBT for each financial year;
- (b) a retention bonus of up to six (6) months of gross salary which is payable respectively in 2 tranches of three (3) months each subject to the Group meeting 70 per cent. of its PBT for the 12-month and 24-month periods after the Effective Date; and
- (c) upon completion of 24 months of service:
 - (i) a special incentive equivalent to 0.8 per cent. of the Group's audited PBT for the preceding 12 months before the first anniversary date of the Effective Date;
 - (ii) a special incentive equivalent to 1 per cent. of the Group's audited PBT for the preceding 12 months before the second anniversary date of the Effective Date; and
 - (iii) 100,000 ST Engineering shares under the ST Engineering Restricted Share Plan,

on the terms and subject to the conditions in the Service Contract.

Save as disclosed, as at the Latest Practicable Date, there is no other service contract with any director or any person proposed to be appointed as a director of the Company and/or the Acquiror in connection with the Scheme.

9. INFORMATION ON THE ACQUIROR

Information on the Acquiror, as well as the Acquiror's rationale for the Acquisition and future plans for the Group, are set out in the Acquiror's Letter.

10. THE SCHEME MEETING

10.1 The Scheme Meeting

The Scheme, which is proposed pursuant to Section 210 of the Companies Act, is required to be approved by the Shareholders at the Scheme Meeting. By an order of the Court, the Scheme Meeting was directed to be convened for the purpose of approving the Scheme.

By proposing that the Acquisition be implemented by way of a scheme of arrangement under Section 210 of the Companies Act, the Company is providing the Shareholders with the opportunity to decide at the Scheme Meeting whether they consider the Scheme to be in their best interests.

The Scheme must be approved at the Scheme Meeting by a majority in number of the Shareholders present and voting, either in person or by proxy, at the Scheme Meeting, such majority holding not less than 75 per cent. in value of the Shares voted at the Scheme Meeting.

When the Scheme, with or without modification, becomes effective, it will be binding on all the Shareholders, whether or not they were present in person or by proxy or voted at the Scheme Meeting.

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10.2 Notice

The notice of the Scheme Meeting is set out on pages 174 to 175 of this Scheme Document. You are requested to take note of the date, time and place of the Scheme Meeting.

11. CONDITIONS OF THE SCHEME

11.1 Conditions Precedent

The Scheme is conditional upon the satisfaction (or where applicable, waiver) of a number of Conditions Precedent not later than 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing). A list of the Conditions Precedent is set out in **Appendix 10** to this Scheme Document.

The SIC has by way of a letter dated 10 February 2012 confirmed, *inter alia*, that the Scheme is exempted from Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) to Rule 19 of the Code subject to certain conditions ("**SIC Approval**"). Please refer to **paragraph 12.1(a)** below for further details.

The SGX-ST has by way of a letter dated 30 May 2012 granted its approval-in-principle of this Scheme Document and for the proposed delisting of the Company ("**SGX-ST Approval**"). Please refer to **paragraph 13** below for further details.

Other than the receipt of the SIC Approval and the SGX-ST Approval, none of the other Conditions Precedent set out in **Appendix 10** to this Scheme Document have, as at the Latest Practicable Date, been satisfied or waived.

Accordingly, as at the Latest Practicable Date, the Scheme is conditional upon the satisfaction (or where applicable, waiver) of the remaining Conditions Precedent set out in **Appendix 10** to this Scheme Document not later than 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing).

11.2 Non-fulfillment of Conditions Precedent

The Scheme will only become effective and binding if all the Conditions Precedent have been satisfied (or where applicable, waived). The Shareholders should note that if any of the Conditions Precedent is not satisfied (or where applicable, waived) by 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing), the Scheme may not become effective.

11.3 Termination Right

The Shareholders should note that pursuant to the terms of the Implementation Agreement, the Implementation Agreement may be terminated (and hence the Scheme will not proceed) in the following circumstances:

- (a) The Implementation Agreement provides, *inter alia*, that the Implementation Agreement may be terminated with immediate effect by giving notice in writing at any time prior to the Effective Date, subject to the prior consultation or approval, as may be applicable, of the SIC:
 - (i) **Court Order:** by either Party, if any court of competent jurisdiction or Regulatory Authority has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, the Acquisition or any part thereof, or has refused to do anything necessary to permit the Scheme, the Acquisition or any part thereof, and such order, decree, ruling, other action or refusal shall have become final and non-appealable;

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- (ii) **Breach:** by either Party if the other Party is in breach of any provision of the Implementation Agreement, provided that the non-defaulting Party has given written notice to the other Party of its intention to terminate the Implementation Agreement. In this circumstance, the Implementation Agreement shall be terminated on the date falling five (5) Business Days after the date of such notice of termination; or
 - (iii) **Shareholders' Approvals:** by either Party, if the resolutions submitted to the Scheme Meeting are not approved by the requisite majorities.
 - (b) Notwithstanding anything contained in the Implementation Agreement, the Implementation Agreement will terminate if any of the Conditions Precedent has not been satisfied (or where applicable, has not been waived) no later than six (6) calendar months from the Announcement Date (or such other date as the Parties may agree in writing) except that:
 - (i) in the event of any non-fulfillment of the Conditions Precedent in **paragraph 5** (in relation to Prescribed Occurrences relating to the Group), **paragraph 6** (in relation to the Restructuring) and **paragraph 7** (in relation to representations and warranties provided by the Company) of **Appendix 10** to this Scheme Document, the Acquiror can only rely on such non-fulfillment of any such Condition Precedent to terminate the Implementation Agreement with the prior consultation of the SIC; and
 - (ii) in the event of any non-fulfillment of the Conditions Precedent in **paragraph 5** (in relation to Prescribed Occurrences relating to the Acquiror and its related corporations) and **paragraph 8** (in relation to the representations and warranties provided by the Acquiror) of **Appendix 10** to this Scheme Document, the Company can only rely on such non-fulfillment of any such Condition Precedent to terminate the Implementation Agreement with the prior consultation of the SIC.
- A list of the Prescribed Occurrences is set out in **Appendix 11** to this Scheme Document.
- (c) In the event of termination of the Implementation Agreement by either Party pursuant to the terms of the Implementation Agreement, the Implementation Agreement shall terminate (except for the provisions relating to confidentiality, costs and expenses and governing law and jurisdiction) and there shall be no other liability on the part of either Party. The only remedy the Acquiror has under the Implementation Agreement against the Company for any breach or non-compliance of the Implementation Agreement shall be only the right of termination of the Implementation Agreement with the prior consultation of the SIC.

12. CONDITIONS PRECEDENT AND REGULATORY APPROVALS

12.1 SIC

The SIC has by way of a letter dated 10 February 2012 confirmed, *inter alia*, that:

- (a) the Scheme is exempted from Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) to Rule 19 of the Code, subject to the following conditions:
 - (i) the Acquiror Concert Group abstaining from voting on the Scheme;
 - (ii) the common substantial shareholders of the Parties abstaining from voting on the Scheme;
 - (iii) the Directors who are also directors of the Acquiror abstaining from making any recommendation on the Scheme to Shareholders;
 - (iv) the Company appointing an independent financial adviser to advise the Shareholders on the Scheme;

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- (v) the Scheme Document containing advice to the effect that by voting for the Scheme, the Shareholders are agreeing to the Acquiror Concert Group acquiring or consolidating effective control in the Company without having to make a general offer for the Company; and
- (vi) the Scheme Document disclosing the names of the Acquiror Concert Group, their current voting rights in the Company as of the Latest Practicable Date and their voting rights in the Company after the Scheme.

The Acquiror Concert Group's shareholdings in the Company are set out in **paragraph 11** of the Acquiror's Letter, and the Acquiror Concert Group will duly abstain from voting on the Scheme.

As at the Latest Practicable Date, (1) there are no common substantial shareholders of the Company and the Acquiror, (2) there are no directors of the Company who are also directors of the Acquiror, and (3) the Company has appointed the IFA to advise the Independent Directors in relation to the Scheme.

In **paragraph 9** of the Letter to Shareholders and **paragraph 3.7** of the Explanatory Statement, and **paragraph 11** of the Acquiror's Letter, respectively, the Scheme Document (1) contains advice to the effect that by voting for the Scheme, the Shareholders are agreeing to the Acquiror Concert Group acquiring or consolidating effective control in the Company without having to make a general offer for the Company and (2) discloses the names of the Acquiror Concert Group and their current voting rights in the Company as of the Latest Practicable Date. The voting rights in the Company of the Acquiror Concert Group after the Scheme is set out in **paragraph 10** of the Letter to Shareholders and **paragraph 13** of the Explanatory Statement;

- (b) the Irrevocable Undertaking does not constitute a special deal under Rule 10 of the Code;
- (c) Eltek will not be regarded as a party acting in concert with the Acquiror Concert Group, subject to Eltek providing a written undertaking to the SIC ("**SIC Undertaking**") to the effect that:
 - (i) there is no agreement, arrangement or understanding (whether formal or informal) between Eltek and/or its concert parties on one hand, and the Acquiror Concert Group, on the other, to co-operate through the acquisition by any of them of voting rights to obtain or consolidate effective control of the Company;
 - (ii) save in respect of the Irrevocable Undertaking, there is no agreement, arrangement or understanding (whether formal or informal) between Eltek and/or its concert parties on one hand, the Acquiror Concert Group on the other, by which the Acquiror Concert Group can direct, instruct, prescribe, advise or otherwise influence the exercise of voting rights attached to any of the Shares or debt of the Company which Eltek and/or its concert parties own; and
 - (iii) there is no payment or consideration of any kind given by any of the Acquiror Concert Group to Eltek, whether in or outside Singapore, in respect of the Irrevocable Undertaking, other than consideration which would be made available to all Shareholders under the Scheme;

Eltek has on 10 February 2012 submitted the SIC Undertaking by way of a letter to the SIC;

- (d) the Acquiror may reserve the right to exercise the Switch Option in a competitive situation but the Acquiror should consult SIC before it exercises the Switch Option;

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- (e) the Retention Bonus Letter does not constitute a special deal under Rule 10 of the Code;
- (f) the Service Contract (as more particularly described in **paragraph 10.1** of the Acquiror's Letter) does not constitute a special deal under Rule 10 of the Code;
- (g) the directors of ST Engineering are dispensed from the requirement to assume responsibility for documents issued by or on behalf of the Acquiror;
- (h) the Acquiror is required to disclose the prescribed information in Rule 23.4 of the Code on the ST Engineering Group on a consolidated basis;
- (i) it has no objections to the Acquiror not making an Options Proposal to Optionholders pursuant to Rule 19 of the Code; and
- (j) it has no objections to the Acquiror limiting the enquiries of the Acquiror Concert Group's holdings and dealings in the Shares for the purposes of the Joint Announcement to the Acquiror, the Acquiror's directors and its financial adviser, PwCCF, subject to the Acquiror promptly making enquiries subsequent to the Joint Announcement of all other persons acting or presumed to be acting in concert with the Acquiror on the number of Shares owned, controlled or agreed to be acquired by them. If the aggregate number of Shares owned, controlled or agreed to be acquired by such other parties acting or presumed to be acting in concert with the Acquiror represent 0.5 per cent. or more of the total issued share capital of the Company, the Acquiror must promptly announce such holdings to the public.

12.2 Court

The Scheme is subject to sanction by the Court as stated in **paragraph 2** of **Appendix 10** to this Scheme Document.

12.3 SGX-ST

An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective as set out in **paragraph 13** below.

13. EFFECT OF THE SCHEME AND DELISTING

If the Scheme becomes effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has granted its approval that, *inter alia*, subject to the Scheme being approved by the Shareholders and the Court, it has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

The Company will be delisted and the Shares withdrawn from the Official List of the SGX-ST after the Scheme has become effective.

14. IMPLEMENTATION OF THE SCHEME

14.1 Application to Court for Sanction

Upon the Scheme being approved by a majority in number of the Shareholders present and voting, either in person or by proxy, at the Scheme Meeting, such majority holding not less than 75 per cent. in value of the Shares voted at the Scheme Meeting, an application will be made to the Court by the Company for the sanction of the Scheme.

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14.2 Procedure for Implementation

If the Court sanctions the Scheme, the Acquiror and the Company will (subject to the satisfaction (or where applicable, waiver) of all the Conditions Precedent) take the necessary steps to render the Scheme effective and the following will be implemented:

- (a) the Shares held by the Entitled Shareholders will be transferred to the Acquiror for the Share Consideration and Permitted Dividend to be paid by the Acquiror and the Company (as the case may be) to the Entitled Shareholders for each Share transferred as follows:
 - (i) in the case of the Entitled Shareholders (not being Depositors), the Company shall authorise any person to execute or effect on behalf of all such Entitled Shareholders an instrument or instruction of transfer of all the Shares held by such Entitled Shareholders and every such instrument or instruction of transfer so executed shall be effective as if it had been executed by the relevant Entitled Shareholder; and
 - (ii) in the case of the Entitled Shareholders (being Depositors), the Company shall instruct CDP, for and on behalf of such Entitled Shareholders, to debit, not later than 10 calendar days after the Effective Date, all the Shares standing to the credit of the Securities Account of such Entitled Shareholders and credit all of such Shares to the Securities Account of the Acquiror or such Securities Account(s) as directed by the Acquiror;
- (b) from the Effective Date, all existing share certificates relating to the Shares held by the Entitled Shareholders (not being Depositors) will cease to be evidence of title of the Shares represented thereby;
- (c) the Entitled Shareholders (not being Depositors) are required to forward their existing share certificates relating to their Shares to the Share Registrar's office before the Effective Date for cancellation; and
- (d) the Acquiror and the Company shall, not later than 10 calendar days after the Effective Date, and against the transfer of the Shares set out in **paragraph 14.2(a)** above, make payment of the Share Consideration and Permitted Dividend (as the case may be) payable on the transfer of the Shares pursuant to the Scheme to:
 - (i) each Entitled Shareholder (not being a Depositor) by sending a cheque for the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Register of Members at the close of business on the Books Closure Date, at the sole risk of such Entitled Shareholder, or in the case of joint Entitled Shareholders, to the first named Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Register of Members at the close of business on the Books Closure Date, at the sole risk of such Entitled Shareholders; and
 - (ii) each Entitled Shareholder (being a Depositor) by making payment of the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder to CDP. CDP shall (1) in the case of an Entitled Shareholder (being a Depositor) who has registered for CDP's direct crediting service, credit the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder, to the designated bank account of such Entitled Shareholder; and (2) in the case of an Entitled Shareholder (being a Depositor) who has not registered for CDP's direct crediting service, send to such Entitled Shareholder, by ordinary post to his address in the Depository Register at the close of business on the Books Closure

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Date and at the sole risk of such Entitled Shareholder, a cheque for the payment of such Share Consideration and Permitted Dividend (as the case may be) made out in favour of such Entitled Shareholder, or in the case of joint Entitled Shareholders, to the first named Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Depository Register at the close of business on the Books Closure Date, and at the sole risk of such Entitled Shareholders.

Assuming that the Scheme becomes effective and binding on 2 August 2012, the crediting by CDP of the Share Consideration and Permitted Dividend (as the case may be) payable to the Entitled Shareholders (being Depositors and in the case of Entitled Shareholders who have registered with CDP for its direct crediting service) into the designated bank accounts of such Entitled Shareholders or, as the case may be, the posting of cheques for the Share Consideration and Permitted Dividend (as the case may be) under the Scheme in the manner set out in **paragraph 14.2(d)** above, is expected to take place on or before 12 August 2012.

14.3 Retention and Release of Proceeds

On and after the day being six (6) calendar months after the posting of such cheques relating to the Share Consideration and Permitted Dividend (as the case may be), the Acquiror and the Company shall have the right to cancel or countermand payment of any such cheque which has not been cashed (or has been returned uncashed) and shall place all such moneys in a bank account in the Company's name with a licensed bank in Singapore selected by the Company. The Company or its successor entity shall hold such moneys until the expiration of six (6) years from the Effective Date and shall prior to such date make payments therefrom of the sums payable pursuant to **Clause 6** of the Scheme to persons who satisfy the Company or its successor entity that they are respectively entitled thereto and that the cheques referred to in **Clause 6** of the Scheme for which they are payees have not been cashed. Any such determination shall be conclusive and binding upon all persons claiming an interest in the relevant moneys, and any payments made by the Company hereunder shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to **Clause 6** of the Scheme.

On the expiry of six (6) years from the Effective Date, each of the Parties shall be released from any further obligation to make any payments of the Share Consideration and Permitted Dividend (as the case may be) under the Scheme and the Company or its successor entity shall transfer to the Acquiror the balance (if any) of the sums payable by the Acquiror for the Share Consideration then standing to the credit of the bank account referred to in **Clause 8(a)** of the Scheme including accrued interest subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and subject to the deduction of any expenses. Any sums attributable to the Permitted Dividend then standing to the credit of the bank account referred to in **Clause 8(a)** of the Scheme including accrued interest shall revert to the Company.

15. CLOSURE OF BOOKS

15.1 Notice of Books Closure

Subject to the approval by Shareholders of the Scheme at the Scheme Meeting and the sanction of the Scheme by the Court, notice of the Books Closure Date will be given in due course for the purposes of determining the entitlements of the Entitled Shareholders to the Scheme Consideration. **The Books Closure Date is tentatively scheduled on 1 August 2012 at 5.00 p.m..**

15.2 Books Closure

No transfer of the Shares where the certificates relating thereto are not deposited with CDP may be effected after the Books Closure Date.

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15.3 Trading in Shares on the SGX-ST

An application has been made to the SGX-ST to withdraw the Shares from the Official List of the SGX-ST upon the Scheme becoming effective and binding. The SGX-ST has advised that, *inter alia*, subject to the Scheme being approved by the Shareholders and the Court, it has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST. The SGX-ST's confirmation, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

SHAREHOLDERS SHOULD NOTE THAT BY VOTING IN FAVOUR OF THE SCHEME, THE COMPANY WILL BE DELISTED AND THE SHARES WITHDRAWN FROM THE OFFICIAL LIST OF THE SGX-ST IF THE SCHEME BECOMES EFFECTIVE AND BINDING IN ACCORDANCE WITH ITS TERMS.

The Scheme is tentatively scheduled to become effective on or about 2 August 2012 and accordingly (assuming the Scheme becomes effective and binding on 2 August 2012), the Company is expected to be delisted and the Shares withdrawn from the Official List of the SGX-ST after payment of the Scheme Consideration. It is therefore expected that, subject to the approval of the SGX-ST, the Shares will cease to be traded on the SGX-ST on or about 26 July 2012 at 5.00 p.m., being three (3) Market Days before the expected Books Closure Date.

Shareholders (not being Depositors) who wish to trade their Shares on the SGX-ST are required to deposit with CDP their certificates relating to their Shares, together with the duly executed instruments of transfer in favour of CDP, tentatively by 13 July 2012, being eight (8) Market Days prior to the tentative last day for trading of the Shares.

16. SETTLEMENT AND REGISTRATION PROCEDURES

Subject to the Scheme becoming effective, the settlement and registration procedures set out below will apply.

16.1 Entitled Shareholders whose Shares are not deposited with CDP

Entitlements to the Scheme Consideration will be determined on the basis of the Entitled Shareholders (not being Depositors) and their holdings of Shares appearing in the Register of Members at 5.00 p.m. on the Books Closure Date.

Entitled Shareholders (not being Depositors) who have not already done so are requested to take the necessary action to ensure that the Shares owned by them are registered in their names with the Share Registrar by 5.00 p.m. on the Books Closure Date.

From the Effective Date, each existing share certificate representing a former holding of Shares by Entitled Shareholders (not being Depositors) will cease to be evidence of title to the Shares represented thereby. Within 10 calendar days of the Effective Date, the Acquiror and the Company shall make payment of the Share Consideration and Permitted Dividend (as the case may be) to each Entitled Shareholder based on his holding of the Shares as at 5.00 p.m. on the Books Closure Date.

16.2 Entitled Shareholders whose Shares are deposited with CDP

Entitlements to the Scheme Consideration will be determined on the basis of the Entitled Shareholders (being Depositors) and the number of Shares standing to the credit of their Securities Account at 5.00 p.m. on the Books Closure Date.

Entitled Shareholders (being Depositors) who have not already done so are requested to take the necessary action to ensure that the Shares owned by them are credited to their Securities Account by 5.00 p.m. on the Books Closure Date.

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On or from the Effective Date, CDP will debit all the Shares standing to the credit of each relevant Securities Account of each relevant Entitled Shareholder (being a Depositor) and credit all of such Shares to the Securities Account of the Acquiror or such Securities Account(s) as directed by the Acquiror.

17. DIRECTORS' INTERESTS

The interests of the Directors in the Shares as at the Latest Practicable Date are set out in **Appendix 4** to this Scheme Document.

18. OVERSEAS SHAREHOLDERS

18.1 Overseas Shareholders

The sending of this Scheme Document to Shareholders whose addresses are outside Singapore, as shown in the Register of Members or, as the case may be, in the Depository Register ("**Overseas Shareholders**"), may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about and observe any applicable legal requirements.

This Scheme Document may not be sent to any Overseas Shareholder due to the potential restrictions on sending such documents into the relevant overseas jurisdiction. For the avoidance of doubt, the Scheme is proposed to all Shareholders and applies to all Shares, including those Shareholders to whom this Scheme Document has not been and will not be sent.

18.2 Copies of Scheme Document

Shareholders, including Overseas Shareholders, may obtain additional copies of this Scheme Document and any related documents, during normal business hours on any day prior to the date of the Scheme Meeting, from the registered office of the Company in Singapore at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may write in to the Company at the same address to request for this Scheme Document and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to three (3) Market Days prior to the date of the Scheme Meeting.

It is the responsibility of any Overseas Shareholder who wishes to request for this Scheme Document and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required and compliance with all necessary formalities or legal requirements. Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction. In requesting for this Scheme Document and any related documents, the Overseas Shareholder represents and warrants to the Acquiror and the Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

18.3 Notice

The Acquiror and the Company each reserves the right to notify any matter, including the fact that the Scheme has been proposed, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST via SGXNET or paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including any Overseas Shareholders) to receive or see such announcement or advertisement. For the avoidance of doubt, for as long as the Company remains listed on the SGX-ST, it will continue to notify all Shareholders (including Overseas Shareholders) of any matter relating to the Scheme by announcement via SGXNET.

EXPLANATORY STATEMENT
(in compliance with Section 211 of the Companies Act)

18.4 Foreign Jurisdiction

It is the responsibility of any Overseas Shareholder who wishes to participate in the Scheme to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required and compliance with all necessary formalities or legal requirements. Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction. By participating in the Scheme, the Overseas Shareholder represents and warrants to the Acquiror and the Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

19. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the Scheme Meeting are requested to complete the enclosed Proxy Form in accordance with the instructions printed thereon and lodge them at 109 Defu Lane 10, Singapore 539225, not less than 48 hours before the time set for the Scheme Meeting. Alternatively, the Proxy Form may be handed to the Chairman of the Scheme Meeting at the Scheme Meeting.

The completion and lodgement of Proxy Forms will not prevent Shareholders from attending and voting in person at the Scheme Meeting if they subsequently wish to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

20. INFORMATION RELATING TO CPFIS INVESTORS

CPFIS Investors who wish to attend the Scheme Meeting as an observer and/or vote are advised to consult their respective CPF Agent Banks for further information and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

21. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

The IFA Letter setting out the advice of the IFA to the Independent Directors is set out on pages 37 to 57 in **Appendix 2** to this Scheme Document.

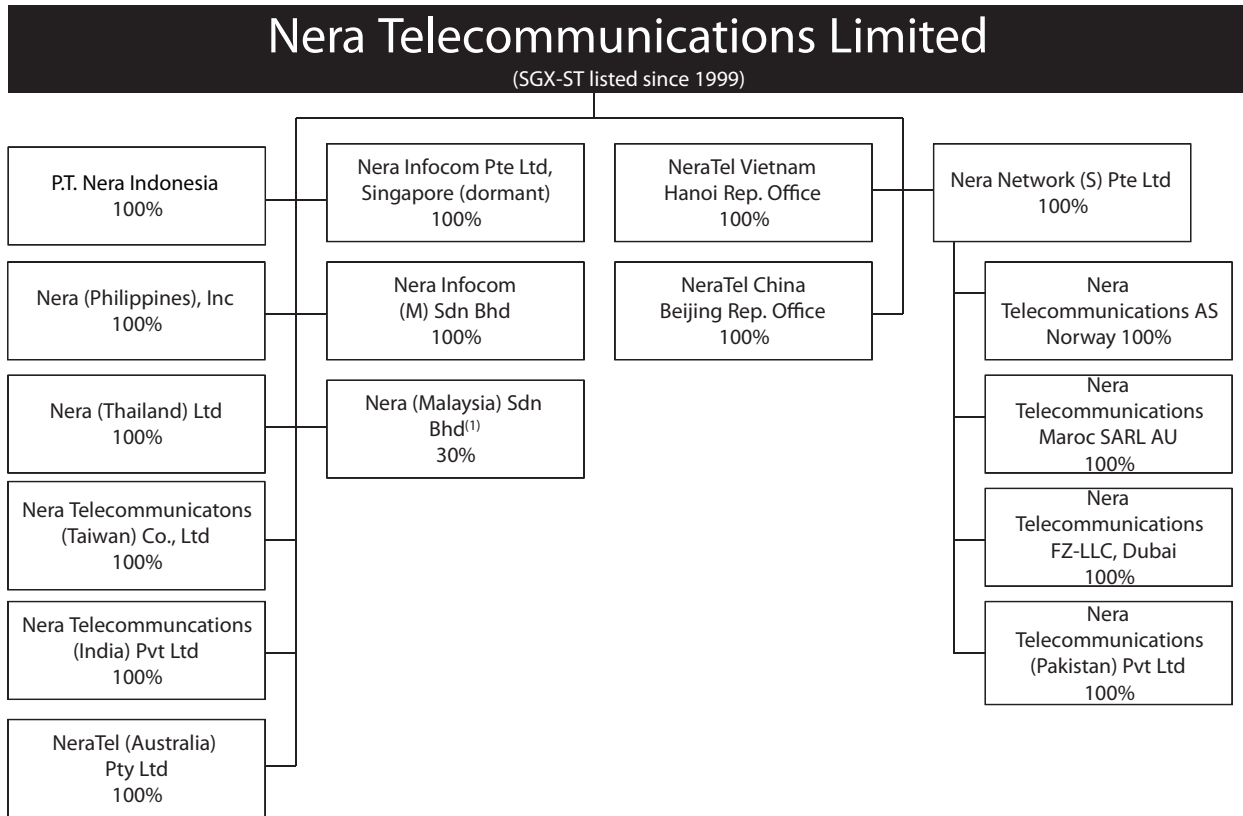
22. INDEPENDENT DIRECTORS' RECOMMENDATION

The recommendation of the Independent Directors in relation to the Scheme is set out in **paragraph 13** of the Letter to Shareholders.

23. GENERAL INFORMATION

Your attention is drawn to the further relevant information (including the interests in the Shares of the Directors) which are set out in the Appendices to this Scheme Document. These Appendices form part of this Scheme Document. This Explanatory Statement should be read in conjunction with, and is qualified by, the full text of this Scheme Document, including the Scheme as set out on pages 168 to 173 of this Scheme Document.

APPENDIX 1 – STRUCTURE CHART



Note:

⁽¹⁾ Nera (Malaysia) Sdn. Bhd. will be 100% owned by the Company after the Restructuring.

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Company Registration Number 200200144N)

6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

14 June 2012

The Independent Directors
Nera Telecommunications Ltd
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

Dear Sirs,

PROPOSED ACQUISITION OF NERA TELECOMMUNICATIONS LTD BY SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE

*Unless otherwise defined or the context otherwise requires, all terms defined in the draft scheme document dated 20 March 2012 (“**Scheme Document**”) shall have the same meaning herein.*

1. INTRODUCTION

On 10 February 2012, the Company and the Acquiror jointly announced the proposed acquisition of the Company by the Acquiror to be effected by way of a Scheme (“**Acquisition**”).

To effect the Scheme, the Company and the Acquiror entered into the Implementation Agreement. Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05% of the total number of Shares, has given the Irrevocable Undertaking to the Acquiror to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme.

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST subject to the Scheme being approved by the Shareholders and the Court. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

We, Deloitte & Touche Corporate Finance Pte Ltd (“**DTCF**”), have been appointed by the Company to advise the Independent Directors in respect of their recommendation on the actions to be taken by the Shareholders in respect of the Scheme. This letter sets out our assessment of the financial terms of the Scheme and our opinion to the Independent Directors. It will form part of the Scheme Document dated 14 June 2012 issued by the Company to provide the Shareholders with details of the Acquisition and the Scheme and the recommendations of the Independent Directors on the actions to be taken by the Shareholders in respect of the Scheme.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in respect of their recommendation on the actions to be taken by the Shareholders in respect of the Scheme.

We have confined our assessment to the financial terms of the Scheme. We are not required to evaluate, comment or form a view on the commercial risks or merits of the Scheme or on the future prospects and earnings potential of the Company and we have made no such evaluation. Such evaluation, if any, remains the responsibility of the Directors and the management of the Company. We have drawn upon their views to the extent we have deemed necessary or appropriate in arriving at our advice as set out in this letter. We do not express any view as to the prices at which the Shares may trade in the absence of the Scheme. We do not make any representation or warranty in relation to the merits of the Scheme nor have we been requested, and we do not express an opinion on, the relative merits of the Scheme as compared to any other alternative transaction. We have not been instructed or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares or the Scheme. We have not made an independent evaluation or appraisal of the assets and liabilities including without limitation the real properties of the Company and we have not been furnished with any such independent evaluation or appraisal.

We have held discussions with the Independent Directors and management of the Company and have examined publicly available information collated by us as well as information, written and verbal, provided to us by the Independent Directors, the management and the professional advisers of the Company (which has included its solicitors and auditors). We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness and adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Scheme Document have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty (whether expressed or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

Where information relating to the Scheme, and the parties acting or deemed to be acting in concert with the Acquiror in connection with the Scheme, has been extracted from published or otherwise publicly available sources, our sole responsibility has been to ensure that such information has been accurately and correctly extracted from the relevant sources.

Our opinion is based upon market, economic, industry, monetary, regulatory and other conditions in effect on, and the information made available to us as at, the Latest Practicable Date.

In rendering our advice, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As different Shareholders have different investment profiles and objectives, we advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

The Company has been separately advised by its own professional advisers in the preparation of the Scheme Document other than this letter. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Scheme Document other than this letter. Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Scheme Document other than this letter.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

Whilst a copy of this letter may be reproduced in the Scheme Document, neither the Company nor the Independent Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner without our prior written consent in each specific case. Our advice in relation to the financial terms of the Scheme should be considered in the context of the entirety of this letter and the Scheme Document.

3. THE SCHEME AND IRREVOCABLE UNDERTAKING

The following summary of the principal terms of the Scheme and of the Irrevocable Undertaking have been obtained from the Scheme Document.

3.1. The Terms of the Scheme

The Scheme is proposed to all Shareholders. As at the Latest Practicable Date, the Company has an issued share capital of S\$29,909,152 comprising 361,897,000 Shares.

Pursuant to the Scheme:

- (a) all the Shares held by the Entitled Shareholders will be transferred to the Acquiror; and
- (b) in consideration for such transfer, the Entitled Shareholders will receive an aggregate cash amount of S\$0.45 (“**Scheme Consideration**”) for each Share so transferred comprising the following:
 - (i) S\$0.06 per Share payable by the Company as a cash dividend (“**Permitted Dividend**”) amounting in aggregate to approximately S\$21.7 million¹; and
 - (ii) S\$0.39 per Share (excluding the Permitted Dividend) payable by the Acquiror (“**Share Consideration**”) amounting in aggregate to approximately S\$141.1 million.

The Permitted Dividend and Share Consideration payable to any Entitled Shareholder in respect of the Shares held by such Entitled Shareholder will be rounded down to the nearest whole cent.

Pursuant to the Scheme, the Shares will be transferred to the Acquiror fully paid, free from any Encumbrance and together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date but excluding the Permitted Dividend. For the avoidance of doubt, the Entitled Shareholders will be entitled to retain the Permitted Dividend if the Scheme is approved in accordance with its terms.

3.2. Permitted Dividend

The Company will pay to the Shareholders the Permitted Dividend, amounting in aggregate to approximately S\$21.7 million. The Permitted Dividend is conditional on the Scheme becoming binding and effective and Shareholders will not be entitled to the Permitted Dividend if the Scheme is not approved in accordance with its terms for the following reasons:

- (a) the Permitted Dividend is an integral component of the Acquisition and was determined on the assumption that the Scheme would become effective; and
- (b) in the event the Scheme is not effective, the Company may have different considerations and utilisation for its cash position. The Company may need to reserve its cash position for (i) future investments or expansion plans including exploring merger and acquisitions options and/or (ii) dividends (at such time and in such amounts as the Directors may deem appropriate).

¹ The Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

The Company will make the payment of the Permitted Dividend entirely from its profits and cash. The Company does not need to realise its assets to pay the Permitted Dividend to the Shareholders. For the avoidance of doubt, the Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

3.3. No Cash Outlay

Shareholders should note that no cash outlay (including any stamp duties or brokerage expenses) will be required from the Entitled Shareholders under the Scheme.

3.4. Waiver of Rights to a General Offer

Shareholders should note that by voting in favour of the Scheme, the Shareholders will be regarded as having waived their rights to a general offer by the Acquiror Concert Group to acquire the Shares under the Code.

3.5. Restructuring

One of the conditions precedent for the Acquisition is the Restructuring in which the other shareholders of Nera (Malaysia) will transfer all their shares in Nera (Malaysia) to the Company free from all Encumbrances, following which Nera (Malaysia) will become a wholly-owned subsidiary of the Company. As such, the Scheme Consideration is being paid for the Company, its subsidiaries and associates and the 70% of Nera (Malaysia), that the Company does not own yet. Accordingly, we have assumed that this condition precedent is satisfied in our analysis of the **financial terms of the Scheme Consideration** set out in paragraph 7 of this letter. Please refer to paragraph 3.6 of Letter to Shareholders in the Scheme Document for details.

3.6. Arm's Length Negotiations

The Scheme Consideration was arrived at after arm's length negotiations between Eltek and the Acquiror after taking into account, *inter alia*, the Company's historical and present financial performance and position, operations and business prospects, intellectual property rights (including brand recognition) and Share price performance. The Directors further understand from Eltek that the Scheme Consideration was obtained on a competitive basis and it was the best offer received by Eltek in terms of pricing and certainty of completion.

3.7. Conditions of the Scheme

The Scheme is conditional upon the satisfaction (or where applicable, waiver) of a number of Conditions Precedent not later than 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing). A list of the Conditions Precedent is set out in **Appendix 10** to the Scheme Document.

The Scheme will only become effective and binding if all the Conditions Precedent have been satisfied (or where applicable, waived). The Shareholders should note that if any of the Conditions Precedent is not satisfied (or where applicable, waived) by 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing), the Scheme may not become effective.

3.8. Switch Option

Pursuant to the terms of the Implementation Agreement, in the event of a competing offer, the Acquiror has the discretion to increase the Scheme Consideration, or subject to consultation with the SIC, withdraw from the Scheme and make the Offer. In the event the Acquiror exercises the Switch Option, such Offer will be at a consideration per Share not less than the Scheme Consideration and conditional only upon such level of acceptances as the SIC may approve. If the Acquiror exercises the Switch Option, the Implementation Agreement shall terminate with effect from the date of announcement of the Offer save for provisions relating to confidentiality, costs and expenses and governing law and jurisdiction. Following termination of the Implementation Agreement neither the Company nor the Acquiror shall have any claim against the other under the Implementation Agreement.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

3.9. Irrevocable Undertaking

Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05% of the total number of Shares, has given the Irrevocable Undertaking to the Acquiror to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme.

In the event the Acquiror exercises the Switch Option, Eltek has also undertaken to accept the Offer in respect of all its Shares, provided that where the competing offer is made at not less than S\$0.475 per Share before the Scheme is approved by Shareholders or two (2) Business Days prior to the final closing date of the Offer, and the Acquiror does not revise its terms, whether under the Scheme or Switch Option (as the case may be), to match or surpass the same, Eltek may opt to accept the competing offer subject to payment of a compensation amount of S\$1.6 million to the Acquiror for its advisory costs, financing costs, costs of management and directors' time and reasonable opportunity costs in pursuing the Scheme or the Offer (as the case may be).

The Irrevocable Undertaking lapses if the Scheme is withdrawn or terminated or lapses or fails to become or be declared to be unconditional, or is not completed prior to the date falling on the expiry of six (6) calendar months from the date of the Irrevocable Undertaking (or such other date as Eltek and the Acquiror may agree), for any reason other than a breach of Eltek's obligations thereunder or pursuant to the Offer.

Further details of the Irrevocable Undertaking are set out in **paragraph 5** of the Explanatory Statement of the Scheme Document.

3.10. Delisting

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made to seek approval from the SGX-ST to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has no objection to the proposed withdrawal of the Shares from the Official List of the SGX-ST subject to the Scheme being approved by the Shareholders and the Court. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

4. INFORMATION ON THE COMPANY AND THE ACQUIROR

4.1. Information on the Company

Information on the Company is set out in paragraph 1.5 of Letter to Shareholders in the Scheme Document and Appendix 4 of the Scheme Document.

4.2. Information on the Acquiror

Information on the Acquiror is set out in paragraph 1.6 of Letter to Shareholders in the Scheme Document, paragraph 9 of the Explanatory Statement in the Scheme Document and Appendix 3 of the Scheme Document.

5. RATIONALE FOR ACQUISITION AND FUTURE PLANS FOR THE COMPANY

5.1. Acquiror's Rationale

The rationale for the Acquisition is set out in paragraph 2.1 of the Letter to Shareholders in the Scheme Document, paragraph 2 of the Explanatory Statement in the Scheme Document and paragraph 7.1 of the Letter from the Acquiror to the Shareholders in Appendix 3 of the Scheme Document.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

5.2. Acquiror's Future Plans for the Company

The future plans of the Acquiror in relation to the Company are set out in paragraph 2.2 of the Letter to Shareholders and paragraph 7.2 of the Letter from the Acquiror to the Shareholders in Appendix 3 of the Scheme Document.

6. INCENTIVE PAYMENT BY ELTEK

6.1. Incentive Agreement

The Company had been informed by Eltek and Mr. Ang in August 2011 that Mr. Ang, President and CEO of the Company, had at the request of Eltek, on 5 August 2011 entered into an Incentive Agreement, pursuant to which Mr. Ang had undertaken, *inter alia*,

- (a) subject to the consent, and directions, of the board of Directors and any legal, equitable, fiduciary or contractual obligations, to consult in good faith with Eltek with a view to providing and establishing appropriate procedures for the purpose of facilitating the possible sale of Eltek's Shares; and
- (b) subject to the directions of the board of Directors or Shareholders and except as otherwise required under, *inter alia*, applicable laws or by the terms of any contract, not to take, or procure the taking of, any action without the approval of the Shareholders on the affairs of any Group Company that could result in the possible sale of Eltek's Shares being frustrated.

Mr. Ang's role pursuant to the Incentive Agreement is over and above his regular duty as the President and CEO of the Company. In particular, Mr. Ang had, pursuant to the Incentive Agreement, provided reasonable and timely access to information in relation to the Group for the purpose of preparing the information memorandum and management presentations with potential bidders.

In consideration of his undertakings, Eltek had agreed to pay to Mr. Ang on (and subject to) completion of the sale of Eltek's Shares, a fixed retention incentive and a transaction incentive pegged to the aggregate amount received by Eltek for the sale of its Shares. Based on the Scheme Consideration payable, Eltek will pay Mr. Ang an aggregate sum of S\$2 million.

Further details of the Incentive Agreement are set out in paragraph 5 of the Letter to Shareholders in the Scheme Document and in paragraph 6 of the Explanatory Statement of the Scheme Document.

7. FINANCIAL ASSESSMENT OF THE SCHEME CONSIDERATION

In assessing the financial terms of the Scheme Consideration, we have taken into account the following factors:

- a. Eltek's Sale Process;
- b. Liquidity of the Shares;
- c. Market quotations for the Shares;
- d. Volume weighted average prices for the Shares;
- e. Premia for takeovers of SGX-listed companies;
- f. Comparison of ratings with Comparable Companies;
- g. Comparison of ratings with Comparable Transactions; and
- h. Other considerations.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

7.1. Eltek's Sale Process

Eltek undertook a Sale Process to sell its 50.05% interest in the Company. We reproduce below the details disclosed by Eltek on the Sale Process which is also set out in paragraph 1.7 of the Circular:

"In April 2011, Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares, appointed Rippledot as its financial adviser to undertake the process of selling its 50.05 per cent. interest in the Company (the "Sale Process"). The Company facilitated the Sale Process by making available key personnel for the purposes of providing views on the list of potential bidders provided by Rippledot, providing information on the Company's business for Rippledot to include in the information memorandum as well as commenting on the information memorandum, participating in management presentations to bidders, making available information and documents as well as responding to Rippledot's and the bidders' queries during the due diligence process. The Company and Eltek had signed tripartite confidentiality agreements with potential bidders as part of the Sale Process.

Eltek has confirmed that the Sale Process was a private auction process that involved a wide range of potential bidders. From June 2011 to September 2011, Rippledot had reached out to parties across the globe, including various strategic players and private equity firms.

A total of 23 parties signed the confidentiality agreement and received the information memorandum, following which 12 parties chose to participate in the management presentation.

On 18 November 2011, Eltek received a bid letter from the Acquiror. Post clarifications from the Acquiror on certain conditions to the bid, it was determined by Eltek and its advisers to be the best offer received in terms of pricing and certainty of completion. On 30 November 2011, the bid letter received from the Acquiror and associated draft transaction documents were forwarded to the board of directors of the Company following an Eltek board meeting accepting the Acquiror's bid.

A board meeting of the Company was held on 5 December 2011 to consider the proposal from the Acquiror, following which Mr. Ang (President and CEO of the Company) and Allen & Gledhill LLP proceeded to negotiate the Implementation Agreement on behalf of the Company, under the terms and conditions set out in the Acquiror's acquisition proposal letter dated 18 November 2011 and the draft Implementation Agreement provided by the Acquiror. At the same time, Eltek and its advisers negotiated those terms of the agreements with the Acquiror as they pertained to Eltek.

On 3 February 2012, the Company issued the Holding Announcement. The Joint Announcement was subsequently made on 10 February 2012."

7.2. Liquidity of the Shares

Share prices transacted in the equity capital market can be affected by free float and liquidity. In order to evaluate whether the historical market prices of the Shares provide a meaningful reference point for comparison of the Scheme Consideration, we have considered the historical trading volume of Shares over selected reference periods. We have also given consideration to the liquidity of the Shares as compared with that of the ten largest companies by market capitalisation within the FTSE Straits Times Index ("FSSTI") for the one year period preceding the Holding Announcement Date.

In undertaking that analysis, we note that the Company's only substantial Shareholder is Eltek (which holds 181.1 million Shares, representing approximately 50.05% of the Company) and that the Company's free float comprises approximately 177.6 million Shares (or approximately 49.07% of the Company).

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

We note that the average trading volume of the Shares over the reference periods prior to the Holding Announcement Date was between 0.20 and 0.25 million Shares per day (equivalent to between 0.11% and 0.14% of free float). We note also that the average daily volume rose to 5.92 million Shares (or 3.33% of free float) on the Market Day of the Holding Announcement Date and 2.32 million Shares (or 1.31% of free float) between the Holding Announcement Date and the Announcement Date. The average daily trading volume of the Shares from the Holding Announcement Date to the Latest Practicable Date has subsequently dropped to 0.54 million (or 0.30% of free float).

We have benchmarked the liquidity of the Shares to the ten largest companies by market capitalisation on FSSTI (“**Top 10 SGX Companies**”) for the one year period preceding the Holding Announcement Date.

We note that the volume of shares traded for the Top 10 SGX Companies in the reference period ranged from 0.09% to 1.40% of free float with an average and median of 0.37% and 0.28% respectively. The volume of Shares traded during the reference period was 0.14% of free float and as such is within the range but at the lower end in terms of liquidity as measured by the percentage of free float.

We note that the volume of shares traded for the Top 10 SGX Companies (excluding Jardine Matheson Holdings Limited and Jardine Strategic Holdings Limited) in the reference period ranged from 0.19% to 1.40% of free float with an average and median of 0.31% and 0.44% respectively. We note that on exclusion of the two from the Top 10 SGX Companies, the volume of Shares traded during the reference period does not fall within the abovementioned range of 0.19% to 1.40%.

Overall, this analysis indicates that the historical market price of the Shares provides a meaningful reference point for comparison with the Scheme Consideration. However, Shareholders should note that the level of liquidity of the Shares in the absence of the Scheme may make it difficult for Shareholders with substantial holdings to realise their Shares through the market.

The past liquidity of the Shares (especially the period after the Holding Announcement Date) should not in any way be relied upon as an indication of the future liquidity of the Shares. There is no assurance that the liquidity of the Shares will remain at current levels if the Scheme is unsuccessful.

7.3. Market Quotations for the Shares

We have compared the Scheme Consideration against the historical and current prices of the Shares.

We set out below a chart showing the Scheme Consideration relative to the daily closing prices and trading volumes of the Shares for the period from 3 February 2010 (being the two year period up to the last Market Day prior to the Holding Announcement) to the Latest Practicable Date.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

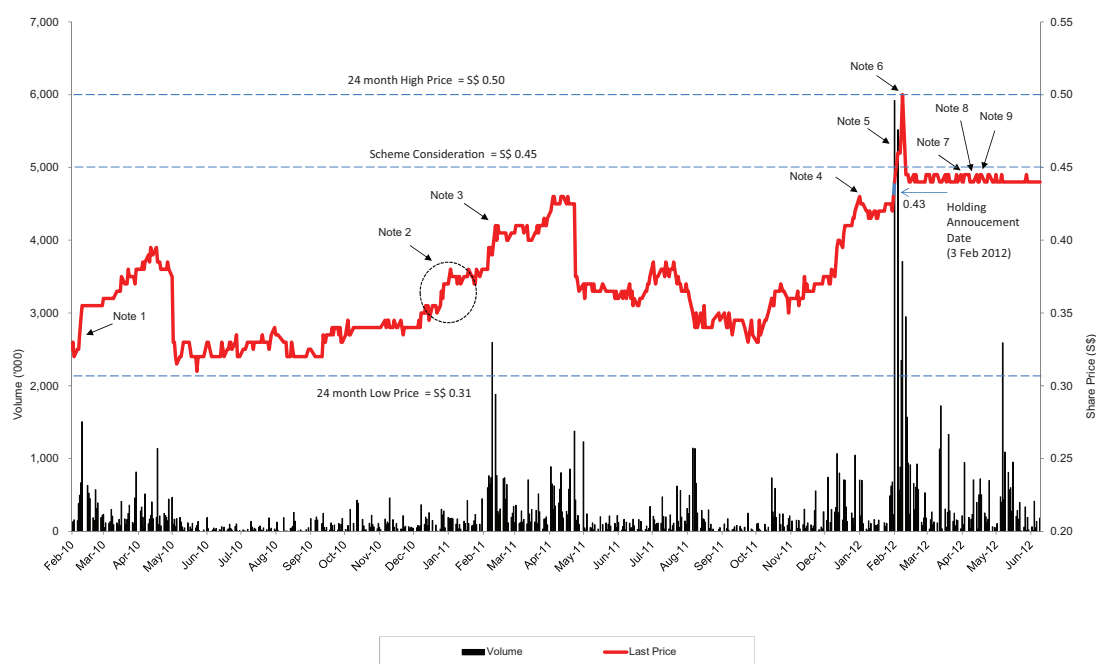


Chart 1 – Price-Volume Chart of the Company for the Two Year Period prior to the Market Day before the Latest Practicable Date

Source: Bloomberg

A summary of the significant corporate developments and announcements of financial performance made by the Company for the two year period prior to 2 February 2012 (being the Market Day prior to the Holding Announcement Date) to the Latest Practicable Date is as follows:

Notes	Date	Event
1)	10 February 2010	Announcement of net profits of S\$10.7 million for FY2009, representing a 4.9% increase over FY2008. Dividends of 3 cents declared.
2)	16 to 30 December 2010	Announcement of purchase orders of approximately S\$12.8 million received by the Company.
3)	10 February 2011	Announcement of net profits of S\$10.9 million for FY2010, representing an increase of 2.3% over FY2009. Dividends of 4 cents declared.
4)	30 December 2011	Settlement of claim by MBF Cards (Malaysia) Sdn Bhd; Announcement of purchase orders of approximately S\$17.1 million received by the Company.
5)	3 February 2012	Holding announcement, notifying the market that the Company has received an approach from a third party and is currently engaged in discussions.
6)	10 February 2012	Announcement of net profits of S\$13.5 million for FY2011, representing an increase of 23.8% over FY2010; Joint Announcement by the Company and the Acquiror on the proposed acquisition of the Company by way of the Scheme.
7)	29 March and 3 April 2012	Announcement of purchase orders of approximately S\$58.4 million received by the Company.
8)	11 April 2012	Announcement of notification of 1Q 2012 results release.
9)	19 April 2012	Announcement of 1Q 2012 results.

APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

We highlight the following in respect of the development in market prices of the Shares:

- a. The Shares are currently trading cum dividend. As such, this is the appropriate benchmark against which the financial terms are assessed.
- b. The Scheme Consideration is higher than the traded price of the Shares at any point in the two year period preceding the Holding Announcement Date (where the Shares traded in the range of S\$0.31 to S\$0.43 per Share).
- c. The Shares traded at or above the Scheme Consideration in the period between the Holding Announcement Date and the Announcement Date (where the Shares traded in the range of S\$0.455 to S\$0.480 per Share).
- d. The Shares have traded at or marginally below the Scheme Consideration in the period from the Announcement Date to the Latest Practicable Date.

7.4. Volume Weighted Average Prices for the Shares

We have compared the Scheme Consideration with the volume weighted average prices (“VWAP”) for selected reference periods in the table below.

Reference Period	VWAP (S\$)	Premium / (Discount) of Scheme Consideration (%)	Highest Transacted Price (S\$)	Lowest Transacted Price (S\$)
After Holding Announcement Date				
Latest Practicable Date (11 June 2012)	0.440	2.3	0.440	0.440
Day prior to the Announcement Date (9 February 2012) ⁽¹⁾	0.468	(3.9)	0.480	0.455
VWAP between the Holding Announcement Date and the Announcement Date (6 – 9 February 2012)	0.461	(2.4)	0.480	0.450
Prior to Holding Announcement Date				
Last 1 month VWAP prior to the Holding Announcement Date	0.424	6.2	0.430	0.410
Last 3 months VWAP prior to the Holding Announcement Date	0.401	12.2	0.430	0.355
Last 6 months VWAP prior to the Holding Announcement Date	0.381	18.1	0.430	0.330
Last 1 year VWAP prior to the Holding Announcement Date	0.391	15.1	0.430	0.330

Table 1 – Comparison of the VWAP of the Shares and the Scheme Consideration

Source: Bloomberg

Note:

- (1) The Scheme Consideration represents a discount of 5.3% to the Last Traded Price of S\$0.475 on 9 February 2012.

We note that the Scheme Consideration represents a premium of S\$0.05 per Share (or 12.2%) and a premium of S\$0.07 per Share (or 18.1%) over the 3-month and 6-month VWAP of the Shares prior to the Holding Announcement Date.

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7.5. Premia for Takeovers of SGX-Listed Companies

We have benchmarked the premium implied by the Scheme Consideration over the VWAP of the Shares against the premia or discounts paid in respect of selected successful takeovers and privatisations of companies listed on the SGX-ST (“**Successful TOPs**”). We have compiled data of such transactions from the two year period preceding the Holding Announcement Date up to the Latest Practicable Date (“**Reference Period**”) and have presented a summary of such data in the table below.

		Premium/ (Discount) for 3 Month	Premium/ (Discount) for 6 Month
The Scheme Consideration		12.2%	18.1%
All Transactions	Number	40	40
	Average	35.1%	36.7%
	Median	27.5%	28.8%
	Minimum	-17.1%	-18.5%
	Maximum	122.9%	136.1%
Scheme of Arrangement and Voluntary Delisting	Number	23	23
	Average	28.6%	27.2%
	Median	26.8%	24.4%
	Minimum	-17.1%	-18.5%
	Maximum	63.0%	68.9%
Cash Offers	Number	17	17
	Average	44.4%	49.6%
	Median	33.8%	42.2%
	Minimum	7.5%	10.8%
	Maximum	122.9%	136.1%

Table 2 – Selected Data in Respect of Takeovers on the SGX-ST

Source: Company announcements and IFA letters included in the circulars to shareholders

We note the following:

- (a) The premium of the Scheme Consideration is lower than the average and the median takeover premium for all the Successful TOPs in the Reference Period but still within the range of such premiums.
- (b) The average and median premium offered in scheme of arrangements and voluntary delistings are lower than that for the Successful TOPs but still higher than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.
- (c) The average and median premium offered in cash offers are higher than that for all the Successful TOPs and are substantially greater than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.

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7.6. Comparison of ratings with Comparable Companies

The Group's business is organised into two main operating businesses:

- (i) Telecommunications – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and transmission products and systems; and
- (ii) Info-communications – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure, payment systems and wireless solutions.

The Group's key geographical market is Southeast Asia comprising Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Brunei, Laos, Cambodia, Myanmar, and accounting for approximately 84.5% of revenues in FY2011. The Group also markets its products, solutions and services to customers in Taiwan, Korea, China, India, Bangladesh, Pakistan, Sri Lanka, Nepal, Middle East and North Africa.

We highlight that we have not identified any listed company which is truly comparable to the Company in terms of the composition of its business activities, geographical spread, size of operations, asset base, track record, financial performance, operating and financial leverage, market capitalisation, risk profile, liquidity, future prospects and other relevant criteria. As a result, any comparisons drawn can serve only as an illustrative guide.

Thus for the purpose, we have considered companies whose principal activities are broadly similar to either the Group's Telecommunication business or the Info-communications business (the "Comparable Companies").

We have benchmarked the Scheme Consideration by generating selected valuation statistics for the Company implied by the Scheme Consideration and compared those statistics with those for the Comparable Companies. The list of Comparable Companies has been prepared after consultation with the Directors and the management of the Company.

In our analysis, we have collated and presented the following ratios:

LTM P/E A variant on the Price-to-Earnings ratio where the earnings of a company is computed based upon the last-twelve-month (i.e. LTM) period ending on the most recent quarter for which financial results have been published.

The Price-to-Earnings ratio is the ratio of market capitalisation relative to its profit after tax attributable to shareholders of the company ("NPAT"). The P/E ratio is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.

LTM EV/EBITDA A variation of the EV/EBITDA ratio where the EBITDA of a company is computed based upon the last-twelve-month (i.e. LTM) period ending on the most recent quarter for which financial results have been published.

"EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, minority interests, short and long term debts less its cash and cash equivalents. "EBITDA" stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses.

The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure.

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We note that the Company is an integrated telecommunications solutions provider, offering a range of products, solutions and services from satellite communications and wireless infrastructure networks to internet protocol, optical and broadcast network infrastructure.

The value of the Company is derived predominantly from its ability to generate positive cash flows and streams of net earnings. Accordingly, we have selected cash flows and earnings-based valuation ratios (such as EV/EBITDA and P/E) as the benchmarks for evaluation. Accordingly, a comparison of Scheme Consideration to asset based measures is not relevant for our analysis of the Scheme Consideration.

The selected valuation statistics of the Comparable Companies are based upon their closing prices on the Latest Practicable Date while those of the Company are as implied by the Scheme Consideration. Such comparisons are affected by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

The following is the list of Comparable Companies, together with a brief description of their principal activities:

Company Name	Principal Activities	Country	Market Capitalisation ^{(2) (3)} (\$\$ millions)	LTM Revenue ⁽¹⁾⁽²⁾ (\$\$ millions)
Nera Telecommunications Ltd (“Nera”)	Operates in two key segments - telecommunications and info-communications Telecommunication - engaged in the sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and transmission products and systems; and Info-communications - engaged in the sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure, payment systems and wireless solutions.	Singapore	162.9 ⁽⁴⁾	175.5 ⁽⁵⁾
Advanced Information Technology Public Company Limited (“Advanced Information Technology”)	Operates as an information and communication technology (ICT) solution provider and system integrator in Thailand. Offers ICT solutions that include product supply and applications over turnkey projects to service contracts and outsourcing schemes, as well as sells and installs computer, software, and telecommunication equipment for networking, computer, and communication system. The company has strategic partnership with Cisco Systems, AMP, 3COM, Hewlett Packard, SUN Micro System, and Oracle.	Thailand	146.7	189.0
Mesiniaga Berhad (“Mesiniaga”)	Engages in the sale and service of information technology (IT) products and related services in Malaysia. Provides various solutions comprising enterprise and campus LAN/WAN, data centre and cabling, IP communication voice, wireless/mobility, content networking, on-demand server and storage desktop and printer, and virtualization solutions, network management, integrated network security solutions, business intelligence, network performance and assessment, IT strategic planning, and project management consultation service.	Malaysia	56.1	122.3

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Company Name	Principal Activities	Country	Market Capitalisation ^{(2) (3)} (S\$ millions)	LTM Revenue ⁽¹⁾⁽²⁾ (S\$ millions)
Silver Ridge Holdings Bhd (“ Silver Ridge ”)	Provides telecommunication system architecture and design, next generation network, and telecommunications related software solutions in Malaysia. Its telecommunication solutions include 3G network architecture and engineering system design, customization, and optimization; in-building radio frequency coverage and quality; power load solutions; base station subsystems solutions; multi service access node system architecture and design; digital subscriber line access multiplexer system architecture and design; and network system architecture and design.	Malaysia	9.8	15.4
Jasmine Telecom Systems Public Company Limited (“ Jasmine Telecom ”)	Engages in the design and installation of telecommunication systems primarily in Thailand including distribution of telecommunication test equipment, such as transmission line testers, mobile/microwave antennas, and radio frequency test equipment. In addition, the company provides computer and related equipment consulting, system design, and installation services.	Thailand	38.6	50.7
Ntegrator International Ltd (“ Ntegrator ”)	A regional communications network specialist and systems integrator. Core businesses include the design, installation and implementation of data, video, fibre optics, wireless and cellular network infrastructure, as well as voice communication systems.	Singapore	15.0	36.9
DMX Technologies Group Limited (“ DMX ”)	Specializes in providing integrated IT solutions to enable telecom operators, cable TV operators, mobile operators, media corporations, and enterprises to deliver enhanced services to the end-users. The company provides digital media solutions; digital infrastructure solutions, including network security solutions and network integration services to telecom operators and enterprises; has operations primarily in China, Hong Kong, and Macau.	Singapore	259.0	441.1

Table 3 – Description of Comparable Companies

Source: Annual Report and Bloomberg

Notes:

- (1) LTM revenue is computed based upon the last-twelve-month period ending on the most recent quarter for which financial results have been published.
- (2) Exchange Rate is as at Latest Practicable Date.
- (3) Market Capitalisation of the Comparable Companies is as at Latest Practicable Date.
- (4) Market Capitalisation of the Company is implied by the Scheme Consideration.
- (5) The LTM revenue of the Company is calculated on the basis that the Restructuring had been completed on 1 January 2011.

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To give a degree of comfort as to the comparability of the Company with the Comparable Companies, we have presented selected financial ratios using the latest financial statements of the Comparable Companies:

Company Name	FYE	EBITDA Margin ⁽¹⁾ (%)	Net Margin ⁽²⁾ (%)	Return on Equity (%) ⁽³⁾	Net Gearing (%) ⁽⁴⁾	Asset Turnover (times) ⁽⁵⁾	3-CAGR Revenue (%) ⁽⁶⁾
The Company ⁽⁷⁾	31/12/2011	14.9%	11.0%	26.4%	-82.3%	1.1x	0.89%
Advanced Information Technology	31/12/2011	15.7%	9.7%	30.5%	20.0%	1.6x	13.3%
Mesiniaga	31/12/2011	7.7%	4.3%	7.0%	-0.9%	1.2x	4.2%
Silver Ridge	31/12/2011	6.1%	0.9%	1.7%	3.0%	0.9x	-24.5%
Jasmine Telecom	31/12/2011	6.9%	2.0%	1.7%	19.8%	0.3x	-4.0%
Ntegrator	31/12/2011	5.7%	3.1%	7.5%	21.1%	0.9x	-8.3%
DMX	31/12/2011	11.7%	5.4%	5.1%	-6.2%	0.8x	24.8%
Average		9.0%	4.2%	8.9%	9.5%	0.9x	0.9%
Median		7.3%	3.7%	6.1%	11.4%	0.9x	0.1%
Maximum		15.7%	9.7%	30.5%	21.1%	1.6x	24.8%
Minimum		5.7%	0.9%	1.7%	-6.2%	0.3x	-24.5%

Table 4 – Financial Ratios of Comparable Companies

Source: Annual reports and announcements of the respective companies.

Notes:

- (1) EBITDA margin is computed based on the ratio of LTM EBITDA over the LTM revenue. LTM EBITDA has been adjusted for non-operating, nonrecurring and extraordinary items.
- (2) Net margin is computed based on the ratio of LTM NPAT over the LTM revenue. LTM NPAT has been adjusted for non-operating, nonrecurring and extraordinary items; corporate tax rates have been applied to these adjustments.
- (3) Return on equity is computed based on the ratio of normalised NPAT over shareholders' funds, excluding minority interest.
- (4) Net gearing is computed based on the ratio of total borrowings less cash and cash equivalents over shareholders' equity, including minority interest.
- (5) Asset turnover is computed based on the ratio of revenue over total assets.
- (6) 3-CAGR revenue is the compound annual growth rate in revenue over a 3-year period.
- (7) The financial ratios of the Company are calculated on the basis that the Restructuring had been completed on 1 January 2011.

We note that the Company compares favourably with the Comparable Companies in terms of EBITDA margin, net margin and return on equity. The Company's asset turnover is in line with that of the Comparable Companies while the Company's revenue CAGR over the last three years is only marginally lower than that of the Comparable Companies.

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With this in mind, we have compared the multiples implied by the Scheme Consideration with those of the Comparable Companies.

Company Name	Market Capitalisation (\$\$ millions)	LTM EV/EBITDA (Normalised) ⁽¹⁾	LTM P/E (Normalised) ⁽²⁾
The Scheme Consideration⁽³⁾	162.9 ⁽⁴⁾	3.9x ⁽⁶⁾	8.4x
Advanced Information Technology	146.7	5.4x	8.0x
Mesiniaga	56.1	6.3x	10.7x
Silver Ridge	9.8	10.7x	74.2x
Jasmine Telecom	38.6	14.3x	37.7x
Ntegrator	15.0	8.7x	13.3x
DMX	259.0	4.5x	10.9x
Average		8.3x	10.7x ⁽⁵⁾
Median		7.5x	12.1x
Maximum		14.3x	74.2x
Minimum		4.5x	8.0x

Table 5 – Valuation of Comparable Companies

Source: Bloomberg, the annual report and company filings of the respective companies

Notes:

- (1) Computed as the ratio of EV to normalised LTM EBITDA, where EV is calculated as equity value + net debt + minority interest. LTM EBITDA has been adjusted for non-operating, nonrecurring and extraordinary items.
- (2) Computed as the ratio of market capitalisation to normalised LTM NPAT. LTM NPAT has been adjusted for non-operating, nonrecurring and extraordinary items; corporate tax rates have been applied to these adjustments.
- (3) The ratios of the Company are calculated on the basis that the Restructuring had been completed on 1 January 2011.
- (4) Implied by the Scheme Consideration.
- (5) LTM P/E ratio of Jasmine Telecom and Silver Ridge are considered outliers and have been excluded from the calculation of the average LTM P/E ratio of the Comparable Companies.
- (6) Based on cash position, debt, net earnings and LTM EBITDA for the 12 month period ended 31 March 2012, as provided by the Company.

We highlight the following key observations arising from the data presented above:

- (a) The LTM EV/EBITDA ratio implied by the Scheme Consideration is below the minimum of those of the Comparable Companies; and
- (b) The LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Companies.

The key observations above illustrate that the Scheme Consideration is not compelling as the LTM EV/EBITDA and LTM P/E ratios implied by the Scheme Consideration are towards or at the lower end of range of multiples implied by the Comparable Companies. **Please note that the comparison of the Scheme Consideration with the Comparable Companies is for illustration purposes only and our opinion in paragraph 8 is based on the factors listed in paragraph 7 and subject to the assumptions and qualifications set out elsewhere in this letter and taking into account the conditions prevailing as at the Latest Practicable Date.**

It is relevant to note that the ratings given for the Comparable Companies do not reflect a takeover premia, whereas those for the Scheme Consideration do.

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7.7. Comparison of ratings with Comparable Transactions

We have made comparison between the valuation ratios implied by the Scheme Consideration and the valuation ratios indicated by selected completed transactions between 1 January 2007 and the Latest Practicable Date, involving targets that operate in the information, communications and technology (“ICT”) sector and that are broadly comparable to the Company (“**Comparable Transactions**”).

We note the following in respect of such comparison:

- (a) The list of Comparable Transactions cannot be exhaustive.
- (b) The Comparable Transactions identified as being comparable are few in number.
- (c) The Comparable Transactions occurred over a reasonably long period of time, when conditions may have been different from those presently.

Announcement Date	Target Name	Country	Description
10 October 2011	NxGen Communications Pte Ltd (“ NxGen ”)	Singapore	Engaged principally in the business of providing system integration services and managed services for desktop, networking and communications, primarily in Singapore, Malaysia and the Philippines.
12 October 2009	Diversified Gateway Berhad (“ Diversified Gateway ”)	Malaysia	Provider of a full range of tele/data communications solutions in LAN, WAN, transmission, switching and operation support systems. Distributor of renowned technology providers such as Avaya, Brocade, Ciena, force10, Juniper, etc.
25 August 2008	Singapore Computer Systems Limited (“ SCS ”)	Singapore	Provider of ICT services in Asia. Its activities include system development, project implementation, facilities management, and system support; servicing, supply, maintenance, and sale of computer equipment; and provision of consultancy and software development services. SCS has operations across the Asia Pacific region.
22 July 2008	Datacraft Asia Ltd (“ Datacraft Asia ”)	Singapore	Provider of information technology solutions and services. Datacraft Asia offers contact centers, security, access management, converged communications, infrastructure operations and outsourcing solutions, including wireless and mobility, performance optimization, and network operations and management solutions.
5 December 2007	Frontline Technologies Corporation Ltd (“ Frontline Technologies ”)	Singapore	Provider of information technology consulting, infrastructure, security, and outsourcing services and solutions. Its services include IT infrastructure implementation and integration, enterprise support, applications consulting, system integration, and training and education, as well as outsourcing services, such as infrastructure, application, and business process management.
30 August 2007 ⁽¹⁾	Computer Systems Advisers (M) Bhd (“ CSAM ”)	Malaysia	Engaged in installation, field service and engineering support activities for products and solutions marketed and the provision of systems integration, software and information services, IT outsourcing and related professional and consulting services.

Table 6 – Comparable Transactions Target Company Descriptions

Source: Mergermarket, Circular, Offer Document and Company Filings

Notes:

- (1) On May 2007, CSAM announced the offer made by Computer Sciences Corporation, through CSC Computer Sciences Sdn Bhd (“CSC Malaysia”), to acquire the entire business and undertakings including all assets and liabilities of CSAM. On 30 August 2007, CSAM announced that CSC Malaysia had revised the offer. Our analysis is based on the revised offer.

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Our Comparable Transactions analysis is based on data compiled from publicly available sources and serves as a guide to the premium paid in connection with the acquisitions or divestments of companies in the ICT sector. Each transaction must be judged on its own commercial and financial merits. The premium that an acquirer pays in any particular transaction depends on various factors such as the potential synergy that the acquirer can gain from the acquisition, the presence of competing bids, prevailing market conditions, attractiveness of the target's business and assets, size of consideration and existing and desired level of control in the target company. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company. Hence, the comparison of the Scheme Consideration with the Comparable Transactions is for illustration purposes only.

Announcement Date	Acquiror	Target	% Shares Acquired	Implied Equity Value (\$ millions)	LTM EV/ EBITDA ⁽¹⁾ (Normalised)	LTM P/E ⁽¹⁾ (Normalised)
10 February 2012	Acquiror	Company ⁽²⁾	100.0 ⁽³⁾	162.9	3.9x ⁽⁹⁾	8.4x ⁽⁹⁾
10 October 2011	TeleChoice International Limited	NxGen ⁽⁴⁾	55.0	9.1	NA ⁽⁵⁾	7.0x ⁽⁶⁾
12 October 2009	ISS Consulting Solutions Bhd	Diversified Gateway	100.0	45.2	7.8x ⁽⁷⁾	12.1x ⁽⁷⁾
25 August 2008	Computer Systems Holdings Pte Ltd	SCS	100.0	238.0	4.9x	16.8x
22 July 2008	Dimension Data Holdings Plc	Datacraft Asia	45.0	925.9	8.5x	17.2x
5 December 2007	BT Singapore Pte Ltd	Frontline Technologies	100.0	201.9	9.3x	19.0x
30 August 2007	CSC Malaysia	CSAM	50.0	171.8 ⁽⁸⁾	4.1x	12.8x
		Average			6.9x	14.1x
		Median			7.8x	14.8x
		Maximum			9.3x	19.0x
		Minimum			4.1x	7.0x

Table 7 – Valuation Analysis for Comparable Transactions

Source: Circular, Offer Document and Company Filings

Notes:

- (1) Based on normalised LTM EBITDA and NPAT for last-twelve-month period prior to transaction's announcement date. EBITDA has been adjusted for non-operating, nonrecurring and extraordinary items. NPAT has been adjusted for non-operating, nonrecurring and extraordinary items; corporate tax rates have been applied to these adjustments.
- (2) The ratios of the Company are calculated on the basis that the Restructuring had been completed on 1 January 2011.
- (3) The Acquiror is seeking to acquire 100% of the issued share capital of the Company pursuant to the Acquisition.
- (4) On 10 October 2011, TeleChoice International Limited announced that they entered into a sale purchase agreement to acquire 100% of NxGen; the acquisition would be carried out in two tranches, Tranche 1 involving 55% of the total number of issued shares and the balance 45% in Tranche 2. As per the transaction structure, the consideration for Tranche 2 will be conditional on certain profit targets being achieved in a period of three years. For the purpose of our analysis, we have considered, only Tranche 1, being the completed Tranche. Tranche 1 completed on 1 November 2011.
- (5) NA refers to information that is not publicly available.
- (6) Based on NPAT as stated in the announcement dated 10 October 2011 by TeleChoice International Limited on the acquisition.
- (7) Based on normalised EBITDA and NPAT for the latest full financial year as of the transaction's announcement date being 30 March 2007. EBITDA has been adjusted for non-operating, nonrecurring and extraordinary items. NPAT has been adjusted for non-operating, nonrecurring and extraordinary items; corporate tax rates have been applied to these adjustments.

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- (8) Implied Equity Value for CSAM is based on the revised offer of RM3.90 per share.
- (9) Based on cash position, debt, net earnings and EBITDA for the 12 month period ended 31 March 2012, as provided by the Company.

We highlight the following key observations arising from the data presented above:

- (a) The LTM EV/EBITDA ratio implied by the Scheme Consideration is marginally below the minimum of those of the Comparable Transactions; and
- (b) The LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Transactions.

The key observations above illustrate that the Scheme Consideration is not compelling as the LTM EV/EBITDA and LTM P/E ratio implied by the Scheme Consideration are towards or at the lower end of range of multiples implied by the Comparable Transactions. **Please note that the comparison of the Scheme Consideration with the Comparable Transactions is for illustration purposes only and our opinion in paragraph 8 is based on the factors listed in paragraph 7 and subject to the assumptions and qualifications set out elsewhere in this letter and taking into account the conditions prevailing as at the Latest Practicable Date.**

7.8. Other considerations

7.8.1. The Scheme has to be approved by a majority in number of Shareholders AND 75% in value of the Shares voted at the Scheme Meeting and is binding on all Shareholders

The Scheme has to be approved by a majority in number of Shareholders present and voting, either in person or by proxy, at the Scheme Meeting, such majority holding not less than 75% in value of the Shares voted at the Scheme Meeting. Once approved, the Scheme will be binding on all the Shareholders, whether or not they were present in person or by proxy or voted at the Scheme Meeting.

7.8.2. Delisting of the Company

If the Scheme becomes effective and binding, the entire issued share capital of the Company will be owned by the Acquiror and the Company will be delisted from the Official List of the SGX-ST.

7.8.3. Switch Option

In the event of a competing offer, the Acquiror has the discretion to increase the Scheme Consideration, or subject to consultation with the SIC, withdraw from the Scheme and make the Offer. In the event the Acquiror exercises the Switch Option, such Offer will be at a consideration per Share not less than the Scheme Consideration and conditional only upon such level of acceptances as the SIC may approve. If the Acquiror exercises the Switch Option, the Implementation Agreement shall terminate with effect from the date of announcement of the Offer.

7.8.4. Irrevocable Undertaking

As at the Latest Practicable Date, the Shares which are the subject of the Irrevocable Undertaking represent approximately 50.05% of the total number of Shares. In the event the Acquiror exercises the Switch Option, Eltek has also undertaken to accept the Offer in respect of all its Shares, provided that where the competing offer is made at not less than S\$0.475 per Share before the Scheme is approved by Shareholders or two (2) Business Days prior to the final closing date of the Offer, and the Acquiror does not revise its terms, whether under the Scheme or Switch Option (as the case may be), to match or surpass the same, Eltek may opt to accept the competing offer.

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7.8.5. Competing Offers

The Irrevocable Undertaking and the Switch Option allow Eltek to accept a competing offer should the offer be of S\$0.475 per Share or higher, and the Acquiror does not match or exceed this offer. As such, it is possible for a competing offeror to gain control of the Company.

However, from the Announcement Date up to the Latest Practicable Date, the Company has not received any competing offers for the Shares from any third party.

8. CONCLUSION

In arriving at our opinion in respect of the financial terms of the Scheme, we have taken into account the factors which we consider to have a significant bearing on our assessment which include the following:

- a. The Sale Process was undertaken by Eltek and Eltek has confirmed that the Sale Process was competitive and the Scheme Consideration is the best offer received by Eltek in terms of pricing and certainty of completion.
- b. The Scheme Consideration is higher than the traded price of the Shares at any point in the two year period preceding the Holding Announcement Date (where, the Shares traded in the range of S\$0.31 to S\$0.43 per Share).
- c. The premium of the Scheme Consideration is lower than the average and the median takeover premium for all the Successful TOPs in the Reference Period but still within the range of such premiums.
- d. The average and premium offered in scheme of arrangements and voluntary delistings are lower than that for all the Successful TOPs but still higher than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.
- e. The average and median premium offered in successful cash offers are higher than that for all the Successful TOPs and are substantially greater than that implied by the Scheme Consideration. However, the premium implied by the Scheme Consideration is still within the range of such premiums.
- f. The LTM EV/EBITDA implied by the Scheme Consideration is below the minimum of those of the Comparable Companies and the LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Companies even when (i) the Company's financial ratios generally compare favourably with that of the Comparable Companies, and (ii) the Comparable Companies are themselves not under any takeover or privatisation offer and their respective share prices do not reflect any takeover premia.
- g. The LTM EV/EBITDA implied by the Scheme Consideration is marginally below the minimum of those of the Comparable Transactions and the LTM P/E ratio implied by the Scheme Consideration is lower than both the average and the median of those of the Comparable Transactions.
- h. The Scheme has to be approved by a majority in number of Shareholders AND 75% in value of the Shares voted at the Scheme Meeting and is binding on all Shareholders.
- i. The Irrevocable Undertaking and the Switch Option allow Eltek to accept a competing offer should the offer be S\$0.475 per Share or higher, and the Acquiror does not match or exceed this offer. As such, it is possible for a competing offeror to gain control of the Company. However, from the Announcement Date up to the Latest Practicable Date, the Company has not received any competing offers for the Shares from any third party.

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Having considered the factors listed in paragraph 7 and subject to the assumptions and qualifications set out elsewhere in this letter and taking into account the conditions prevailing as at the Latest Practicable Date, we are of the opinion that the Scheme Consideration is **fair and reasonable but not compelling**. **Further, we are of the opinion that the Scheme Consideration is not prejudicial to the interests of the Shareholders as a whole.**

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situations, risk profiles, tax positions or particular needs or constraints of any individual Shareholder or any specific group of Shareholders and we neither assume any responsibility for, nor hold ourselves out as advisers to any person other than the Independent Directors.

Our opinion is only based on a financial analysis and does not incorporate any assessment of commercial, legal, tax, regulatory or other matters. Such factors (including the aforesaid illustrations) are beyond the ambit of our review and do not fall within our terms of reference in connection with the Scheme.

We wish to emphasise that we have been appointed to render our opinion as of the Latest Practicable Date. Our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of the Company.

Our opinion is addressed to the Independent Directors for their benefit in connection with and for the purposes of their consideration of the Scheme. Any recommendations made by the Independent Directors in respect of the Scheme shall remain their responsibility.

Our advice is governed by the laws of Singapore, and is strictly limited to the matters stated in this letter and do not apply by implication to any other matter.

Yours faithfully

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

Andrew Ooi
Executive Director

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 196900084E)

14 June 2012

To: The Shareholders of Nera Telecommunications Ltd

Dear Sir / Madam

PROPOSED ACQUISITION OF NERA TELECOMMUNICATIONS LTD BY SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE

1. INTRODUCTION

1.1 Announcement

On 10 February 2012 (“**Announcement Date**”), Singapore Technologies Electronics Limited (“**Acquiror**”) and Nera Telecommunications Ltd (“**Company**”) made a joint announcement that the Acquiror and the Company had entered into an implementation agreement dated 10 February 2012 in relation to the proposed acquisition of all the issued and paid-up shares in the capital of the Company (“**Shares**”) by the Acquiror (“**Acquisition**”) to be effected by way of a scheme of arrangement (“**Scheme**”) under Section 210 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”).

1.2 Scheme Document

On 18 June 2012 (“**Despatch Date**”), the Company shall despatch a formal document (“**Scheme Document**”) to the shareholders of the Company (“**Shareholders**”) containing, *inter alia*:

- (a) details of the Scheme; and
- (b) the views of the directors of the Company who are considered independent (“**Independent Directors**”) for the purpose of making a recommendation to the Shareholders on the Scheme and the recommendation of Deloitte & Touche Corporate Finance Pte Ltd (“**IFA**”), the independent financial adviser to the Independent Directors.

This letter (“**Letter**”) shall be attached as **Appendix 3** to the Scheme Document to be despatched to Shareholders on the Despatch Date.

If you are in any doubt about this Letter or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

1.3 Terms and References

This Letter should be read and construed together with, and in the context of, the Scheme Document. All terms and references used in the Scheme Document and in this Letter and which are defined or construed in the Scheme Document but are not defined or construed in this Letter shall have the same meaning and construction as defined in the Scheme Document.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

2. THE ACQUISITION AND THE SCHEME

2.1 Terms of the Scheme

As stated in the Scheme Document, the Acquisition will be effected by way of a scheme of arrangement pursuant to Section 210 of the Companies Act. Pursuant to the Scheme:

- (a) all the Shares held by the Shareholders as at 5.00 p.m. on the Books Closure Date (“**Entitled Shareholders**”) will be transferred to the Acquiror; and
- (b) in consideration for such transfer, the Entitled Shareholders will receive an aggregate consideration of S\$0.45 in cash for each Share so transferred (“**Scheme Consideration**”) comprising the following:
 - (i) S\$0.06 per Share payable by the Company as a cash dividend (“**Permitted Dividend**”) amounting in aggregate to approximately S\$21.7 million¹; and
 - (ii) S\$0.39 per Share (excluding the Permitted Dividend) payable by the Acquiror (“**Share Consideration**”) amounting in aggregate to approximately S\$141.1 million.

The Permitted Dividend and Share Consideration payable to any Entitled Shareholder in respect of the Shares held by such Entitled Shareholder will be rounded down to the nearest whole cent.

Pursuant to the Scheme, the Shares will be transferred to the Acquiror fully paid, free from any Encumbrance and together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date but excluding the Permitted Dividend. For the avoidance of doubt, Entitled Shareholders will be entitled to retain the Permitted Dividend if the Scheme is approved in accordance with its terms.

2.2 Conditions of the Scheme

The Scheme is conditional upon the satisfaction (or where applicable, waiver) of the conditions precedent which must be satisfied for the Scheme to be implemented (“**Conditions Precedent**”) not later than 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing). A list of the Conditions Precedent is set out in **Appendix 10** to the Scheme Document.

The Scheme will only become effective and binding if all the Conditions Precedent have been satisfied (or where applicable, waived). The Shareholders should note that if any of the Conditions Precedent is not satisfied (or where applicable, waived) by 10 August 2012 (or such other date as the Company and the Acquiror may agree in writing), the Scheme may not become effective.

2.3 Retention Bonuses

To reinforce and encourage the continued attention and dedication of key officers and employees of the Company and its subsidiaries (“**Nera Group**”) to their assigned duties and to retain such key personnel to ensure the continued growth and profitability of the Nera Group, the Company has offered retention bonuses to various key personnel comprising payments of an aggregate sum not exceeding S\$1.5 million (“**Retention Bonuses**”). Details of the Retention Bonuses are set out in **paragraph 6** of the Letter to Shareholders in the Scheme Document.

2.4 No Options Proposal

As at 11 June 2012, being the latest practicable date prior to the printing of the Scheme Document (“**Latest Practicable Date**”), the Company does not have any outstanding Options granted under the Company Employees’ Share Option Scheme. Accordingly, no Options proposal will be made by the Acquiror.

¹ The Permitted Dividend is part of, and will be paid in accordance with, the terms of the Scheme.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

3. DELISTING

Upon the Scheme becoming effective and binding, the entire issued share capital of the Company will be owned by the Acquiror. An application was made by the Company to seek approval from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to delist the Company from the Official List of the SGX-ST upon the Scheme becoming effective and binding and in connection therewith, the SGX-ST has granted its approval that, *inter alia*, subject to the Scheme being approved by the Shareholders and the High Court of the Republic of Singapore (“**Court**”), it has no objection to the proposed delisting of the Shares from the Official List of the SGX-ST. The in-principle approval of the SGX-ST, however, is not an indication of the merits of the Company, any of its subsidiaries, the Scheme, the Acquisition and of the proposed withdrawal of the Shares from the Official List of the SGX-ST.

4. IRREVOCABLE UNDERTAKING

Eltek ASA (“**Eltek**”), being the sole controlling Shareholder holding 181,136,000 Shares, representing approximately 50.05 per cent of the total number of Shares, has given an irrevocable undertaking to the Acquiror (“**Irrevocable Undertaking**”) to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme. The Irrevocable Undertaking relates to an aggregate of 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares as at the Latest Practicable Date.

Further details of the Irrevocable Undertaking can be found in **paragraph 5** of the Explanatory Statement in the Scheme Document.

5. INFORMATION ON THE COMPANY

The Company is incorporated in the Republic of Singapore and listed on the Official List of the SGX-ST.

The Company is a premier solutions provider, which offers a comprehensive range of products, solutions and services from satellite communications, wireless infrastructure networks to internet protocol, optical and broadcast network infrastructure and payment solutions. The Company which is headquartered in Singapore was established in 1978 and markets its products, solutions and services to customers in Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Brunei, Laos, Cambodia, Myanmar, Taiwan, Korea, China, India, Bangladesh, Pakistan, Sri Lanka, Nepal, Middle East and North Africa.

The Company’s market capitalisation as of the close of market trading on 8 June 2012, being a day on which the SGX-ST is open for trading of securities (“**Market Day**”) immediately preceding the Latest Practicable Date was approximately S\$159,234,680.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 361,897,000 Shares.

6. INFORMATION ON THE ACQUIROR

The Acquiror is a wholly-owned subsidiary of Singapore Technologies Engineering Ltd (“**ST Engineering**”), which is listed on the Official List of the SGX-ST.

The Acquiror, the electronics arm of the ST Engineering group of companies, delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide, and markets its solutions to more than 100 countries internationally. It specialises in the design, development and integration of advanced electronics and communications systems, such as broadband radio frequency and satellite communication, e-government solutions, information communications technologies and IT, rail and traffic management, real-time command and control, modelling and simulation, interactive digital media, intelligent building management and information security.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

Paragraph 11 of this Letter sets out (a) convertible securities, warrants, options and derivatives in respect of, Shares or securities which carry voting rights in the Company (“**Company Convertible Securities**”) owned, controlled or agreed to be acquired by the Acquiror and its concert parties (“**Acquiror Concert Group**”) and their respective directors as at the Latest Practicable Date, and (b) the dealings in Shares and Company Convertible Securities by the Acquiror, the Acquiror Concert Group and their respective directors for the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

7. RATIONALE FOR THE ACQUISITION AND FUTURE PLANS FOR THE COMPANY

7.1 Acquiror’s Rationale

The acquisition of the Nera Group is a further step in the Acquiror’s business strategy to expand its info-communication technology business. It will complement and enhance the Acquiror’s existing business in terrestrial and wireless broadband networks.

The Scheme is also an attractive opportunity for Shareholders to monetise their investments, particularly in light of the current uncertain global economic and volatile stock market conditions. Recent market records show that the Shares have been generally thinly traded on the SGX-ST and with sporadic trading volume, which has inhibited the orderly selling of the Shares in the stock market. For the six-month period prior to the date of (i) the holding announcement made by the Company on 3 February 2012 stating that the Company has received an approach from a third party and is in advanced discussions with it (“**Holding Announcement**”) and (ii) the Announcement Date, the average trading volume for the Market Days on which the Shares were traded was 221,000 Shares and 332,470 Shares per day, representing approximately 0.06% and 0.09% of the total number of Shares, respectively.

7.2 Acquiror’s Future Plans

The Acquiror intends to retain the current management team and employees after the date on which the Scheme, if approved, becomes effective and binding in accordance with its terms (“**Effective Date**”). The Acquiror will conduct a comprehensive review of the Nera Group’s businesses over 12 to 18 months together with the current management team with the objective to achieve maximum synergies from the Acquisition. In the course of review, the Acquiror may identify areas which can be rationalised and streamlined and expressly reserves the right to make any changes that it deems necessary, appropriate or convenient in light of its review or in light of future developments.

Pending the aforesaid, the Acquiror currently has no intention to (a) introduce any major changes to the business of the Company or the operations of any of its subsidiaries, (b) re-deploy the Company’s fixed assets or (c) discontinue the employment of any of the existing employees of the Nera Group, other than in the ordinary course of business. However, the Acquiror retains the flexibility at any time to consider any options and opportunities, including restructuring of the Nera Group, which may present themselves and which it may regard to be in the interest of the Acquiror.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

8. GENERAL AND FINANCIAL INFORMATION RELATING TO THE ACQUIROR AND ST ENGINEERING

8.1 Directors of the Acquiror

The names, addresses and designations of the directors of the Acquiror as at the Latest Practicable Date are as follows:

Name	Address	Designation
Mr Soo Kok Leng	7 Pandan Valley #07-503 Poinciana Tower Singapore 597631	Chairman
Mr Tan Pheng Hock	3 Seletar Close Singapore 807211	Deputy Chairman
Mr Bertie Cheng Shao Shiong	19 Lemon Avenue Singapore 277818	Director
BG Lim Cheng Yeow, Perry	31 West Coast Rise #07-17 Singapore 127474	Director
Prof Er Meng Hwa	56 Yunnan Road Singapore 637919	Director
BG Cheng Siak Kian	960 Dunearn Road #04-25 Gardenvista Singapore 589486	Director
Mr Bill Chua Teck Huat	39 Cheng Soon Crescent Singapore 599911	Director
Prof Lui Pao Chuen	34 Greenleaf Road Singapore 279334	Director
Mr Cavinder Bull	21 Greenbank Park Singapore 589382	Director
Dr Finian Tan Seng Chin	293 Ocean Drive #13-17 The Oceanfront @ Sentosa Cove Singapore 098533	Director
Mr Seah Moon Ming	66 Kew Heights Singapore 465861	Director
Mr Lee Fook Sun	19A Lengkong Dua Singapore 417698	Alternate Director to Mr Tan Pheng Hock
COL Ong Tze-Ch'in	36 Kim Tian Road #12-03 Singapore 169279	Alternate Director to BG Cheng Siak Kian

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

8.2 Principal Activities of the Acquiror

The Acquiror, a company incorporated in Singapore and the electronics arm of the ST Engineering group of companies, delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide, and markets its solutions to more than 100 countries internationally. It is part of the ST Engineering group of companies, which is an integrated engineering group providing solutions and services in the aerospace, electronics, land systems and marine sectors.

8.3 Summary of Financial Performance of ST Engineering

A summary of the financial information of ST Engineering for FY 2009, FY 2010, FY 2011 and 1Q 2012, based on the audited consolidated financial statements for each of FY 2009, FY 2010 and FY 2011 and unaudited consolidated financial statements for 1Q 2012 is set out below.

The following summary is extracted from, and should be read in conjunction with the audited consolidated financial statements (or unaudited consolidated financial statements, as the case may be) for the relevant financial periods and related notes thereto.

(a) Consolidated Income Statements of ST Engineering

	Audited	Audited	Audited	Unaudited
	FY 2009	FY 2010	FY 2011	1Q 2012
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	5,547,787	5,984,473	5,990,878	1,541,094
Exceptional items	–	–	–	–
Net profit or (loss) before tax	546,559	627,475	655,225	162,019
Net profit or (loss) after tax	456,397	504,852	540,661	135,034
Non-controlling interests	12,467	13,847	13,117	666
Net earnings per share (“EPS”)	(Singapore cents)	(Singapore cents)	(Singapore cents)	(Singapore cents)
Basic ⁽¹⁾	14.78	16.21	17.28	4.39
Diluted ⁽¹⁾	14.74	16.13	17.24	4.38
Net dividends per share	(Singapore cents)	(Singapore cents)	(Singapore cents)	(Singapore cents)
	13.28	14.55	15.50	–

Note:

- ⁽¹⁾ Based on profit/(loss) attributable to the equity shareholders and the weighted average number of shares of ST Engineering in issue during the financial year.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

(b) Consolidated Balance Sheets of ST Engineering

	Audited	Audited	Audited	Unaudited
	FY 2009	FY 2010	FY 2011	1Q 2012
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	1,166,245	1,301,543	1,356,750	1,344,723
Associates and jointly controlled entities	273,379	281,171	320,894	311,525
Investments	21,464	16,190	11,611	11,227
Intangible assets	644,401	580,523	564,238	543,918
Investment properties	2,009	1,666	1,509	1,401
Long-term receivables, non-current	29,487	36,375	38,255	37,048
Amounts due from related parties, non-current	7,313	7,377	7,330	7,323
Finance lease receivables, non-current	5,227	6,552	14,482	15,044
Derivative financial instruments, non-current	18,742	566	12,033	7,341
Deferred tax assets	127,196	118,794	113,167	113,138
Total non-current assets	2,295,463	2,350,757	2,440,269	2,392,688
Current assets				
Inventories and work-in-progress	1,364,296	1,470,429	1,593,670	1,624,926
Trade receivables	1,061,972	1,019,805	1,187,503	1,065,878
Amount due from related parties, current	24,103	21,872	37,332	33,139
Advances and other receivables	368,212	590,248	340,070	328,865
Long-term receivables, current	7,637	10,428	12,925	12,599
Finance lease receivables, current	14,386	14,479	26,163	28,874
Short-term investments	235,825	198,464	402,799	375,342
Bank balances and other liquid funds	1,513,758	1,591,727	1,366,452	1,871,650
Total current assets	4,590,189	4,917,452	4,966,914	5,341,273
Total assets	6,885,652	7,268,209	7,407,183	7,733,961
Current liabilities				
Advance payments from customers, current	655,669	614,342	512,061	573,705
Trade payables and accruals	1,388,350	1,589,009	1,690,522	1,475,949
Amounts due to related parties, current	5,079	8,294	29,340	45,703
Provisions	211,851	210,390	214,747	211,233
Progress billings in excess of work-in-progress	557,329	567,193	656,163	691,377
Provision for taxation	178,724	187,020	168,241	177,774
Short-term bank loans	83,510	63,404	204,084	187,180
Lease obligations, current	1,822	2,741	2,934	163
Long-term bank loans, current	–	307,047	41	40
Other loans, current	240	1,869	758	738
Bank overdrafts	1	–	–	–
Total current liabilities	3,082,575	3,551,309	3,478,891	3,363,862
Net current assets	1,507,614	1,366,143	1,488,023	1,977,411

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

(b) Consolidated Balance Sheets of ST Engineering (continued)

	Audited	Audited	Audited	Unaudited
	FY 2009	FY 2010	FY 2011	1Q 2012
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Advance payments from customers, non-current	682,025	917,939	759,004	1,121,909
Deferred income	14,546	13,411	26,695	26,750
Deferred tax liabilities	58,355	58,216	84,090	80,084
Lease obligations, non-current	3,730	3,883	1,245	238
Long-term bank loans, non-current	648,854	327,118	507,774	494,327
Bonds	698,462	641,108	646,562	624,799
Other loans, non-current	2,088	991	856	799
Other long-term payables, non-current	1,453	2,500	2,500	2,500
Derivative financial instruments, non-current	17,368	24,698	23,094	20,299
Amounts due to related parties, non-current	–	202	364	9
Total non-current liabilities	2,126,881	1,990,066	2,052,184	2,371,714
Total liabilities	5,209,456	5,541,375	5,531,075	5,735,576
Net assets	1,676,196	1,726,834	1,876,108	1,998,385
Share capital and reserves				
Share capital	611,808	677,590	723,411	746,635
Capital reserves	116,323	116,323	116,323	116,323
Other reserves	(22,793)	(123,180)	(106,552)	(140,333)
Retained earnings	862,764	950,802	1,033,013	1,167,381
	1,568,102	1,621,535	1,766,195	1,890,006
Non-controlling interests	108,094	105,299	109,913	108,379
Total equity	1,676,196	1,726,834	1,876,108	1,998,385
Total equity and liabilities	6,885,652	7,268,209	7,407,183	7,733,961

8.4 Material Changes in the Financial Position of ST Engineering

Save as a result of the financing of the Acquisition and the Scheme and otherwise as announced publicly by ST Engineering, there have been no known material changes in the financial position of ST Engineering subsequent to its audited consolidated financial statements for FY 2011.

8.5 Accounting Policies of ST Engineering

The significant accounting policies of ST Engineering applied in its audited consolidated financial statements for FY 2011 are set out in the notes thereto.

As at the Latest Practicable Date, there are no changes in the accounting policies of ST Engineering which will cause the figures disclosed in this **paragraph 8** not to be comparable to a material extent.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

9. GENERAL AND FINANCIAL INFORMATION RELATING TO THE COMPANY

9.1 Material Changes in the Financial Position of the Company

Save for the information of the Company which is publicly available (including, without limitation, the audited consolidated financial statements of the Nera Group for FY 2011 and the unaudited consolidated financial statements of the Nera Group for the three (3) months ended 31 March 2012 which are disclosed in **Appendices 6 and 7** to the Scheme Document, and announcements which are released by the Company on SGXNET), there has not been, within the knowledge of the Acquiror, any material change in the financial position or prospects of the Nera Group since 31 December 2011, being the date of the last balance sheet laid before the Shareholders in general meeting.

9.2 Transfer Restrictions

The Memorandum and Articles of Association of the Company do not contain any restrictions on the right to transfer the Shares, which has the effect of requiring holders of the Shares, before transferring them, to offer them for purchase to members of the Company or to any person.

9.3 Additional Information

Additional general information in relation to the Company is set out in **Appendix 4** to the Scheme Document.

10. SPECIAL ARRANGEMENTS

10.1 Agreement having any Connection with or Dependence upon the Scheme

Mr. Ang has entered into a service contract with ST Engineering ("**Service Contract**"), which will come into effect on the Effective Date. Pursuant to the Service Contract, he will be employed as President of the Nera Group (the Company will on the Effective Date become a wholly-owned subsidiary of the Acquiror which is in turn a wholly-owned subsidiary of ST Engineering). Other than terms relating to gross salary, transport allowance, medical, dental and hospitalisation benefits, and annual, medical, compassionate and hospitalisation leave, the Service Contract also provides for Mr. Ang to receive, *inter alia*,

- (a) a variable bonus of up to a maximum of 2.5% of the Nera Group's audited profit before tax ("**PBT**") for each financial year;
- (b) a retention bonus of up to six (6) months of gross salary which is payable respectively in 2 tranches of three (3) months each subject to the Nera Group meeting 70% of its PBT for the 12 months' and 24 months' periods after the Effective Date;
- (c) upon completion of 24 months of service:
 - (i) a special incentive equivalent to 0.8% of the Nera Group's audited PBT for the preceding 12 months before the first anniversary date of the Effective Date;
 - (ii) a special incentive equivalent to 1% of the Nera Group's audited PBT for the preceding 12 months before the second anniversary of the Effective Date, and
 - (iii) 100,000 ST Engineering shares under the ST Engineering Restricted Share Plan,

on the terms and subject to the conditions in the Service Contract.

Save as disclosed in this **paragraph 10.1**, the Scheme Document and this Letter, as at the Latest Practicable Date, there is no agreement, arrangement or understanding between (a) the Acquiror or any party acting in concert with it and (b) any of the current or recent directors of the Company or any of the current or recent Shareholders having any connection with or dependence upon the Scheme.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

10.2 Transfer of Shares

Save as disclosed in the Scheme Document and this Letter, as at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Shares acquired by the Acquiror pursuant to the Scheme will be transferred to any other person. However, the Acquiror reserves the right to direct or transfer any of the Shares to any of its related corporations (within the meaning of Section 6 of the Companies Act) or for the purpose of granting security in favour of financial institutions which have extended or may extend credit facilities to it.

10.3 Payment or Benefit to Directors of the Company

Save as disclosed above in **paragraph 10.1**, the Scheme Document and this Letter, as at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or of any of its related corporations (within the meaning of Section 6 of the Companies Act) as compensation for loss of office or otherwise in connection with the Scheme.

10.4 Agreement Conditional upon Outcome of the Scheme

Save as disclosed above in **paragraph 10.1**, the Scheme Document and this Letter, as at the Latest Practicable Date, there is no agreement, arrangement or understanding between (a) the Acquiror and (b) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Scheme or otherwise connected with the Scheme.

11. DISCLOSURE OF HOLDINGS AND DEALINGS

11.1 Holdings and Dealings

The holdings of Shares by the Acquiror, Acquiror Concert Group and their respective directors as at the Latest Practicable Date are set out below:

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Sew Chee Jhuen	4,000	0.001	–	–
Kwek Kok Kwong	5,000	0.001	–	–
Tan Peng Soon	–	–	1,000 ⁽²⁾	0.0002

Notes:

⁽¹⁾ Based on 361,897,000 issued Shares as at the Latest Practicable Date.

⁽²⁾ 1,000 Shares are held by the spouse of Tan Peng Soon, Mdm Foo Siew Ling.

11.2 Irrevocable Undertaking

Eltek, being the sole controlling Shareholder holding 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares, has given an irrevocable undertaking to the Acquiror to, *inter alia*, vote all its Shares in favour of the Scheme and any other matter necessary to implement the Scheme. The Irrevocable Undertaking relates to an aggregate of 181,136,000 Shares, representing approximately 50.05 per cent. of the total number of Shares as at the Latest Practicable Date.

In the event the Acquiror makes any other voluntary offer to acquire all the Shares (“**Offer**”) in lieu of proceeding with the Scheme (“**Switch Option**”), Eltek has also undertaken to accept the Offer in respect of all its Shares, provided that where a competing offer is made at not less than S\$0.475 per Share before the Scheme is approved or two (2) Business Days prior to its closing, and the Acquiror does not revise its terms, whether under the Scheme or Switch Option (as the case may be), to match or surpass the same, Eltek may opt to accept the competing offer subject to payment of a compensation amount of S\$1.6 million to the Acquiror for its advisory costs, financing costs, costs of management and directors’ time and reasonable opportunity costs in pursuing the Scheme.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

Eltek has not dealt for value in any Shares or any Company Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

11.3 No Other Disclosures

Save as disclosed in the Scheme Document and this Letter, neither the Acquiror, Acquiror Concert Group nor their respective directors:

- (a) owns, controls or has agreed to acquire any Shares or any Company Convertible Securities as at the Latest Practicable Date;
- (b) has dealt for value in any Shares or any Company Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date;
- (c) has received any irrevocable undertaking from any party (other than the Irrevocable Undertaking from Eltek) to vote in favour of the Scheme at the Scheme Meeting as at the Latest Practicable Date;
- (d) has entered into any arrangement with any person of the kind referred to in Note 7 on Rule 12 of the Singapore Code on Take-overs and Mergers (“**Code**”), including indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares or the Company Convertible Securities which may be an inducement to deal or refrain from dealing in the Shares or the Company Convertible Securities as at the Latest Practicable Date; or
- (e) has granted a security interest relating to any Shares or Company Convertible Securities to another person, whether through a charge, pledge or otherwise, borrowed any Shares or Company Convertible Securities from another person (excluding borrowed Shares or Company Convertible Securities which have been on-lent or sold), or lent any Shares or Company Convertible Securities to another person.

12. CONFIRMATION OF FINANCIAL RESOURCES

PricewaterhouseCoopers Corporate Finance Pte Limited (“**PwCCF**”), as financial adviser to the Acquiror, confirms that the Acquiror has sufficient financial resources to undertake and complete the Acquisition under the Scheme.

13. SETTLEMENT

Paragraphs 14 to 16 of the Explanatory Statement in the Scheme Document set out details of the procedures for the implementation of the Scheme and the settlement and registration procedures.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

14. MARKET QUOTATIONS

14.1 Closing Prices

The following table sets out the closing prices of the Shares on the SGX-ST (as reported by Bloomberg) on (a) the Latest Practicable Date, (b) 9 February 2012, being the last full trading day preceding the Announcement Date (“**Last Full Trading Day**”), (c) 2 February 2012, being the last full trading day prior to the date of the Holding Announcement; and (d) the last Market Day of each month from August 2011 to January 2012 (being the six (6) calendar months preceding the Announcement Date) and the corresponding premium and/or discount (as the case may be) based on the Scheme Consideration:

Date	Closing Price (S\$)	Premium/(Discount) (%) based on the Scheme Consideration of S\$0.45
11 June 2012 (Latest Practicable Date)	0.440	2.27%
9 February 2012 (Last Full Trading Day)	0.475	(5.26%)
2 February 2012 (Last full trading day before Holding Announcement)	0.430	4.65%
31 January 2012	0.425	5.88%
30 December 2011	0.420	7.14%
30 November 2011	0.370	21.62%
31 October 2011	0.360	25.00%
30 September 2011	0.335	34.33%
31 August 2011	0.350	28.57%

14.2 Highest and Lowest Prices

The highest and lowest closing prices of the Shares on the SGX-ST (as reported by Bloomberg) during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date and the corresponding premium and discount (as the case may be) based on the Scheme Consideration are as follows:

	Closing Price (S\$)	Date	Premium/(Discount) (%) based on the Scheme Consideration of S\$0.45
Highest closing price	0.500	10 February 2012	(10.00%)
Lowest closing price	0.330	26 September 2011, 27 September 2011, 28 September 2011, 4 October 2011 and 5 October 2011	36.36%

15. CONSENT

PwCCF, as financial adviser to the Acquiror in connection with the Acquisition, has given and has not withdrawn its written consent to the issue of this Letter with the inclusion herein of its name and all references to its name in the form and context in which it appears in this Letter.

16. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents referred to in **paragraph 13** of **Appendix 4** to the Scheme Document which are made available for inspection by the Company, copies of the following additional documents are available for inspection at the Company’s registered office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 during normal business hours from the date of the Scheme Document up to the Effective Date:

- (a) the Memorandum and Articles of Association of the Acquiror; and
- (b) the letter of consent referred to in **paragraph 15** above.

APPENDIX 3 – LETTER FROM THE ACQUIROR TO THE SHAREHOLDERS

17. RESPONSIBILITY STATEMENT

The directors of the Acquiror collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Acquisition, the Acquiror and its subsidiaries, and the directors of the Acquiror are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of the Acquiror has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

The information in this Letter is a summary of the Scheme, and is qualified by, and should be read in conjunction with, the more detailed information contained in the Scheme Document.

Yours faithfully
For and on behalf of
Singapore Technologies Electronics Limited

Lee Fook Sun
President

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Designation
S. Chandra Das	28 Cassia Drive Raffles Park, Singapore 289721	Chairman, Independent, Non-executive Director
Ang Seong Kang Samuel	3 Keng Chin Road, Singapore 258704	President and CEO, Executive Director
Lau Ping Sum	19 Nim Green Seletar Hills Estate, Singapore 807614	Independent, Non-executive Director
Sitoh Yih Pin	2 Siglap Hill, Singapore 456098	Independent, Non-executive Director
Jørgen Larsen	Jon Fossums vei 21, N-1395 Hualstad, Norway	Non-independent, Non-executive Director
Pål Skistad	Rodhetteveien 8, 3042 Drammen, Norway	Non-independent, Non-executive Director

2. PRINCIPAL ACTIVITIES

The Company is incorporated in the Republic of Singapore and listed on the Official List of the SGX-ST.

The Company is a premier solutions provider, which offers a comprehensive range of products, solutions and services from satellite communications, wireless infrastructure networks to internet protocol, optical and broadcast network infrastructure and payment solutions. The Company which is headquartered in Singapore was established in 1978 and markets its products, solutions and services to customers in Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Brunei, Laos, Cambodia, Myanmar, Taiwan, Korea, China, India, Bangladesh, Pakistan, Sri Lanka, Nepal, Middle East and North Africa.

3. SHARE CAPITAL

3.1 Shares

As at the Latest Practicable Date, there is only one class of shares in the capital of the Company, comprising ordinary shares. The issued share capital of the Company is as follows:

As at the Latest Practicable Date	No. of ordinary shares	Paid up capital
Issued and fully paid-up	361,897,000	S\$29,909,152

3.2 Rights of the Shareholders in respect of Capital, Dividends and Voting

Selected texts of the Articles of Association of the Company relating to the rights of the Shareholders in respect of capital, dividends and voting have been extracted and reproduced in **Appendix 5** to this Scheme Document.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

3.3 Issue of Shares

Since the end of FY 2011, no new Shares have been issued by the Company.

3.4 Company Convertible Securities

As at the Latest Practicable Date, there are no outstanding convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company.

4. FINANCIAL INFORMATION

4.1 Financial Information of the Group

A summary of the financial information of the Group for FY 2009, FY 2010, FY 2011 and 1Q 2012 (based on the audited consolidated financial statements for each of FY 2009, FY 2010 and FY 2011 and the unaudited 1Q 2012 financial statements of the Group for the period ended 31 March 2012) is set out below.

The summary financial information of the Group in this **paragraph 4.1** is extracted from, and should be read together with, the audited consolidated financial statements (or unaudited financial statements, as the case may be) for the relevant years and notes related thereto, copies of which are available for inspection at the Company's registered office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

(a) Consolidated Income Statements

	Audited FY 2009 S\$'000	Audited FY 2010 S\$'000	Audited FY 2011 S\$'000	Unaudited 1Q 2012 S\$'000
Revenue	171,741	155,811	156,238	43,544
Exceptional items	–	–	–	–
Net profit before tax	13,183	14,640	16,226	8,083
Net profit after tax	10,668	10,912	13,505	6,492
Minority interests	–	–	–	–
Net EPS	(Singapore cents)	(Singapore cents)	(Singapore cents)	(Singapore cents)
Basic ⁽¹⁾	2.95	3.02	3.73	1.79
Diluted ⁽¹⁾	2.95	3.02	3.73	1.79
	(Singapore cents)	(Singapore cents)	(Singapore cents)	(Singapore cents)
Net dividends per Share	3 cents	4 cents	–	–

Note:

⁽¹⁾ Based on profit attributable to the equity shareholders and the weighted average number of Shares in issue during the financial year/period.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

(b) Consolidated Balance Sheets

	Audited FY 2009 S\$'000	Audited FY 2010 S\$'000	Audited FY 2011 S\$'000	Unaudited 1Q 2012 S\$'000
Non-current assets				
Property, plant and equipment	7,785	6,793	7,788	7,164
Intangible asset	–	–	1,225	1,209
Investment in an associate	1,179	1,730	2,042	2,366
Financial lease receivable	–	–	321	266
Deferred tax assets	892	1,285	2,375	2,372
Total non-current assets	9,856	9,808	13,751	13,377
Current assets				
Stocks	3,779	3,100	3,245	2,313
Contract work-in-progress	20,677	21,750	20,541	12,536
Trade receivables	25,280	39,199	56,272	58,487
Financial lease receivable	–	–	288	250
Other receivables, deposits and prepayments	3,376	5,100	2,289	2,297
Amount due from associate				
- trade	21,676	4,467	503	678
- Non-trade	420	–	–	–
Amounts due from related companies (trade)	32	14	–	–
Cash and cash equivalents	29,401	39,991	46,535	54,014
Total current assets	104,641	113,621	129,673	130,575
Current liabilities				
Trade payables	30,508	37,302	54,047	47,206
Other payables and accruals	13,239	15,946	19,111	19,330
Amounts due to an associate (non-trade)	–	–	24	21
Amounts due to related companies (trade)	1,958	688	–	–
Provision for taxation	2,032	2,182	3,027	4,246
Provision for warranty	4,415	4,985	5,934	5,271
Obligations under finance leases	25	27	28	27
Total current liabilities	52,177	61,130	82,171	76,101
Net current assets	52,464	52,491	47,502	54,474
Non-current liabilities				
Obligations under finance leases	(62)	(36)	(7)	(1)
Net assets	62,258	62,263	61,246	67,850
Equity attributable to equity holders of the Company				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	34,744	34,799	33,828	40,320
Translation reserve	(2,395)	(2,445)	(2,491)	(2,379)
Total equity	62,258	62,263	61,246	67,850

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

4.2 Material Changes in Financial Position

Save as disclosed in this Scheme Document, the audited consolidated financial statements of the Group for FY 2011, the unaudited financial statements for 1Q 2012, and any other information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGXNET), there have been no material changes to the financial position of the Company since 31 December 2011, being the date of the last published audited consolidated accounts of the Group.

4.3 Accounting Policies

The significant accounting policies for the Group are set out in the notes to the audited consolidated financial statements of the Group for FY 2011, which are set out in **Appendix 6** to this Scheme Document.

There are no changes in the accounting policy of the Group which will cause the figures disclosed in **paragraph 4.1** above not to be comparable to a material extent.

5. HOLDINGS DISCLOSURES

5.1 Holdings of Acquiror Shares and Acquiror Convertible Securities by the Company

As at the Latest Practicable Date, and save as disclosed in this Scheme Document, none of the Group Companies owns, controls or has agreed to acquire any Acquiror Shares or any Acquiror Convertible Securities.

5.2 Interests of Directors in Acquiror Shares and Acquiror Convertible Securities

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in the Acquiror Shares¹ or the Acquiror Convertible Securities.

5.3 Interests of Directors in Shares and Company Convertible Securities

As at the Latest Practicable Date, save as disclosed in this **paragraph 5.3** and this Scheme Document, as well as based on the Register of Directors maintained by the Company, none of the Directors owns, controls or has agreed to acquire, or has any direct or indirect interests in the Shares or the Company Convertible Securities:

(a) Shares

Name	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
	No. of Shares	(%) ⁽¹⁾	No. of Shares	(%) ⁽¹⁾
Director				
S. Chandra Das	–	–	1,000,000 ⁽²⁾	0.28
Mr. Ang	1,040,000	0.29	25,000 ⁽³⁾	0.01
Lau Ping Sum	550,000	0.15	–	–
Sitoh Yih Pin	500,000	0.14	–	–

Notes:

⁽¹⁾ Based on 361,897,000 issued Shares as at the Latest Practicable Date.

⁽²⁾ 1,000,000 Shares are held by the spouse of S. Chandra Das.

⁽³⁾ 25,000 Shares are held by the spouse of Mr. Ang.

(b) Company Convertible Securities

As at the Latest Practicable Date, there are no outstanding Company Convertible Securities.

¹ Mr. Ang holds 40,015 shares in ST Engineering. The Acquiror is a wholly-owned subsidiary of ST Engineering.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

5.4 Interests of Substantial Shareholder in Shares and Company Convertible Securities

As at the Latest Practicable Date, Eltek is the only Substantial Shareholder. Save as disclosed in this **paragraph 5.4** and this Scheme Document, Eltek does not own or control, has not agreed to acquire, and has no direct or indirect interests in the Shares or the Company Convertible Securities.

(a) Shares

Name	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
	No. of Shares	(%) ⁽¹⁾	No. of Shares	(%) ⁽¹⁾
Substantial Shareholder				
Eltek	181,136,000	50.05	–	–

Note:

⁽¹⁾ Based on 361,897,000 issued Shares as at the Latest Practicable Date.

(b) Company Convertible Securities

As at the Latest Practicable Date, there are no outstanding Company Convertible Securities.

6. DEALINGS DISCLOSURES

6.1 Dealings in Acquiror Shares and Acquiror Convertible Securities by the Company

None of the Group Companies has dealt for value in the Acquiror Shares or the Acquiror Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

6.2 Dealings in Acquiror Shares and Acquiror Convertible Securities by the Directors

None of the Directors has dealt for value in the Acquiror Shares or the Acquiror Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

6.3 Dealings in Shares and Company Convertible Securities by the Directors

None of the Directors has dealt for value in any Shares or any Company Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

7. INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

7.1 Interests of the IFA in Shares and Company Convertible Securities

As at the Latest Practicable Date, none of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, own or control any Shares or any Company Convertible Securities.

7.2 Dealings in Shares and Company Convertible Securities by the IFA

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis has dealt for value in the Shares or the Company Convertible Securities during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

8. ARRANGEMENTS AFFECTING DIRECTORS

8.1 No Payment or Benefit to Directors

As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any Director or to any director of any other corporation which, by virtue of Section 6 of the Companies Act, is deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Scheme.

8.2 No Agreement Conditional upon Outcome of the Scheme

As at the Latest Practicable Date, save for (a) the Incentive Agreement as described in **paragraph 5** of the Letter to Shareholders and (b) the Service Contract as described in **paragraph 10.1 of Appendix 3** to this Scheme Document, there is no agreement, arrangement or understanding made between any of the Directors and any other person in connection with or conditional upon the outcome of the Scheme.

8.3 No Material Interest in Material Contracts

As at the Latest Practicable Date, save for the Service Contract as described in **paragraph 10.1 of Appendix 3** to this Scheme Document, none of the Directors has a personal interest, whether direct or indirect, in any material contract entered into by the Acquiror.

9. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) none of the Group Companies is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Group taken as a whole; and
- (b) the Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against any of the Group Companies or of any facts likely to give rise to any litigation, claim, arbitration or other proceedings which may materially and adversely affect the financial position of the Group taken as a whole.

10. GENERAL DISCLOSURES

10.1 Financial Statements for FY 2011

The audited consolidated financial statements of the Group for FY 2011 are set out in **Appendix 6** to this Scheme Document.

10.2 Directors' Service Contracts

Mr. Ang has on 8 August 2011 entered into a deed of amendment with the Company ("**Deed of Amendment**") to amend his service agreement with the Company dated 3 January 2000 and as subsequently supplemented, amended or otherwise modified on 13 March 2001 (collectively referred to as the "**Service Agreement**"). The terms and conditions of the Deed of Amendment provide, *inter alia*, that the Service Agreement cannot be terminated by either Mr. Ang or the Company without 18 months' notice in writing or salary in lieu of notice. The Service Agreement currently provides, *inter alia*, that Mr. Ang is paid a salary fixed at S\$49,620 per month with periodic reviews and the amount of variable remuneration payable under the Service Agreement is subject to a maximum of 2.5 per cent. of the Group PBT, as determined at the absolute discretion of the Company's compensation committee. The Service Agreement does not provide for an expiry date.

Save as disclosed above, there (a) are no service contracts between any Director or proposed director with any Group Company with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation, and (b) were no such service contracts entered into or amended between any of the Directors or proposed director and any Group Company during the period between the start of the six (6) months immediately preceding the Announcement Date and the Latest Practicable Date.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

10.3 Material Contracts with Interested Persons

There are no material contracts entered into by any Group Company in which any Director has a material personal interest, whether direct or indirect. There are also no material contracts (not being a contract entered into in the ordinary course of business) entered into by any Group Company with other interested persons (as defined in the Note on Rule 23.12 of the Code) during the period beginning three (3) years before the Announcement Date.

10.4 Transfer Restrictions

The Memorandum and Articles of Association of the Company do not contain any restrictions on the right to transfer the Shares, which has the effect of requiring Shareholders, before transferring them, to offer them for purchase to members of the Company or to any person.

10.5 Costs and Expenses

In the event that the Scheme does not become effective for any reason, the expenses and costs incurred by the Company in connection with the Scheme will be borne by the Company.

10.6 Directors' Intentions with respect to their Shares

In the absence of a competing offer, the Directors who have a direct interest in Shares (namely, Mr. Lau Ping Sum, Mr. Sitoh Yih Pin and Mr. Ang) currently intend to vote in favour of the Scheme in respect of the Shares they have a direct interest in.

11. MARKET QUOTATIONS

Please refer to **paragraph 14** of the Acquiror's Letter for information on:

- (a) the closing prices of the Shares on the SGX-ST on (i) the Latest Practicable Date, (ii) the Last Full Trading Day, and (iii) the last Market Day of each month from August 2011 to January 2012 (being the six (6) months preceding the Announcement Date); and
- (b) the highest and lowest closing prices during the period commencing six (6) months prior to the Announcement Date and ending on the Latest Practicable Date, and the respective dates of the relevant sales.

12. CONSENTS

12.1 General

Messrs Allen & Gledhill LLP, Rippledot and the Share Registrar have each given and have not withdrawn their respective written consents to the issue of this Scheme Document with the inclusion herein of their names and all the references to their names in the form and context in which they respectively appear in this Scheme Document.

12.2 IFA

The IFA has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its name, its letter dated 14 June 2012 relating to its advice to the Directors in respect of the Scheme as set out in **Appendix 2** to this Scheme Document, its letter dated 19 April 2012 relating to the unaudited 1Q 2012 financial statements of the Group for the period ended 31 March 2012 as set out in **Appendix 8** to this Scheme Document, and all references to its name in the form and context in which it appears in this Scheme Document.

12.3 EY

EY has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its name, the auditors' report relating to the audited consolidated financial statements of the Group for FY 2011 as set out in **Appendix 6** to this Scheme Document, its letter dated 19 April 2012 relating to the unaudited 1Q 2012 financial statements of the Group for the period ended 31 March 2012 as set out in **Appendix 9** to this Scheme Document, and all references to its name in the form and context in which it appears in this Scheme Document.

APPENDIX 4 – GENERAL INFORMATION RELATING TO THE COMPANY

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 during normal business hours from the date of this Scheme Document up to the Effective Date:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual reports of the Company for FY 2009, FY 2010 and FY 2011;
- (c) the unaudited 1Q 2012 financial statements of the Group for the period ended 31 March 2012;
- (d) the Implementation Agreement;
- (e) the Irrevocable Undertaking; and
- (f) the letters of consent referred to in **paragraph 12** above.

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

The rights of the Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Articles of Association of the Company are set out below:

All capitalised terms used in the following extracts shall have the same meanings given to them in the Articles of Association of the Company, a copy of which is available for inspection at the registered office of the Company during normal business hours until the Effective Date.

1. ***The rights of Shareholders in respect of capital***

SHARE CAPITAL AND VARIATION OF RIGHTS

5. Issue of shares

Subject to the prior approval of the Company in general meeting, shares in the Company may be issued by the Directors. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act, any such shares may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, redemption or otherwise, as the Directors, subject to any ordinary resolution of the Company may determine;

Provided always that:-

- (i) no shares shall be issued at a discount, except in accordance with the Act;
- (ii) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the Company in general meeting; and
- (iii) the total nominal value of issued preference shares shall not exceed the total nominal valued of the issued ordinary shares at any time.

TREASURY SHARES

5A. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, and prescribed pursuant to, the Act.

6. Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meeting shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. Provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the meeting shall be as valid and effectual as a special resolution carried at the meeting.

7. Creation or issue of further shares with special rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking equally with, or in priority to such shares.

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

8. Rights of preference shareholders

Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six months.

9. Company may purchase its own shares

Subject to and in accordance with the provisions of the Act, the Company may purchase or otherwise acquire its issued ordinary shares on such terms as the Company may think fit and in the manner prescribed by the Act. All shares repurchased by the Company shall, unless held in treasury in accordance with the Act, be cancelled. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

10. Power to charge interest on capital

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act and may charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant.

11. Power to pay commission and brokerage

The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate per cent. or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of 10 per cent. of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent. of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

12. Exclusion of equities

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.

ALTERATION OF CAPITAL

51. Power to increase share capital, consolidate, cancel and subdivide shares

The Company may from time to time by ordinary resolution:-

- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

- (c) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; so however that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

52. Offer of new shares

Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted by the listing rules of the Stock Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer may be accepted and, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept he shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in accordance with this Article.

53. Power to reduce share capital

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required by law.

CAPITALISATION OF PROFITS

139. Power to capitalise profits

The Company in general meeting may upon the recommendation of the Directors, by ordinary resolution resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company’s reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or toward paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. A share premium account and a capital redemption reserve may, for the purposes of this Article, be applied only in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

140. Implementation of resolution to capitalise profits

Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

which they may be entitled upon such capitalization, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

2. *The rights of Shareholders in respect of dividends*

DIVIDENDS AND RESERVES

130. Dividends

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

131. Interim Dividend

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

132. Payment of dividends

(1) The dividends, interest and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company’s investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereout of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Directors are of a revenue nature, constitute the profits of the Company available for dividend.

(2) Appreciations of capital assets, investments and realised profits resulting on a sale of capital assets or investments (except so far as representing interest or dividend accrued and unpaid) shall either be carried to the credit of capital reserve or shall be applied in providing for depreciation or contingencies or for writing down the value of the assets. It is expressly declared that in ascertaining the profits of the Company available for dividend it shall not be necessary to make good any losses or depreciation in value of any of the Company’s investments or any other assets of the Company except circulating capital.

133. Power to carry profit to reserve

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper. Such reserves shall, at the discretion of the Directors, be applicable for any purposes to which the profits of the Company may properly be applied. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any part of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

134. Apportionment of dividends

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

135. Deduction of debts due to Company

The Directors may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

136. Payment of dividend in specie

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other Company or in any one or more of such ways and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

137. Dividends payable in cash

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or payable by warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or (as the case may be) the Depository Register or to such person and to such address as that holder or joint holders may in writing direct or by electronic transmission to such account of the holder or joint holders as that holder or joint holders may have in writing notified to the Company. Every such payment shall be sent at the risk of the person entitled to the money represented hereby. Every cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other money payable in respect of the shares held by them as joint holders. Notwithstanding the provisions of these Articles, the payment by the Company to the Depository of any dividend payable to a Depositor shall (in accordance with the provisions of the Act), to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

138. Transfer of share and right to dividend

A transfer of a share shall not pass the right to any dividend declared in respect thereof before the transfer has been registered.

3. *The rights of Shareholders in respect of voting*

63. Adjournment

The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

64. Method of voting

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before or on the declaration of the result of the show of hands a poll is demanded:-

- (a) by the Chairman, being a person entitled to vote;
- (b) by at least two members present in person or by proxy and entitled to vote;

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

- (c) by any member present in person or by proxy, or any number or combination of such members or proxies, holding or representing as the case may be, not less than 10% of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member presenting person or by proxy, or any number or combination of such members or proxies, holding or representing as the case may be, shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn. In case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.

65. Taking a poll

If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded, but a poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith.

66. Chairman’s casting vote

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

68. Error in counting of votes

If at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, and be of sufficient magnitude to vitiate the result of the voting.

VOTES OF MEMBERS

70. Right to vote

Every member shall be entitled to be present and to vote at any general meeting either personally or by proxy in respect of any shares upon which all calls due to the Company have been paid.

71. Voting rights of members

Subject to any rights or restrictions as to voting for the time being attached to any class or classes of shares:-

- (a) at a meeting of members or classes of members, each member entitled to vote may vote in person or by proxy;
- (b) on a show of hands, every member present in person or by proxy, shall have one vote, provided that if a member is represented by two proxies, only one of the two proxies, as the Chairman shall determine, shall be entitled to vote; and
- (c) on a poll every member present in person or by proxy shall have one vote for each share he holds or represents.

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant general meeting as supplied by the Depository to the Company.

72. Voting rights of joint holders

In the case of joint holders any one of such persons may vote, but if more than one of such persons shall be present at a meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.

73. Corporations acting by representatives

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise any person to act as its representative at any general meeting of the Company or of any class of members of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation as a corporation would exercise if it were personally present at the meeting.

74. Objections

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

75. Appointment of proxies

(1) A member may appoint not more than two proxies to attend at the same general meeting, provided that:-

(a) if the member is a Depositor, the Company shall be entitled and bound:-

(i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant general meeting as supplied by the Depository to the Company; and

(ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant general meetings as supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(b) the Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

(c) If the Chairman is appointed as proxy, he may designate such other person to act as proxy in his stead.

(2) Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

APPENDIX 5 – RELEVANT EXCERPTS FROM THE COMPANY’S ARTICLES OF ASSOCIATION

- (3) A proxy or representative need not be a member.
- (4) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.
- (5) The instrument appointing a proxy or representative for any member shall be in writing and shall (in the case of an individual appointor) be signed by the appointor or his attorney or, (if the appointor is a corporation) be under its seal or signed by its attorney.
- (6) The signatures on an instrument of proxy need not be witnessed.

76. Deposit of instrument appointing a proxy

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, or at such other place in Singapore as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

77. Intervening death or insanity of principal not to revoke proxy

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or of the authority under which the instrument was executed or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the registered office before the commencement of the meeting or adjourned meeting at which the instrument is used.

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

INDEPENDENT AUDITORS' REPORT

for the financial year ended 31 December 2011

to the members of Nera Telecommunications Ltd

Report on the financial statements

We have audited the accompanying financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 94, which comprise the balance sheets of the Group and the Company as at 31 December 2011, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and Certified Public Accountants

Singapore

30 March 2012

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY 2011**

BALANCE SHEETS

as at 31 December 2011

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current assets					
Property, plant and equipment	4	7,788	6,793	3,966	3,357
Intangible asset	5	1,225	–	1,225	–
Investment in subsidiaries	6	–	–	4,602	4,316
Investment in an associate	7	2,042	1,730	199	199
Finance lease receivable	8	321	–	–	–
Deferred tax assets	26	2,375	1,285	427	264
		13,751	9,808	10,419	8,136
Current assets					
Stocks	9	3,245	3,100	1,799	1,745
Contract work-in-progress	10	20,541	21,750	12,295	14,511
Trade receivables	11	56,272	39,199	27,408	25,817
Finance lease receivable	8	288	–	–	–
Other receivables, deposits and prepayments	12	2,289	5,100	1,099	3,403
Amounts due from subsidiaries					
- trade	13	–	–	11,616	14,959
- non-trade	13	–	–	325	754
Amount due from an associate (trade)	13	503	4,467	503	3,243
Amounts due from related companies (trade)	13	–	14	–	3
Cash and cash equivalents	29	46,535	39,991	39,821	35,369
		129,673	113,621	94,866	99,804
Current liabilities					
Trade payables	14	54,047	37,302	30,384	31,960
Other payables and accruals	15	19,111	15,946	11,868	11,601
Amounts due to subsidiaries (non-trade)	13	–	–	402	413
Amount due to an associate (non-trade)	13	24	–	–	–
Amounts due to related companies (trade)	13	–	688	–	377
Provision for taxation		3,027	2,182	2,156	2,517
Provision for warranty	16	5,934	4,985	2,448	2,882
Obligations under finance leases	17	28	27	–	–
		82,171	61,130	47,258	49,750
Net current assets		47,502	52,491	47,608	50,054
Non-current liabilities					
Obligations under finance leases	17	(7)	(36)	–	–
Net assets		61,246	62,263	58,027	58,190
Equity attributable to equity holders of the Company					
Share capital	18	29,909	29,909	29,909	29,909
Revenue reserve		33,828	34,799	28,118	28,281
Translation reserve	19	(2,491)	(2,445)	–	–
		61,246	62,263	58,027	58,190

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

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY 2011**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Turnover	20	156,238	155,811
Cost of sales		(111,607)	(118,908)
Gross profit		44,631	36,903
Other operating income	21	5,495	3,113
Distribution and selling expenses		(25,216)	(16,799)
Administrative expenses	22	(8,309)	(8,332)
Other operating expenses	22	(819)	(1,043)
Profit from operating activities		15,782	13,842
Financial income	24	223	607
Financial expenses	25	(289)	(352)
		15,716	14,097
Share of results of an associate		510	543
Profit before tax		16,226	14,640
Tax	26	(2,721)	(3,728)
Profit for the year attributable to shareholders		13,505	10,912
Other comprehensive income:			
Foreign currency translation of financial statements			
of foreign operations		(46)	(50)
Total comprehensive income for the year		13,459	10,862
Earnings per share (cents per share)			
Basic	27	3.73	3.02
Diluted	27	3.73	3.02

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

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY 2011**

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2011

	Attributable to equity holders of the Company			
	Share capital (Note 18) \$'000	Revenue reserve \$'000	Translation reserve (Note 19) \$'000	Total equity \$'000
Group				
At 1 January 2011	29,909	34,799	(2,445)	62,263
Profit for the year	–	13,505	–	13,505
Other comprehensive income for the year	–	–	(46)	(46)
Total comprehensive income for the year	–	13,505	(46)	13,459
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(14,476)	–	(14,476)
Total contributions by and distributions to owners	–	(14,476)	–	(14,476)
At 31 December 2011	29,909	33,828	(2,491)	61,246
At 1 January 2010				
	29,909	34,744	(2,395)	62,258
Profit for the year	–	10,912	–	10,912
Other comprehensive income for the year	–	–	(50)	(50)
Total comprehensive income for the year	–	10,912	(50)	10,862
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(10,857)	–	(10,857)
Total contributions by and distributions to owners	–	(10,857)	–	(10,857)
At 31 December 2010	29,909	34,799	(2,445)	62,263
Company				
At 1 January 2011	29,909	28,281	–	58,190
Profit for the year	–	14,313	–	14,313
Total comprehensive income for the year	–	14,313	–	14,313
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(14,476)	–	(14,476)
Total contributions by and distributions to owners	–	(14,476)	–	(14,476)
At 31 December 2011	29,909	28,118	–	58,027
At 1 January 2010				
	29,909	29,047	–	58,956
Profit for the year	–	10,091	–	10,091
Total comprehensive income for the year	–	10,091	–	10,091
<u>Contributions by and distributions to owners</u>				
Dividends paid (Note 28)	–	(10,857)	–	(10,857)
Total contributions by and distributions to owners	–	(10,857)	–	(10,857)
At 31 December 2010	29,909	28,281	–	58,190

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

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY 2011**

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Profit before tax		16,226	14,640
Adjustments for :			
Amortisation of intangible asset	5	64	–
Depreciation of property, plant and equipment	4	3,156	2,987
Net (gain)/loss on disposal/write-off of property, plant and equipment		(8)	13
(Writeback)/allowance for stock obsolescence	9	(117)	355
Provision for doubtful trade debts	11	31	105
Provision for warranty	16	1,887	1,122
Interest expense		9	7
Interest income		(223)	(607)
Share of results of an associate		(510)	(543)
Operating profit before working capital changes		20,515	18,079
Decrease/(increase) in :			
Stocks		(28)	321
Contract work-in-progress		1,209	(1,073)
Trade receivables		(17,104)	(14,026)
Finance lease receivable		(609)	–
Other receivables, deposits and prepayments		2,811	(1,724)
Changes in related companies and associate balances		3,314	16,377
(Decrease)/increase in :			
Trade payables		16,745	6,794
Other payables and accruals		3,165	2,707
Provision for warranty		(938)	(447)
Cash generated from operations		29,080	27,008
Income tax paid		(2,964)	(4,023)
Interest paid		(9)	(7)
Net cash flows from operating activities		26,107	22,978
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		59	194
Purchase of intangible asset	5	(1,289)	–
Purchase of property, plant and equipment	4	(4,273)	(2,190)
Interest received		223	607
Net cash flows used in investing activities		(5,280)	(1,389)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	28	(14,476)	(10,857)
Repayment of hire purchase obligations		(28)	(24)
Net cash flows used in financing activities		(14,504)	(10,881)
Net increase in cash and cash equivalents		6,323	10,708
Effect of exchange rate changes		221	(118)
Cash and cash equivalents at beginning of year		39,991	29,401
Cash and cash equivalents at end of year	29	46,535	39,991

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

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 Eltek ASA, incorporated in Norway.

The registered office of the Company is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The address of the Company's principal place of business is 109 Defu Lane 10, Singapore 539225.

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 <i>Disclosures – Transfers of Financial Assets</i>	1 July 2011
Amendments to FRS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2013
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2013
FRS 111 <i>Joint Arrangements</i>	1 January 2013
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 113 <i>Fair Value Measurements</i>	1 January 2013

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 112 are described below.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2.4 *Basis of consolidation*

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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 controls 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.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation (cont'd)*

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

(b) Business combinations

Business combinations from 1 January 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as charge to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) Business combinations (cont'd)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 *Foreign currency*

The Group's consolidated 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 determined.

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

(b) Group companies

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 disposal 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

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.6 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.7 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.8 *Related parties/related companies*

A related party is defined as follows:

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

Related companies in these financial statements referred to Eltek ASA group of companies.

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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31 December 2011

2. Summary of significant accounting policies (cont'd)

2.10 *Intangible assets*

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

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

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

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

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

Brand name

Nera brand name which are acquired, are capitalised and amortised on a straight-line basis over a useful life of 20 years. Brand name is tested annually for impairment or more frequently if the event or circumstances warrant it. Amortisation period and method are reviewed at each financial year end.

2.11 *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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

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31 December 2011

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of non-financial assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

2.12 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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

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

(b) Loans and receivables

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

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of significant accounting policies (cont'd)

2.12 *Financial assets (cont'd)*

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

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

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

Derecognition

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

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

2.13 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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31 December 2011

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.14 *Cash and cash equivalents*

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

2.15 *Stocks*

Stocks are stated at the lower of cost and net realisable value. Costs are primarily determined using the weighted average method and include all costs in bringing the stocks to their present location and condition.

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

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

2.16 *Contract work-in-progress*

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

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

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

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

2.17 *Provisions*

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.

Provision for warranty

The warranty provision represents the management's estimate of the Group's liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on past experience of the level of warranty claims and costs incurred for after-sales services.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.18 *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

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

Financial liabilities at fair value through profit or loss

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

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

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.19 *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 companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a 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) 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.

(c) Employee share option plans

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.19 *Employee benefits (cont'd)*

(c) Employee share option plans (cont'd)

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

2.20 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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.

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.20 *Leases (cont'd)*

(a) As lessee (cont'd)

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 where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

2.21 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

(a) Sale of goods

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

(b) Rendering of services

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

(c) Dividend income

Dividend income is recognised when dividends are declared payable.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

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

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.22 *Government grants*

Government grants are recognised at their fair value where 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 is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.23 *Income taxes*

(a) *Current tax*

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

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

(b) *Deferred tax*

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

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income 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.

APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2. Summary of significant accounting policies (cont'd)

2.23 *Income taxes (cont'd)*

(b) Deferred tax (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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

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

(c) Sales tax

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

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

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

2.24 *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.

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2. Summary of significant accounting policies (cont'd)

2.25 *Segment reporting*

For management purposes, the Group is organised on a world-wide basis into two major operating businesses (divisions) which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.26 *Share capital and share issue expenses*

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

2.27 *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.

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3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

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

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets at 31 December 2011 are \$3,027,000 (2010 : \$2,182,000) and \$2,375,000 (2010 : \$1,285,000) respectively.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of plant and equipment

The cost of plant and other equipment and equipment held for leasing are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives of these plant and other equipment and equipment held for leasing to be within 2 to 7 years. The carrying amount of the Group's plant and other equipment and equipment held for leasing at 31 December 2011 was \$6,560,000 (2010: \$5,245,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Amortisation of brand name

The cost of Nera brand name is amortised in accordance with the accounting policy stated in Note 2.10. The carrying amount of the Group's brand at 31 December 2011 was \$1,225,000 (2010: Nil). Changes in the expected cash generated by the brand could impact the economic useful life and the residual value of the brand, therefore future amortisation charges could be revised.

Revenue from contracts

The Group recognises revenue from contracts by reference to the stage of completion of the individual contract activity at the end of each reporting period, when the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract to the total contract sum. Assumptions are required to estimate the total estimated cost that affect the stage of completion. In making these estimates, management has relied on past experiences and knowledge of the project engineers. The carrying amounts of the assets and liabilities arising from contracts at 31 December 2011 and 2010 are disclosed in Note 10 to the financial statements.

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4. Property, plant and equipment

Group	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2010	5,150	1,003	4,791	834	1,156	12,342	25,276
Additions	–	–	267	46	130	1,747	2,190
Disposals/written off	–	–	(58)	(21)	(161)	(1,060)	(1,300)
Reclassification	–	–	–	5	–	(5)	–
Currency realignment	–	3	(29)	(9)	(8)	(24)	(67)
At 31 December 2010 and 1 January 2011	5,150	1,006	4,971	855	1,117	13,000	26,099
Additions	–	2	351	36	241	3,643	4,273
Disposals/written off	–	(2)	(27)	(7)	(33)	(335)	(404)
Currency realignment	–	(5)	(35)	(7)	(10)	(132)	(189)
At 31 December 2011	5,150	1,001	5,260	877	1,315	16,176	29,779
Accumulated depreciation							
At 1 January 2010	4,220	766	3,099	572	650	8,184	17,491
Charge for the year	286	55	613	66	155	1,812	2,987
Disposals/written off	–	–	(57)	(21)	(157)	(858)	(1,093)
Reclassification	–	–	–	5	–	(5)	–
Currency realignment	–	1	(31)	(10)	(8)	(31)	(79)
At 31 December 2010 and 1 January 2011	4,506	822	3,624	612	640	9,102	19,306
Charge for the year	286	52	561	57	193	2,007	3,156
Disposals/written off	–	(1)	(26)	(5)	(32)	(289)	(353)
Currency realignment	–	(3)	(25)	(4)	(8)	(78)	(118)
At 31 December 2011	4,792	870	4,134	660	793	10,742	21,991
Net book value							
At 31 December 2010	644	184	1,347	243	477	3,898	6,793
At 31 December 2011	358	131	1,126	217	522	5,434	7,788

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31 December 2011

4. Property, plant and equipment (cont'd)

Company	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2010	5,150	745	1,991	362	758	7,805	16,811
Additions	–	–	80	–	116	376	572
Disposals/written off	–	–	(18)	(19)	(155)	(721)	(913)
Reclassification	–	–	–	5	–	(5)	–
At 31 December 2010 and 1 January 2011	5,150	745	2,053	348	719	7,455	16,470
Additions	–	2	230	16	123	2,034	2,405
Disposals/written off	–	(2)	(20)	(7)	(32)	(274)	(335)
At 31 December 2011	5,150	745	2,263	357	810	9,215	18,540
Accumulated depreciation							
At 1 January 2010	4,220	672	886	226	427	6,061	12,492
Charge for the year	286	11	332	27	92	764	1,512
Disposals/written off	–	–	(18)	(19)	(155)	(699)	(891)
Reclassification	–	–	–	5	–	(5)	–
At 31 December 2010 and 1 January 2011	4,506	683	1,200	239	364	6,121	13,113
Charge for the year	286	11	335	25	128	990	1,775
Disposals/written off	–	(1)	(19)	(5)	(32)	(257)	(314)
At 31 December 2011	4,792	693	1,516	259	460	6,854	14,574
Net book value							
At 31 December 2010	644	62	853	109	355	1,334	3,357
At 31 December 2011	358	52	747	98	350	2,361	3,966

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31 December 2011

4. Property, plant and equipment (cont'd)

As at 31 December 2011, 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 20 September 2012 with option for a further term of 30 years

The carrying amount of motor vehicles held under finance leases at the balance sheet date is \$39,000 (2010 : \$73,000).

5. Intangible asset

	Group and Company	
	2011 \$'000	2010 \$'000
Cost		
Addition	1,289	–
At 31 December	1,289	–
Accumulated amortisation		
Amortisation	64	–
At 31 December	64	–
Net carrying amount		
At 31 December	1,225	–

The intangible asset relates to the “Nera” brand and the useful life is estimated to be 20 years.

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6. Investment in subsidiaries

	Company	
	2011 \$'000	2010 \$'000
Unquoted shares, at cost	5,379	4,379
Impairment loss	(777)	(63)
Carrying amount after impairment loss	4,602	4,316

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	
			2011 %	2010 %	2011 \$'000	2010 \$'000
Nera Infocom Pte Ltd (β)	Dormant	Singapore	100	100	^	^
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	–	1,000	–
Nera (Thailand) Ltd (*)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	100	100	975	975
Nera (Philippines) Inc. (*)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Philippines	100	100	1,128	1,128

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6. Investment in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2011 %	2010 %	2011 \$'000	2010 \$'000
Nera Infocom (M) Sdn Bhd (*)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
Nera Telecommunications (Taiwan) Co.,Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Taiwan	100	100	545	545
P.T. Nera Indonesia (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	347	347
P.T. Nera Indonesia#	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Indonesia	100	100	347	347
Nera Telecommunications (Australia) Pty Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589

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31 December 2011

5. Investment in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of Investment	
			2011 %	2010 %	2011 \$'000	2010 \$'000
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	570	570
					5,379	4,379
Held through Nera Networks (S) Pte Ltd						
Nera Telecom-munications AS (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	100	–	–	–
Nera Telecom-munications Maroc SARL AU (**) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	100	–	–	–
Nera Telecom-munications (Pakistan) Pvt Ltd (***) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	–	–	–

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5. Investment in subsidiaries (cont'd)

- (β) Audited by Ernst & Young LLP, Singapore.
- (*) Audited by member firms of Ernst & Young Global in the respective countries.
- (#) Audited by other CPA firms in the respective countries.
- (^) Amounts less than \$1,000.
- (**) No requirement for statutory audit.
- (***) No audit required as the company was incorporated on 13 December 2011.
- (i) Cost of investment are not stated as the subsidiaries are not directly held by the Company.

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

Impairment testing of investment in subsidiaries

During the financial year, management performed impairment test for the investment in Nera Telecommunications (Taiwan) Co Ltd and Nera Telecommunications (India) Pvt Ltd as these subsidiaries had been persistently making losses. Impairment losses of \$235,000 (2010: Nil) and \$479,000 (2010: Nil) was recognised respectively to write down these subsidiaries to their recoverable amounts. The recoverable amounts of the investments has been determined based on a value in use calculation using cash flow projects from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to the cash flow project is 7.04% (2010: 8.81%).

7. Investment in an associate

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unquoted equity shares, at cost	199	199	199	199
Share of post-acquisition :-				
Revenue reserve	2,652	2,315	–	–
Translation reserve	(809)	(784)	–	–
Carrying amount of investment	2,042	1,730	199	199

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31 December 2011

7. Investment in an associate (cont'd)

As at 31 December, the Group had the following associate :

Name of Company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group	
			2011 %	2010 %
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of communications equipment	Malaysia	30	30

* Audited by member firm of Ernst & Young Global in Malaysia.

The summarised financial information of the associate is as follows :-

	2011 \$'000	2010 \$'000
Assets and liabilities		
Current assets	12,631	14,080
Non-current assets	79	112
Total assets	12,710	14,192
Current liabilities	5,533	8,454
Results :-		
Revenue	14,936	30,960
Profit for the year	1,701	1,810

8. Finance lease receivable

The Group entered into an agreement to lease certain assets to a customer. It has remaining non-cancellable lease terms of 29 months (2010: Nil). Future minimum lease rental receivable under non-cancellable operating lease as at 31 December are as follows:

	Group		Company	
	2011		2010	
	Gross lease receivable \$'000	Present value of receivable \$'000	Gross lease receivable \$'000	Present value of receivable \$'000
Not later than one year	319	288	-	-
Later than one year but within five years	338	321	-	-
	657	609	-	-
Less: Unearned finance income	(48)	-	-	-
	609	609	-	-

The implicit interest rate for the lease is 7.07% (2010: Nil) per annum.

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9. Stocks

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance sheet				
Finished goods, at cost	–	159	–	–
Finished goods, at net realisable value	3,245	2,941	1,799	1,745
	3,245	3,100	1,799	1,745

At 31 December 2011, trading stocks recognised as an expense in the consolidated statement of comprehensive income under line item “Cost of sales” for the Group amounted to \$19,345,000 (2010: \$3,196,000) inclusive of trading stocks written-back of \$117,000 (2010: written-down of \$355,000).

10. Contract work-in-progress

Contract work in progress comprise:-

Cost incurred to date	112,873	103,045	79,905	79,801
Profits recognised to date	27,031	20,323	21,487	17,300
	139,904	123,368	101,392	97,101
Progress billings	(119,363)	(101,618)	(89,097)	(82,590)
	20,541	21,750	12,295	14,511
Gross amount due from customers for contract work	20,541	21,750	12,295	14,511

11. Trade receivables

Trade receivables	56,781	39,811	27,811	26,211
Less : Allowance for impairment of trade debts	(509)	(612)	(403)	(394)
Total trade receivables	56,272	39,199	27,408	25,817
Add :				
Other receivables and deposits (excluding prepayments) (Note 12)	2,082	4,920	1,011	3,303
Cash and cash equivalents (Note 29)	46,535	39,991	39,821	35,369
Amounts due from subsidiaries	–	–	11,941	15,713
Amount due from an associate	503	4,467	503	3,243
Amounts due from related companies	–	14	–	3
Total loans and receivables	105,392	88,591	80,684	83,448

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11. Trade receivables (cont'd)

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.

In 2010, included in trade receivables is a fair value gain on forward currency contracts amounting to \$433,000 which has been recognised in profit or loss.

At balance sheet date, retention sums relating to contract included in trade receivables of the Group and the Company are \$1,493,000 and \$1,457,000 (2010: \$344,000 and \$275,000) respectively.

At the balance sheet date, trade receivables for the Group and the Company arising from export sales amounting to \$5,840,000 (2010 : \$6,025,000) are arranged to be settled via letters of credits issued by reputable 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 trade receivables for the Group and the Company:-

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US Dollar	11,919	6,303	6,094	4,802
Euro Dollar	13,057	6,153	4,680	6,134
Norwegian Krone	3,899	380	59	–
Thai Baht	1,188	–	1,188	–
Danish Krone	115	575	115	195

Allowance for impairment of trade receivables

For the year ended 31 December 2011, the Group and the Company have provided allowance of \$31,000 and \$9,000 (2010 : \$105,000 and \$97,000) for impairment of debts respectively which are recognised as expense in profit or loss, subsequent to debt recovery assessment performed on trade receivables as at 31 December 2011. The analysis of trade receivables as at 31 December is as follows :-

Not past due and not impaired	40,460	22,327	14,862	11,576
Past due but not impaired	15,812	16,872	12,546	14,241
Impaired	509	612	403	394
	56,781	39,811	27,811	26,211
Less: Allowance for impairment	(509)	(612)	(403)	(394)
	56,272	39,199	27,408	25,817

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11. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to \$15,586,000 (2010 : \$16,872,000) and \$12,320,000 (2010 : \$14,241,000) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables past due but not impaired :				
Less than 3 months	5,046	7,479	2,628	5,798
More than 3 months but less than 6 months	2,318	8,792	1,817	8,243
More than 6 months but less than 12 months	3,653	373	3,450	200
More than 12 months	4,795	228	4,651	–
	15,812	16,872	12,546	14,241

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 :

Impaired receivables – individually assessed :

Receivables in dispute	78	142	30	32
Customer with financial difficulties	28	53	28	31
Pending for acceptance certification	345	359	345	285
Incomplete documentation	42	58	–	46
Under legal case	16	–	–	–
	509	612	403	394
Less: Allowance for impairment	(509)	(612)	(403)	(394)
	–	–	–	–

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

At 1 January	612	513	394	297
Charge for the year	808	691	713	679
Written back	(777)	(586)	(704)	(582)
Written off	(130)	(9)	–	–
Currency realignment	(4)	3	–	–
At 31 December	509	612	403	394

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12. Other receivables, deposits and prepayments

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Advances to suppliers	981	3,298	797	3,116
Deposits	454	446	27	35
Prepayments	207	180	88	100
Staff advances	134	202	5	3
Tax recoverable	276	643	139	142
Other debtors	237	331	43	7
	2,289	5,100	1,099	3,403

Staff advances are unsecured and non-interest bearing.

13. Amount due from/(to) an associate (non-trade)/Amounts due from/(to) subsidiaries (trade and non-trade)/Amounts due from/(to) related companies (trade)

The non-trade balances are unsecured, repayable on demand and are to be settled in cash. The balance due from an associate for the Group and the Company of \$503,000 (2010 : \$4,467,000) and \$503,000 (2010 : \$3,243,000) respectively, bears interest at Nil% (2010 : 4.25% to 8.00%) per annum.

14. Trade payables

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

Included in trade payables is a fair value loss on forward currency contracts amounting to \$229,000 which has been recognised in profit or loss as at 31 December 2011.

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US Dollar	8,863	7,229	4,436	7,144
Euro Dollar	5,346	84	1,017	38
Norwegian Krone	5,219	–	711	–
Thai Baht	209	–	209	–
Other currencies	22	1	4	3

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15. Other payables and accruals

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Accrued payroll expenses	9,509	6,280	6,598	5,326
Customer advances	6,745	6,115	4,223	4,340
Other accrued operating expenses	1,553	1,969	888	1,775
Other creditors	1,304	1,582	159	160
Total other payables and accruals	19,111	15,946	11,868	11,601
Add :				
Trade payables	54,047	37,302	30,384	31,960
Amounts due to subsidiaries	–	–	402	413
Amount due to an associate	24	–	–	–
Amounts due to related companies	–	688	–	377
Obligations under finance leases	35	63	–	–
Total financial liabilities carried at amortised cost	73,217	53,999	42,654	44,351

16. Provision for warranty

A provision is recognised for expected warranty claims on goods and services sold in the past 18 months based on past experience of the level of repairs and returns. The majority of the cost is expected to be incurred in the next financial year.

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At 1 January	4,985	4,415	2,882	2,283
Provision for the year	3,515	3,229	1,428	1,809
Write-back of provision	(1,628)	(2,107)	(1,199)	(861)
Utilised during the year	(922)	(445)	(663)	(349)
Currency realignment	(16)	(107)	–	–
At 31 December	5,934	4,985	2,448	2,882

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17. Obligations under finance leases

The Group has finance leases for certain motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows :-

	Group			
	2011		2010	
	\$'000		\$'000	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Not later than one year	29	28	30	27
Later than one year but not later than five years	7	7	37	36
Total minimum lease payments	36	35	67	63
Less: Amounts representing finance charges	(1)	–	(4)	–
Present value of minimum lease payments	35	35	63	63

These obligations are secured by a charge over the leased assets (Note 4). The average discount rate implicit in the leases is 5.82% per annum.

The finance leases do not contain any escalated clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

18. Share capital

	Group and Company			
			Number of shares	
	2011	2010	2011	2010
	\$'000	\$'000	'000	'000
Issued and fully paid ordinary shares :-				
At 1 January and 31 December	29,909	29,909	361,897	361,897

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

The Company has an employee share option scheme (Note 30) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

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

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19. Translation reserve

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

	Group	
	2011 \$'000	2010 \$'000
At 1 January	(2,445)	(2,395)
Net effect of exchange differences	(46)	(50)
At 31 December	(2,491)	(2,445)
Net effect of exchange differences arises from :-		
Translation of financial statements of foreign operations	(46)	(50)

20. Turnover

	Group	
	2011 \$'000	2010 \$'000
Sales of goods (including goods supplied to contracts)	109,449	120,049
Services rendered	40,418	30,534
Rental income	6,371	5,228
	156,238	155,811

21. Other operating income

	Group	
	2011 \$'000	2010 \$'000
Trade receivables collection fee	4,607	–
Service fee	782	1,433
Commission income	14	56
Net gain on disposal/write-off of property, plant and equipment	8	–
Grant income from Jobs Credit Scheme	–	85
Foreign exchange gain, net – forward currency contracts	–	1,468
Foreign exchange loss, net – others	–	(315)
Write back of long outstanding deposits and advances	–	201
Others	84	185
	5,495	3,113

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22. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group	
	2011 \$'000	2010 \$'000
Audit fees paid to :-		
Auditors of the Company	78	65
Other auditors	66	51
Non-audit fees paid to :-		
Auditors of the Company	31	225
Other auditors	16	10
Foreign exchange loss, net – forward currency contracts	5	–
Foreign exchange loss, net – others	160	–
Net loss on disposal/write-off of property, plant and equipment	–	13

23. Personnel expenses and employee benefits

	Group	
	2011 \$'000	2010 \$'000
Wages, salaries and bonuses	19,551	14,338
Pension contributions	2,059	1,695
Termination benefits	275	21
Other personnel benefits	1,691	1,321
	23,576	17,375

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

24. Financial income

	Group	
	2011 \$'000	2010 \$'000
Interest income from :-		
Bank deposits	146	56
An associate	46	551
Others	31	–
	223	607

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25. Financial expenses

	Group	
	2011 \$'000	2010 \$'000
Bank charges	(280)	(345)
Interest expense	(9)	(7)
	(289)	(352)

24. Tax

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

	Group	
	2011 \$'000	2010 \$'000
Current tax :-		
Current year	2,365	2,800
Foreign tax	1,354	891
Underprovision in respect of prior years	90	482
Deferred tax :-		
Current year	(1,088)	(465)
Underprovision in respect of prior year	–	20
Income tax expense	2,721	3,728

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 :

Accounting profit before tax	16,226	14,640
Tax at 17%	2,758	2,489
Tax effect of expenses that are not deductible in determining taxable profit	235	686
Realisation of deferred tax assets previously not recognised	(146)	(47)
Tax exemption	(52)	(26)
Underprovision in respect of prior years	90	502
Difference in tax rates applicable to subsidiaries and associates	216	125
Deferred tax assets not recognised by subsidiaries	205	232
Share of results of an associate	(87)	(92)
Tax effect of income not subject to tax	(6)	(18)
Tax effect on benefits arising from Productivity and Innovation Credit	(499)	(135)
Others	7	12
Income tax expense	2,721	3,728

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26. Tax (cont'd)

Deferred tax assets and liabilities

Deferred tax as at 31 December related to the following:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax liability :-				
Differences in depreciation of property, plant and equipment for tax purposes	(723)	(592)	(583)	(439)
Interest income not remitted	–	(94)	–	(94)
	(723)	(686)	(583)	(533)
Deferred tax assets :-				
General provisions	2,685	1,971	716	797
Difference in amortisation of intangible asset	294	–	294	–
Unutilised capital allowances	119	–	–	–
Net deferred tax assets	2,375	1,285	427	264

The corporate tax rate for Thailand will be reduced from 30% to 23% for financial year ending on or after 31 December 2012 and to 20% for financial year commencing on or after 1 January 2013.

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately \$1,994,000 (2010 : \$1,107,000) 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.

27. Earnings per share

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).

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27. Earnings per share (cont'd)

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	
	2011 \$'000	2010 \$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	13,505	10,912
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897,000	361,897,000

942,000 (2010 : 1,000,000) of share options granted to employees under the Employees' Share Option Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

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.

28. Dividends

	Group and Company	
	2011 \$'000	2010 \$'000
A final exempt (one-tier) dividend paid in respect of the previous financial year of 4 cents (2010 : 3 cents) per share	14,476	10,857

In accordance with the scheme of arrangement ("Scheme") as described in Note 38 on 'Events occurring after the reporting period', the Company will pay a final one-tier tax exempt dividend of S\$0.06 per share amounting in aggregate to approximately S\$21,714,000 ("Permitted Dividend"). The Permitted Dividend is conditional on the Scheme becoming effective and binding in accordance with its terms, which would include the approval by shareholders of the Scheme by the requisite majorities at a meeting of the Company convened by the High Court to approve the Scheme. The Permitted Dividend has not been recognised as liabilities as at 31 December 2011.

29. Cash and cash equivalents

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fixed deposits	35,038	28,500	35,000	28,500
Cash and bank balances	11,497	11,491	4,821	6,869
	46,535	39,991	39,821	35,369

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29. Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.2% to 2.55% (2010 : 0.15% to 2.55%) per annum. Included in cash and bank balances is an amount of \$29,800 (2010 : \$29,400) pledged in accordance to a contractual arrangement.

Fixed deposits of the Group and the Company were made for varying periods between 1 week to 3 months (2010 : 1 week to 4 months) 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 0.38% (2010 : 0.09% to 2%) per annum.

30. Employee share option scheme

Share options under the Employees' Share Option Scheme (the "Scheme") are granted to executive, non-executive directors and other employees on a discretionary basis. The exercise price of the options is at a discount which shall not exceed 20% of the market price of the shares for the 3 consecutive market days immediately preceding the date of grant.

The options may be exercised after two years but not later than ten years from the date of grant for employees of the Company and subsidiaries and executive directors, and not later than five years from the date of grant for employees of the associate and non-executive directors of the Company. The shares under option may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. There are no cash settlement alternatives.

Details of share options to subscribe for ordinary shares pursuant to the Scheme are as follows :-

2011 Category	Exercise price \$	Number of options outstanding at 1.1.2011 ⁽¹⁾	During the year			Number of options outstanding at 31.12.2011	Exercisable period
			Granted	Exercised	Forfeited		
Employees of the Company	0.625	574,000	-	-	45,000	529,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	226,000	-	-	13,000	213,000	1.3.2004 to 28.2.2012
		800,000	-	-	58,000	742,000	
Executive director	0.625	200,000	-	-	-	200,000	1.3.2004 to 28.2.2012
		200,000	-	-	-	200,000	
Total		1,000,000	-	-	58,000	942,000	
Exercisable at end of year						942,000	

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30. Employee share option scheme (cont'd)

2010 Category	Exercise price \$	Number of options outstanding at 1.1.2010 ⁽¹⁾	During the year			Number of options outstanding at 31.12.2010	Exercisable period
			Granted	Exercised	Forfeited		
Employees of the Company	0.625	574,000	–	–	–	574,000	1.3.2004 to 28.2.2012
Employees of the subsidiaries	0.625	226,000	–	–	–	226,000	1.3.2004 to 28.2.2012
		800,000	–	–	–	800,000	
Executive director	0.625	200,000	–	–	–	200,000	1.3.2004 to 28.2.2012
		200,000	–	–	–	200,000	
Total		1,000,000	–	–	–	1,000,000	
Exercisable at end of year						1,000,000	

(1) Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

During the year, no option (2010 : Nil) was exercised.

31. Commitments

(a) Capital commitments

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Capital commitments in respect of property, plant and equipment	156	272	156	272

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31. Commitments (cont'd)

(b) Non-cancellable operating lease commitments

As at 31 December 2011, the Group has commitments under operating leases for equipment, office and factory premises. The leases have an average remaining tenure of between 1 and 3 years. The leases contain renewable options and do not contain escalation clauses or 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 \$1,211,000 (2010 : \$1,180,000).

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

	Group	
	2011 \$'000	2010 \$'000
Not later than one year	1,060	889
Later than one year but not later than five years	676	952
	1,736	1,841

32. Contingent liabilities

Guarantees

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Bankers' guarantees issued by banks on behalf of :				
Associate	212	345	212	345
Subsidiaries	–	–	5,026	5,097
	212	345	5,238	5,442

33. Related party disclosures

(a) Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties were as follows :-

	Group	
	2011 \$'000	2010 \$'000
Income :-		
Sales to related companies	–	252
Sales to an associate	2,277	1,836
Other income from related company	–	65
Service fee from a related company	–	1,433
Expenses :-		
Purchase of goods from related companies	25	15,013

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33. Related party disclosures (cont'd)

(b) Compensation of key management personnel

	Group	
	2011	2010
	\$'000	\$'000
Directors of the Company :-		
Directors' fees	185	189
Directors' remuneration	1,020	951
Defined contribution benefits	7	7
Directors of the subsidiaries :-		
Directors' fees	9	2
Directors' remuneration	404	466
Defined contribution benefits	15	12
Key management :-		
Key management's remuneration	1,139	1,081
Defined contribution benefits	52	49

34. Segment information

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

- | | |
|--------------------|---|
| Telecommunications | – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and transmission products and systems. |
| Infocomm | – Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, broadcast infrastructure, payment systems and wireless solutions. |

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.

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34. Segment information (cont'd)

2011	Telecommunications \$'000	Infocomm \$'000	Adjustments and eliminations \$'000	Notes	Total \$'000
Turnover	55,749	100,489	–		156,238
Inter-segment turnover	10,109	9,286	(19,395)		–
Total turnover	65,858	109,775	(19,395)		156,238
Cost of sales	(51,355)	(79,647)	19,395		(111,607)
Gross profit	14,503	30,128	–		44,631
Other operating income	5,410	85	–		5,495
Distribution and selling expenses	(10,826)	(14,390)	–		(25,216)
Administrative expenses	(2,125)	(6,184)	–		(8,309)
Other operating expenses	(703)	(116)	–		(819)
Profit from operating activities	6,259	9,523	–		15,782
Financial income					223
Financial expenses					(289)
					15,716
Share of results of an associate					510
Tax					(2,721)
Net profit for the year					13,505
Other information					
Segment assets	43,050	47,133	53,241	B	143,424
Segment liabilities	42,984	18,140	21,054	C	82,178
Capital expenditure	1,642	3,920			5,562
Depreciation and amortisation	274	2,946			3,220
Other non-cash expenses	510	1,291			1,801

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34. Segment information (cont'd)

2010	Telecommunications \$'000	Infocomm \$'000	Adjustments and eliminations \$'000	Notes	Total \$'000
Turnover	48,048	107,763	–		155,811
Inter-segment turnover	8,175	12,558	(20,733)	A	–
Total turnover	56,223	120,321	(20,733)		155,811
Cost of sales	(47,384)	(92,257)	20,733		(118,908)
Gross profit	8,839	28,064	–		36,903
Other operating income	2,694	419	–		3,113
Distribution and selling expenses	(4,171)	(12,628)	–		(16,799)
Administrative expenses	(2,458)	(5,874)	–		(8,332)
Other operating expenses	(1,032)	(11)	–		(1,043)
Profit from operating activities	3,872	9,970	–		13,842
Financial income					607
Financial expenses					(352)
					14,097
Share of results of an associate					543
Tax					(3,728)
Net profit for the year					10,912
Other information					
Segment assets	29,727	45,596	48,106	B	123,429
Segment liabilities	25,777	19,237	16,152	C	61,166
Capital expenditure	99	2,091			2,190
Depreciation	251	2,736			2,987
Other non-cash expenses	783	799			1,582

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

- A Inter-segment turnover and cost of sales are eliminated on consolidation.
- B The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2011 \$'000	2010 \$'000
Investment in an associate	2,042	1,730
Deferred tax assets	2,375	1,285
Other receivables, deposits and prepayments	2,289	5,100
Cash and cash equivalents	46,535	39,991
	53,241	48,106

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34. Segment information (cont'd)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
C	The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2011 \$'000	2010 \$'000
Other payables and accruals	17,992	13,907
Obligations under finance leases	35	63
Provision for taxation	3,027	2,182
	21,054	16,152

Geographical segments

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

	Revenues		Non-current assets	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Singapore	62,802	57,310	5,192	3,357
Indonesia	25,975	30,794	283	513
Thailand	15,287	27,366	1,604	1,731
Philippines	14,739	14,331	1,581	624
Malaysia	9,993	7,937	509	510
Morocco	8,666	–	113	–
Europe	5,615	–	5	–
Middle East	5,547	–	–	–
Vietnam	3,171	12,663	–	–
Other Asian countries	4,125	4,677	47	58
Others	318	186	–	–
	156,238	155,264	9,334	6,793

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

Information about a major customer

Revenue from one major customer amounted to \$27,142,000 (2010: \$27,068,000), arising from sales by the Telecommunications and Infocomm segments.

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35. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

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, Euro Dollars and Norwegian Krone. Approximately 43% (2010 : 44%) of the Group's sales and 83% (2010 : 83%) of the Group's purchases are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to \$3,844,000 (2010 : \$5,306,000) and \$1,788,000 (2010 : \$4,499,000) for the Group and the Company respectively.

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

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

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US dollar -				
- Strengthened 3% (2010 : 3%)	(2)	(199)	44	(164)
- Weakened 3% (2010 : 3%)	2	199	(44)	164
Norwegian Krone -				
- Strengthened 3% (2010 : 3%)	(17)	5	2	5
- Weakened 3% (2010 : 3%)	17	(5)	(2)	(5)
Euro dollar -				
- Strengthened 5% (2010 : 5%)	279	98	77	100
- Weakened 5% (2010 : 5%)	(279)	(98)	(77)	(100)

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NOTES TO THE FINANCIAL STATEMENTS

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35. Financial risk management objectives and policies (cont'd)

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 amount due from an associate.

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

Surplus funds are placed with reputable banks.

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

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 and amount due from an associate, with all other variables held constant, of the Group's and the Company's profit net of tax.

	Group		Company	
	Increase/ (decrease) basis points \$'000	Effect on profit, net of tax \$'000	Increase/ (decrease) basis points \$'000	Effect on profit, net of tax \$'000
2011				
Singapore dollar	(100)	(96)	(100)	(92)
US dollar	(100)	–	(100)	–
Singapore dollar	100	332	100	316
US dollar	100	1	100	–
2010				
Singapore dollar	(100)	(116)	(100)	(116)
US dollar	(100)	–	(100)	–
Singapore dollar	100	283	100	283
US dollar	100	32	100	39

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

35. Financial risk management objectives and policies (cont'd)

Liquidity risk

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

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

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

	2011				2010			
	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	56,272	–	–	56,272	38,767	–	–	38,767
Finance lease receivable	319	338	–	657	–	–	–	–
Other receivables and deposits (excluding prepayments)	2,082	–	–	2,082	4,920	–	–	4,920
Amount due from an associate	503	–	–	503	4,467	–	–	4,467
Amounts due from related companies	–	–	–	–	14	–	–	14
Cash and cash equivalents	46,535	–	–	46,535	39,991	–	–	39,991
Derivative financial instruments - Forward currency contracts, net	–	–	–	–	433	–	–	433
Total undiscounted financial assets	105,711	338	–	106,049	88,592	–	–	88,592

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35. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2011				2010			
	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 (cont'd)								
Financial liabilities:								
Trade payables	53,818	–	–	53,818	37,303	–	–	37,303
Other payables and accruals	19,111	–	–	19,111	15,946	–	–	15,946
Amount due to an associate	24	–	–	24	–	–	–	–
Amounts due to related companies	–	–	–	–	688	–	–	688
Obligations under finance leases	29	7	–	36	30	37	–	67
Derivative financial instruments								
- Forward currency contracts, net	229	–	–	229	–	–	–	–
Total undiscounted financial liabilities	73,211	7	–	73,218	53,967	37	–	54,004
Total net undiscounted financial assets/ (liabilities)	32,500	331	–	32,831	34,625	(37)	–	34,588
Company								
Financial assets:								
Trade receivables	27,408	–	–	27,408	25,385	–	–	25,385
Other receivables, deposits and prepayments (excluding prepayments)	1,011	–	–	1,011	3,303	–	–	3,303
Amounts due from subsidiaries	11,941	–	–	11,941	15,713	–	–	15,713
Amount due from an associate	503	–	–	503	3,243	–	–	3,243
Amounts due from related companies	–	–	–	–	3	–	–	3
Cash and cash equivalents	39,821	–	–	39,821	35,369	–	–	35,369
Derivative financial instruments								
- Forward currency contracts, net	–	–	–	–	433	–	–	433
Total undiscounted financial assets	80,684	–	–	80,684	83,449	–	–	83,449

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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31 December 2011

35. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2011				2010			
	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 (cont'd)								
Financial liabilities:								
Trade payables	30,155	–	–	30,155	31,961	–	–	31,961
Other payables and accruals	11,868	–	–	11,868	11,601	–	–	11,601
Amounts due to subsidiaries	402	–	–	402	413	–	–	413
Amounts due to related companies	–	–	–	–	377	–	–	377
Derivative financial instruments - Forward currency contracts, net	229	–	–	229	–	–	–	–
Total undiscounted financial liabilities	42,654	–	–	42,654	44,352	–	–	44,352
Total net undiscounted financial assets	38,030	–	–	38,030	39,097	–	–	39,097

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

	2011				2010			
	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 guarantees	212	–	–	212	–	345	–	345
Company								
Financial guarantees	3,613	1,625	–	5,238	1,310	4,132	–	5,442

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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35. Financial risk management objectives and policies (cont'd)

Credit risk

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

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

The carrying amount of trade and other receivables, amounts due from an associate and related companies, and cash and cash equivalents represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

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

Customers' profile

By Country

% of total	Group		Company	
	2011	2010	2011	2010
≥ 25	Singapore	Singapore and Thailand	Singapore	Philippines and Singapore
>10 and <25	Thailand, Morocco and Indonesia	Philippines	Thailand and Philippines	–
≤ 10	Philippines, Afghanistan, Norway and others	Malaysia, Indonesia and others	Vietnam and others	Thailand, Vietnam, Philippines, Indonesia, and others

By Industry Sectors

	Group				Company			
	2011		2010		2011		2010	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
Telecommunication	39,552	70	18,375	47	17,140	63	15,055	58
Financial institutions	4,087	7	5,174	13	2,906	11	1,408	6
Government agencies	10,628	19	11,365	29	6,411	23	5,953	23
Media and broadcasting	323	1	1,897	5	127	–	1,621	6
Multi industry conglomerates	635	1	1,409	4	287	1	1,393	5
Others	1,047	2	979	2	537	2	387	2
	56,272	100	39,199	100	27,408	100	25,817	100

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31 December 2011

35. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Customers' profile (cont'd)

By Industry Sectors (cont'd)

At the balance date,

- 44% (2010 : 69%) of the Group's trade receivables in Singapore (2010: Singapore) are due from a reputable telecommunication service provider; and
- 34% (2010 : 35%) of the Group trade receivables are due from 3 major customers in the Telecommunication industry.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

36. Financial instruments

(a) Fair values

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

Derivatives

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

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

	Group			
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
At 31 December 2011				
Financial liabilities				
Derivatives – Forward currency contracts	–	229	–	229
At 31 December 2010				
Financial assets				
Derivatives – Forward currency contracts	–	433	–	433

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

36. Financial instruments (cont'd)

(a) Fair values (cont'd)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Cash and cash equivalents, current trade and other receivables, current trade and other payables, related companies balances and associate balances

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

Lease obligations

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

(b) Interest rate risk

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

	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
2011							
Group							
<i>Floating rate</i>							
Cash and bank balances	11,497	–	–	–	–	–	11,497
<i>Fixed rate</i>							
Fixed deposits	35,038	–	–	–	–	–	35,038
Finance lease receivable	288	321	–	–	–	–	609
Obligations under finance leases	(28)	(7)	–	–	–	–	(35)
Company							
<i>Floating rate</i>							
Cash and bank balances	4,821	–	–	–	–	–	4,821
<i>Fixed rate</i>							
Fixed deposits	35,000	–	–	–	–	–	35,000

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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31 December 2011

36. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

2010	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
Group							
Floating rate							
Cash and bank balances	11,491	–	–	–	–	–	11,491
Amount due from an associate	4,467	–	–	–	–	–	4,467
Fixed rate							
Fixed deposits	28,500	–	–	–	–	–	28,500
Obligations under finance leases	(27)	(27)	(9)	–	–	–	(63)
Company							
Floating rate							
Cash and bank balances	6,869	–	–	–	–	–	6,869
Amount due from an associate	3,243	–	–	–	–	–	3,243
Fixed rate							
Fixed deposits	28,500	–	–	–	–	–	28,500

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

(c) Derivative financial instruments

	Group					
	Contract/ notional amount	2011 S\$'000		Contract/ notional amount	2010 S\$'000	
		Assets	Liabilities		Assets	Liabilities
Forward currency contracts – gross receipts	7,040	–	226	16,166	432	–
Forward currency contracts – gross payments	157	–	3	240	1	–

Forward currency contracts are used to hedge the Group's sales and purchases denominated in US dollar, Euro dollar, Danish Krone, against SGD for which firm commitments existed at the balance sheet date, extending to March 2012 (2010: June 2011).

The Group does not apply hedge accounting.

**APPENDIX 6 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 2011 and 31 December 2010.

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 to be less than 50%. The Group includes within net debt, loans and borrowings, trade and other payables, obligations under finance leases, other liabilities, less cash and cash equivalents. Capital refers to equity attributable to the equity holders of the Company.

	Group	
	2011	2010
	\$'000	\$'000
Trade payables (Note 14)	54,047	37,302
Other payables and accruals (Note 15)	19,111	15,946
Amount due to an associate (Note 13)	24	–
Amounts due to related companies (Note 13)	–	688
Obligations under finance leases (Note 17)	35	63
Less: Cash and cash equivalents (Note 29)	(46,535)	(39,991)
Net debt	26,682	14,008
Capital : Equity attributable to equity holders of the Company	61,246	62,263
Capital and net debt	87,928	76,271
Gearing ratio	30.3%	18.4%

38. Events occurring after the reporting period

Scheme of arrangement

On 10 February 2012, the Company and Singapore Technologies Electronics Limited ("STEL") jointly announced the proposed acquisition of all the issued and paid up shares in the capital of the Company by way of a scheme of arrangement ("Scheme") under Section 210 of the Companies Act, Chapter 50 of Singapore and in accordance with the Singapore Code on Take-overs and Mergers.

The Scheme will require, inter alia, (i) the approval by the shareholders by the requisite majorities at a meeting of the Company convened by the High Court and (ii) sanction by the High Court. If the Scheme becomes effective and binding in accordance with its terms, it will result in a change in the ultimate holding company from Eltek ASA to STEL.

Incorporation of a new subsidiary company

On 13 February 2012, the Group has incorporated a wholly-owned subsidiary, Nera Telecommunications FZ-LLC. The subsidiary company is incorporated in United Arab Emirates and its principal activity is in the area of telecommunications and infocommunications.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 30 March 2012.

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER
ENDED 31 MARCH 2012**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group		
		Qtr 1 2012 S\$'000	Qtr 1 2011 S\$'000	Increase/ (Decrease) %
Turnover		43,544	35,949	21.1
Cost of sales		(28,090)	(26,229)	7.1
Gross profit		15,454	9,720	59.0
Other operating income		1,143	2,401	(52.4)
Distribution and selling expenses		(5,927)	(6,606)	(10.3)
Administrative expenses		(2,413)	(2,048)	17.8
Other operating expenses		(384)	(471)	(18.5)
Profit from operations		7,873	2,996	162.8
Financial expenses		(33)	(61)	(45.9)
Financial income		40	66	(39.4)
Profit after financial items		7,880	3,001	162.6
Share of results of an associate		203	19	968.4
Profit before taxation		8,083	3,020	167.6
Taxation		(1,591)	(735)	116.5
Profit after taxation		6,492	2,285	184.1
Other comprehensive income :				
Foreign currency translation of financial statements of foreign operations		112	24	366.7
Total comprehensive income for the period		6,604	2,309	186.0

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

		Group		
		Qtr 1 2012 S\$'000	Qtr 1 2011 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Adjustments for under provision of tax in respect of prior years		-	(24)	(100.0)
Amortisation of intangible asset		(16)	(16)	0.0
Depreciation	(1)	(998)	(720)	38.6
Foreign exchange loss		(363)	(117)	210.3
Interest expense		-	(1)	(100.0)
Interest income	(2)	40	66	(39.4)
Net loss on disposal / write-off of property, plant and equipment		(6)	-	100.0
Writeback of allowance for doubtful debts		12	44	(72.7)
(Allowance) / writeback of allowance for stock obsolescence		(47)	23	N.M.
Writeback / (provision) for warranty		362	(380)	N.M.
Gross profit as a percentage of turnover		35.5%	27.0%	8.5%
Profit for the period as a percentage of turnover		14.9%	6.4%	8.5%
Other information				
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of the period		9.6%	3.5%	6.1%

N.M. Not meaningful

Notes :

- (1) The increase in depreciation resulted from more point-of-sale terminals purchased for leasing.
- (2) The decrease in interest income was mainly because there was no interest income from an associate in Q1 2012.

Related party transactions :

	Group	
	Qtr 1 2012 S\$'000	Qtr 1 2011 S\$'000
Related party transactions		
Sales to an associate	716	347
Compensation of key management personnel		
Directors of the Company :-		
Directors' remuneration	344	217
Defined contribution benefits	3	2
Directors of the subsidiaries :-		
Directors' fees	5	-
Directors' remuneration	117	126
Defined contribution benefits	2	2
Key management :-		
Key management remuneration	318	304
Defined contribution benefits	16	16

The remuneration of directors and key management personnel will be determined having regard to the performance of the individuals and market trends at year end.

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet as at	Group		Company	
	31/3/2012 S\$'000	31/12/2011 S\$'000	31/3/2012 S\$'000	31/12/2011 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	40,320	33,828	31,015	28,118
Translation reserve	(2,379)	(2,491)	-	-
	67,850	61,246	60,924	58,027
Non current assets				
Property, plant and equipment	7,164	7,788	3,577	3,966
Intangible asset	1,209	1,225	1,209	1,225
Investment in subsidiaries	-	-	4,602	4,602
Investment in an associate	2,366	2,042	199	199
Finance lease receivable	266	321	-	-
Deferred tax assets	2,372	2,375	408	427
	13,377	13,751	9,995	10,419
Current assets				
Stocks	2,313	3,245	655	1,799
Contract work-in-progress	12,536	20,541	6,567	12,295
Trade receivables	58,487	56,272	27,414	27,408
Finance lease receivable	250	288	-	-
Other receivables, deposits and prepayments	2,297	2,289	1,029	1,099
Due from subsidiaries (trade)	-	-	17,151	11,616
Due from subsidiaries (non-trade)	-	-	2,316	325
Due from an associate (trade)	678	503	678	503
Cash and cash equivalents	54,014	46,535	40,001	39,821
Total current assets	130,575	129,673	95,811	94,866
Current liabilities				
Trade payables	47,206	54,047	29,494	30,384
Other payables and accruals	19,330	19,111	10,400	11,868
Due to subsidiaries (non-trade)	-	-	400	402
Due to an associate (non-trade)	21	24	-	-
Provision for taxation	4,246	3,027	2,417	2,156
Provision for warranty	5,271	5,934	2,171	2,448
Obligations under finance leases	27	28	-	-
Total current liabilities	76,101	82,171	44,882	47,258
Net current assets	54,474	47,502	50,929	47,608
Non current liabilities				
Obligations under finance leases	(1)	(7)	-	-
Net Assets	67,850	61,246	60,924	58,027

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/3/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
27	-	28	-

Amount repayable after one year

As at 31/3/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1	-	7	-

Details of any collateral

Obligations under finance leases of \$28,000 are secured on three motor vehicles.

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Period ended 31 March	
	2012 S\$'000	2011 S\$'000
Cash flows from operating activities		
Profit before taxation	8,083	3,020
Adjustments for :		
Amortisation of intangible asset	16	16
Depreciation of property, plant and equipment	998	720
Interest expense	-	1
Interest income	(40)	(66)
Net loss on disposal / write-off of property, plant and equipment	6	-
Allowance / (writeback of allowance) for stock obsolescence	47	(23)
Writeback of allowance for doubtful debts	(12)	(44)
(Writeback) / provision for warranty	(362)	380
Share of results of an associate	(203)	(19)
Operating profit before working capital changes	8,533	3,985
Decrease / (increase) in :		
Stocks	887	980
Contract work-in-progress	8,005	5,063
Trade receivables	(2,202)	(4,065)
Finance lease receivables	93	-
Other receivables, deposits and prepayments	(8)	195
Changes in related companies and associate balances	(178)	2,160
(Decrease) / increase in :		
Trade payables	(6,841)	2,876
Other payables and accruals	121	600
Provision for warranty	(299)	(136)
Cash generated from operations	8,111	11,658
Income taxes paid	(370)	(15)
Interest paid	-	(1)
Net cash flows from operating activities	7,741	11,642
Cash flows from Investing activities		
Proceeds from disposal of property, plant and equipment	9	7
Purchase of property, plant and equipment	(323)	(387)
Purchase of intangible asset	-	(1,289)
Interest received	40	66
Net cash flows used in investing activities	(274)	(1,603)
Cash flows from financing activities		
Repayment of obligations under finance leases	(7)	(8)
Net cash flows used in financing activities	(7)	(8)
Net increase in cash and cash equivalents	7,460	10,031
Effect of exchange rate changes	19	58
Cash and cash equivalents at beginning of the period	46,535	39,991
Cash and cash equivalents at end of the period	54,014	50,080

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

For Period ended 31 March	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.1.2012	29,909	33,828	(2,491)	61,246
Total comprehensive income for the period	-	6,492	112	6,604
Balance as at 31.3.2012	29,909	40,320	(2,379)	67,850
Balance as at 1.1.2011				
Balance as at 1.1.2011	29,909	34,799	(2,445)	62,263
Total comprehensive income for the period	-	2,285	24	2,309
Balance as at 31.3.2011	29,909	37,084	(2,421)	64,572
Company				
Balance as at 1.1.2012	29,909	28,118	-	58,027
Total comprehensive income for the period	-	2,897	-	2,897
Balance as at 31.3.2012	29,909	31,015	-	60,924
Balance as at 1.1.2011				
Balance as at 1.1.2011	29,909	28,281	-	58,190
Total comprehensive income for the period	-	1,648	-	1,648
Balance as at 31.3.2011	29,909	29,929	-	59,838

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There has been no change in the Company's share capital since 31 December 2011. The share options granted under the Employees' Share Option Scheme 2002 expired on 28 February 2012. As at 31 March 2012, there was no share options granted (31 March 2011 : 1,000,000 share options @ S\$0.625). There was no treasury share in issue as at the end of the current financial period (31 March 2011 : nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued shares excluding treasury shares as at the end of the current financial period was 361,897,000 shares (31 December 2011 : 361,897,000).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and / or use of treasury shares as at the end of the current financial period reported on.

Not applicable

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

1(e) Negative assurance confirmation on interim financial results under Rule 705(4) of the SGX-ST.

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the first quarter financial statements for the period ended 31 March 2012, to be false or misleading in any material respect.

On behalf of the Board

S Chandra Das
Chairman

Ang Seong Kang, Samuel
President and Chief Executive Officer

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard].

The figures have not been audited but have been reviewed by Ernst & Young LLP in accordance with Singapore Standard on Review Engagements 2410.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

The independent auditors' review report is attached.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements for the financial year ended 31 December 2011 except as described in Section 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised Singapore Financial Reporting Standard ("FRSs") that are mandatory for the financial year beginning on or after 1 January 2012, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the revenue reserve of the Group as at 1 January 2012.

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Period ended 31 March	
	2012	2011
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)
(i) basic earnings per share	1.79	0.63
(iii) fully diluted earnings per share	1.79	0.63

Basic earnings per ordinary share for the financial period ended 31 March 2012 was calculated based on the weighted average number of shares in issue of 361,897,000 (2011 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2012 was calculated based on the adjusted weighted average number of shares in issue of 361,897,000 ordinary shares {2011 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 ordinary shares}.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	31/3/2012	31/12/2011	31/3/2012	31/12/2011
	(cents)	(cents)	(cents)	(cents)
Net Asset Value per ordinary share based on issued share capital	18.75	16.92	16.83	16.03

Net asset value per ordinary share as at 31 March 2012 and 31 December 2011 was calculated based on the number of shares in issue of 361,897,000 ordinary shares.

APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 31 MARCH 2012

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) **Turnover**

Compared to Q1 2011, the Group's turnover increased 21.1%, from \$35.9 million to \$43.5 million, with higher turnover from both the Telecom and Infocomm business segments

Telecommunications (Telecom)

Turnover for Q1 2012 increased significantly by 46.2% from \$13.2 million to \$19.3 million, mainly due to higher sales of microwave radio equipment in the Transmission business area. The new markets in Middle East and North Africa ('MENA') contributed revenue of \$12.4 million, where there was no revenue in the corresponding period.

Infocomm

Turnover for Q1 2012 increased by 6.1% from \$22.8 million to \$24.2 million. The increase in turnover was mainly due to higher sales of network equipment to the Service Provider market sector, partially offset by lower sales in Payment Solutions business segment.

(b) **Gross Profit**

Compared to Q1 2011, gross profit increased by 59.0%, from \$9.7 million to \$15.5 million with the increase in turnover. The gross margin percentage ("GM%") improved from 27.0% to 35.5%, with higher GM% in both the Telecom and Infocomm business segments. This can be attributable to more competitive products and the sales mix in product, project and services.

(c) **Operating Expenses**

Compared to Q1 2011, total operating expenses decreased by 4.4% from \$9.1 million to \$8.7 million. Accordingly, total operating expenses as a percentage of turnover was lower at 20.0% compared to 25.4% for Q1 2011.

Distribution and selling expenses decreased by 10.3% (\$0.7 million) mainly due to lower payroll and operational costs of new territories taken over in relation to an OEM agreement signed on 19 January 2011, resulting from lower headcount.

Administrative expenses increased by 17.8% (\$0.4 million) mainly due to the increase in payroll and related cost and higher depreciation.

(d) **Profit Before Taxation ('PBT')**

Compared to Q1 2011, PBT registered a significant increase of 167.6% from \$3.0 million to \$8.1 million as a result of better gross margin partially offset by other operating income. Other operating income was lower by \$1.3 million mainly due to the lower accounts receivable collection fee in relation to an OEM agreement signed on 19 January 2011. PBT as a percentage of turnover ("PBT %") was significantly higher at 18.6% compared to 8.4% in Q1 2011.

(e) **Cash flow**

The Group was able to generate positive cashflow from operating activities.

APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 31 MARCH 2012

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's business comprises of two main business segments, namely Telecommunications and Infocommunications.

Telecommunications (Telecom)

The Telecommunications business segment comprises of two main business areas : Wireless Infrastructure Networks ('WIN') and Satellite Communications. The Group has renamed its Transmission business to WIN as a result of the product portfolio expansion strategy from a point-to-point provider to an end-to-end wireless solutions provider.

In Q1 2012, the Group's Telecom business segment secured approximately \$20.2 million in order intake, an increase of 173% compared \$7.4 million in Q1 2011 as a result of significant orders received from the MENA markets.

Wireless Infrastructure Networks

In the WIN business area, mobile operators will continue to expand their networks to increase their capacity, coverage and capacities as a result of the huge demand for data and bandwidth from mobile broadband services. Mobile operators, in addition to demand for lower operating and capital expenditures for their 3G/LTE (Long Term Evolution) network rollout, expect their vendors to provide business-driven high performance, flexible and cost effective end-to-end solutions to meet their customers' requirements.

With the product portfolio expansion and focus on wireless business solutions, the Group intends to deliver end-to-end wireless infrastructure networks from traditional point-to-point trunk and access radios, point-to-multi-point radios, coverage solutions, wifi 3G data offload and performance networks to its mobile customers in Asia Pacific and MENA markets.

The Group will promote its suite of WIN products and solutions to the Defence, Broadcasting and Utilities market sectors.

Competition in the Telecom business segment is expected to remain intense with many equipment vendors using bundling and special pricing to try and win projects. In addition, the debt crisis in Europe and unclear spectrum, licencing and regulatory framework in some countries are causing some mobile operators to be more cautious in their network investments.

Satellite Communications

The Group will continue to offer a wide range of land, marine and handheld Inmarsat, Thuraya and other satellite communication products, solutions and services to Satellite Operators, ISP, Broadcasters, Government, Oil / Gas / Maritime and Enterprises market sectors.

The Group will continue to seek new products and business opportunities in the satellite market.

Infocomm (IF)

In the Infocomm business segment, the Group will focus on offering products and solutions from the Network Infrastructure and Payment Solutions business areas to three key market sectors, namely Service Providers, Enterprises and the Government, Transportation and Utilities sectors.

In Q1 2012, the Group's Infocomm business segment managed to secure approximately \$39.6 million in order intake, an increase of 88% compared to S\$21.1 million in Q1 2011.

APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 31 MARCH 2012

In the Service Providers market sector, telecom operators continue to expand their networks and deploy new services such as cloud computing, to meet the huge bandwidth demand by consumers, driven by the substantial increase in data hungry smart devices. The Group will continue to focus on providing high performance, secured and scalable IP, Optical and Broadcast network infrastructure products and solutions to meet our customers' business objectives.

In the Enterprise market sector, the Group believes that corporate IT spending will grow as customers need to invest in new network infrastructure or network upgrades to address the security changes as a result of greater workforce mobility, different devices and to improve their competitiveness. The Group will continue to provide enterprise-class network infrastructure products and services to help enterprises address their security concerns, network efficiencies and improve their competitiveness.

In the Enterprise's Banking, Finance and Retail market sector, customers in the region continue to deploy new point-of-sale ("POS") terminals and payment infrastructure by direct purchase as well as outsourcing. The Group will continue to offer direct sales of POS terminals as well as outsourcing alternatives to its customers. The Group will focus on offering end-to-end payment systems, security and network infrastructure products and solutions to financial institutions and retailers.

In the Government, Transport and Utilities market sector, IT spending for network infrastructure products and solutions remains positive. There are numerous opportunities in the education, healthcare, defence, transportation and utilities market sectors, mainly driven by government initiatives to lower costs and improve public services. The Group will continue to focus on providing various network infrastructure, integrated communication solutions, dedicated communication networks and payment solutions to customers in these sectors.

The Infocomm industry remains highly competitive with many local resellers, distributors and system integrators partnering large equipment vendors, offering various product and technology alternatives to telecom operators.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the financial period.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable.

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding period.**

Period ended 31 March 2012	Telecom S\$'000	Infocomm S\$'000	Elimination S\$'000	Total S\$'000
Revenue	19,322	24,222	-	43,544
Inter-company sales	915	3,311	(4,226)	-
Total revenue	20,237	27,533	(4,226)	43,544
Cost of sales	(13,948)	(18,368)	4,226	(28,090)
Gross Profit	6,289	9,165	-	15,454
Other operating income	1,136	7	-	1,143
Distribution and selling expenses	(2,196)	(3,731)	-	(5,927)
Administrative expenses	(623)	(1,790)	-	(2,413)
Other operating expenses	(290)	(94)	-	(384)
Profits from operations	4,316	3,557	-	7,873
Financial income				40
Financial expenses				(33)
Profit after financial items				7,880
Share of result of an associate				203
Profit before taxation				8,083
Taxation				(1,591)
Profit after taxation				6,492
Other information				
Capital expenditure	85	238		323
Depreciation and amortisation	112	902		1,014
Other non-cash expenses	(141)	(186)		(327)

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

Period ended 31 March 2011	Telecom S\$'000	Infocom m S\$'000	Elimination S\$'000	Total S\$'000
Revenue	13,190	22,759	-	35,949
Inter-company sales	828	3,088	(3,916)	-
Total revenue	14,018	25,847	(3,916)	35,949
Cost of sales	(10,328)	(19,817)	3,916	(26,229)
Gross Profit	3,690	6,030	-	9,720
Other operating income	2,395	6	-	2,401
Distribution and selling expenses	(3,037)	(3,569)	-	(6,606)
Administrative expenses	(609)	(1,439)	-	(2,048)
Other operating expenses	(340)	(131)	-	(471)
Profits from operations	2,099	897	-	2,996
Financial income				66
Financial expenses				(61)
Profit after financial items				3,001
Share of result of an associate				19
Profit before taxation				3,020
Taxation				(735)
Profit after taxation				2,285
Other information				
Capital expenditure	39	348		387
Depreciation and amortisation	79	657		736
Other non-cash expenses	459	(146)		313

31 March 2012	Telecom S\$'000	Infocom m S\$'000	Elimination S\$'000	Total S\$'000
Other Information				
Segment assets	41,005	41,898		82,903
Investment in an associate				2,366
Unallocated assets				58,683
Total assets				143,952
Segment liabilities	36,523	17,027		53,550
Tax Liabilities				4,246
Unallocated liabilities				18,306
Total liabilities				76,102
31 December 2011				
Other Information				
Segment assets	43,050	47,133		90,183
Investment in an associate				2,042
Unallocated assets				51,199
Total assets				143,424
Segment liabilities	42,984	18,140		61,124
Tax Liabilities				3,027
Unallocated liabilities				18,027
Total liabilities				82,178

**APPENDIX 7 – UNAUDITED 1Q 2012 FINANCIAL STATEMENTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012**

Geographical Segment

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

	Revenues		Non-current assets	
	31/03/2012	31/03/2011	31/03/2012	31/12/2011
	S\$000	S\$000	S\$000	S\$000
Singapore	19,360	12,337	4,786	5,192
Afghanistan	8,641	8	-	-
Indonesia	4,913	11,041	240	283
Thailand	3,461	4,622	1,435	1,604
Philippines	860	4,405	1,459	1,581
Malaysia	1,549	2,414	466	509
Morocco	2,157	-	107	113
Other Asian	1,419	1,050	45	47
Others	1,184	72	101	5
	43,544	35,949	8,639	9,334

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

Information about a major customer

Revenue from one major customer amounted to \$10,628,000 (2011 : \$8,871,000), arising from sales by the Telecommunications and Infocomm segments (31 March 2011 : Telecommunication segment).

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
19/4/2012

The Singapore Code on Take-overs and Mergers

The unaudited consolidated interim financial information of the Group for the three months ended 31 March 2012, have been reported on in accordance with The Singapore Code on Take-overs and Mergers.

Directors' Responsibility

The Directors (including any Director who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly. Where any information has been extracted from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

Auditors' consent

Ernst & Young LLP has given and has not withdrawn its consent to the reproduction in its entirety of their report on the review of interim condensed financial information as of and for the three month period ended 31 March 2012.

**APPENDIX 8 – LETTER FROM IFA IN RELATION TO THE UNAUDITED 1Q 2012
FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 31 MARCH 2012**



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19 April 2012

The Independent Directors
Nera Telecommunications Ltd
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

Dear Sirs,

This letter has been prepared in connection with the proposed acquisition of all the issued and paid-up ordinary shares in the capital of Nera Telecommunication Ltd (the "Company") by Singapore Technologies Electronics Limited by way of a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 of Singapore (the "Scheme").

The letter is prepared for concurrent release with the announcement of the Company's unaudited results of the Company for the first quarter ended 31 March 2012 (the "Announcement") on 19 April 2012. On 19 April 2012, the directors of the Company (the "Directors") will be announcing the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the first quarter ended 31 March 2012. We have reviewed sections 1(a), 1(b), 1(c), 1(d), 6, 7, 8, and 14 of the Announcement (the "1Q Financial Information") which relates to information for the first quarter ended 31 March 2012 for the purposes of this letter. The 1Q Financial Information is solely the responsibility of the Directors.

We have reviewed and held discussions with the management of the Company on the 1Q Financial Information relating to information for the first quarter ended 31 March 2012. We have also considered the letter dated 19 April 2012 addressed to the Directors by Messrs Ernst & Young LLP ("E&Y") relating to their engagement with the Company to review the interim condensed financial information of the Group for the three-month period ended 31 March 2012. E&Y conducted their review in accordance with Singapore Standards on Review Engagements 2410, 'Review of interim financial information provided by the independent auditor of the entity'.

For the purposes of rendering this letter, we have relied upon and assumed the accuracy and completeness of all financial and other information provided to, or discussed with, us. Save as provided in this letter, we do not express any other opinion on the 1Q Financial Information.

On the bases of the procedures performed by the Directors and the management of the Company, we are of the opinion that the 1Q Financial Information (for which the Directors are solely responsible) have been made by the Directors after due care and careful enquiry.

This letter is provided only to the Directors solely for the purpose of the Directors complying with Rule 25.6 (c) of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept responsibility to any person (other than the Directors) in respect of, arising out of, or in connection with this letter. This letter may be included in the scheme document to be despatched to the shareholders of the Company in due course.

Yours faithfully

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

Andrew Ooi
Executive Director

**APPENDIX 9 – LETTER FROM EY IN RELATION TO THE UNAUDITED 1Q 2012
FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 31 MARCH 2012**



ERNST & YOUNG

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**Independent Auditors' Review Report on Unaudited Interim Condensed Financial Information of
Nera Telecommunications Ltd and its Subsidiaries
for the financial period from 1 January 2012 to 31 March 2012**

The Board of Directors
Nera Telecommunications Ltd
109 Defu Lane 10
Singapore 539225

Introduction

We have reviewed the accompanying interim condensed financial information of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively known as "the Group") which comprise the balance sheets of the Group and the Company as at 31 March 2012, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and cash flows statement of the Group for the three-month period then ended and selected explanatory notes.

Management's responsibility for the interim condensed financial information

Management is responsible for the preparation and fair presentation of the interim condensed financial information in accordance with Singapore Financial Reporting Standard FRS 34 Interim Financial Reporting ("FRS 34"). Such interim condensed financial information has been prepared by management of the Company for announcement on the Singapore Exchange. Our responsibility is to express a conclusion on the interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information are not presented fairly, in all material respects, in accordance with FRS 34.

Other matters

We have not carried out an audit or review in accordance with Singapore Standards on Auditing or Singapore Standard on Review Engagements on the financial information for the first quarter and three month period ended 31 March 2011 included as comparatives in the interim condensed financial information for the period ended 31 March 2012 and, accordingly, we do not express any assurance on the comparative financial information.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
19 April 2012

APPENDIX 10 – CONDITIONS PRECEDENT

All capitalised terms used and not defined in this Appendix shall have the same meanings given to them in the Implementation Agreement, a copy of which is available for inspection at the registered office of the Company during normal business hours until the Effective Date.

The Acquisition is conditional upon:

1. **Scheme:** the approval of the Scheme by the Shareholders in compliance with the requirements of Section 210(3) of the Companies Act;
2. **Scheme Court Order:** the grant of the Scheme Court Order by the Court and such Scheme Court Order having become final;
3. **ACRA Registration:** the registration of the Scheme Court Order with ACRA;
4. **Regulatory Approvals:** prior to the Record Date, all Regulatory Approvals being obtained and not withdrawn, including without limitation, the following:
 - (i) confirmation from the SIC that Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) to Rule 19 of the Code shall not apply to the proposed Scheme, and consent being obtained from SIC in relation to the Restructuring (if necessary) subject to any conditions the SIC may deem fit to impose; and
 - (ii) the approval-in-principle from the SGX-ST of the draft Scheme Document and for the proposed delisting of the Company;
5. **No Prescribed Occurrence:** between the date of the Implementation Agreement and the Record Date, no Prescribed Occurrence in relation to the Group or the Acquiror Group, as the case may be, occurs other than as required or contemplated by the Implementation Agreement or the Acquisition;
6. **Restructuring:** the transfer to the Company of all the remaining shares in Nera (Malaysia) Sdn. Bhd. from the other shareholders of Nera (Malaysia) Sdn. Bhd. free from all Encumbrances such that Nera (Malaysia) Sdn. Bhd. is a wholly owned subsidiary of the Company ("**Restructuring**");
7. **Company Representations, Warranties and Covenants:**
 - (i) the representations and warranties of the Company set out in the Implementation Agreement being true and correct, in each case as of the date of the Implementation Agreement and as of the Record Date as though made on and as of that date except to the extent any such representation and warranty expressly relates to an earlier date (in which case as of such earlier date); and
 - (ii) the Company shall have, as of the Record Date, performed and complied with all covenants and agreements contained in the Implementation Agreement which are required to be performed by or complied with by it, on or prior to the Record Date; and
8. **Acquiror Representations, Warranties and Covenants:**
 - (i) the representations and warranties of Acquiror set out in the Implementation Agreement being true and correct, in each case as of the date of the Implementation Agreement and as of the Record Date as though made on and as of that date except to the extent any such representation and warranty expressly relates to an earlier date (in which case as of such earlier date); and
 - (ii) the Acquiror shall have, as of the Record Date, performed and complied with all covenants and agreements contained in the Implementation Agreement which are required to be performed by or complied with by it, on or prior to the Record Date.

APPENDIX 11 – PRESCRIBED OCCURRENCES

All capitalised terms used and not defined in this Appendix shall have the same meanings given to them in the Implementation Agreement, a copy of which is available for inspection at the registered office of the Company during normal business hours until the Effective Date.

For the purpose of this Scheme Document, “**Prescribed Occurrence**”, in relation to the Company and its subsidiaries or the Acquiror, as the case may be, means any of the following:

1. **Injunctions:** an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Scheme or the Acquisition or any part thereof by either the Company or Acquiror;
2. **Resolution for Winding Up:** the Company or Acquiror resolving that it be wound up;
3. **Appointment of Liquidator and Judicial Manager:** the appointment of a liquidator, provisional liquidator, judicial manager, provisional judicial manager and/or other similar officer of the Company or Acquiror;
4. **Order of Court for Winding Up:** the making of an order by a court of competent jurisdiction for the winding up of the Company or Acquiror;
5. **Composition:** the Company or Acquiror entering into any arrangement or general assignment or composition for the benefit of its creditors generally;
6. **Appointment of Receiver:** the appointment of a receiver or a receiver and manager, in relation to the property or assets of the Company or Acquiror;
7. **Insolvency:** any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s);
8. **Cessation of Business:** the Company or Acquiror ceases or threatens to cease for any reason to carry on business in the usual course;
9. **Breach of Implementation Agreement:** the Company or Acquiror being in breach of any of the provisions of the Implementation Agreement;
10. **Investigations and Proceedings:** if any Group Company or Acquiror or any of their respective directors is or will be the subject of any governmental, quasi-governmental, criminal, regulatory or stock exchange investigation and/or proceeding;
11. **Material Adverse Event:** any matter(s) which cause the net asset value of the Group (“**Group NAV**”) to decrease by more than S\$6.6 million (determined using the same accounting standards, policies and principles adopted by the Group for the preparation of its Audited FY2010 Financial Statements, but excluding the impact arising from the Permitted Dividend, the consolidation of Nera (Malaysia) Sdn Bhd (Company Registration No. 77472-X), foreign currency fluctuations, costs of the Retention Arrangements and fees and expenses incurred by the Group in connection with the Implementation Agreement and the Scheme) from the Group NAV as at 30 September 2011;
12. **Intellectual Property / Information Technology:**
 - (i) any prolonged suspension, revocation or cessation, or written notice given of such prolonged suspension, revocation or cessation, of the Company’s rights under the Telecommunication Dealer’s Individual Licence No. DB00273; or
 - (ii) any material breach, repudiation or termination of the trademark purchase agreement dated 19 January 2011 between Nera Networks AS and the Company or the agreement dated 19 January 2011 relating to assignment of trademarks between Eltek ASA and Nera Networks AS dated 19 January 2011;

APPENDIX 11 – PRESCRIBED OCCURRENCES

13. **Termination:** any repudiation or termination, or written notice given of such repudiation or termination, of (a) customer contract(s) which amount in aggregate to 18% or more in value of the Order Book; or (b) purchase orders which amount in aggregate to 15% or more in value of the Group's Supply Contracts; or
14. **Analogous Event:** any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s).

APPENDIX 12 – ACQUIROR REPRESENTATIONS AND WARRANTIES

All capitalised terms used and not defined in this Appendix shall have the same meanings given to them in the Implementation Agreement, a copy of which is available for inspection at the registered office of the Company during normal business hours until the Effective Date.

The Acquiror represents and warrants that:

1. Incorporation

Acquiror is a company duly incorporated in Singapore, with company registration number 196900084E and validly existing under its law of incorporation. Acquiror is carrying on its business in compliance with all applicable laws and regulations.

2. Power

Acquiror has the corporate power to enter into and perform its obligations under the Implementation Agreement and to carry out the transactions contemplated by the Implementation Agreement.

3. Authority

Acquiror has taken all necessary corporate action and obtained all necessary corporate approval to authorise entry into the Implementation Agreement and the performance of the Implementation Agreement and to carry out the transactions contemplated by the Implementation Agreement.

4. Consents

Acquiror shall take all actions, and fulfil all conditions and do all things required to be done (including the obtaining of any necessary consents from third parties) in order to:

- (a) enable Acquiror lawfully to enter into, exercise its rights and perform and comply with its obligations under the Implementation Agreement; and
- (b) ensure that those obligations are valid, legally binding and enforceable in accordance with their terms.

5. Binding Obligation

Acquiror's obligations under the Implementation Agreement are valid, legally binding and enforceable in accordance with its terms.

6. No Breach

Neither the execution nor performance by Acquiror of the Implementation Agreement nor any transaction contemplated under the Implementation Agreement will violate any provision of its constitutive documents, any order, writ, injunction or decree of any Regulatory Authority applicable to Acquiror or its assets, or any agreement or instrument to which Acquiror is a party or by which Acquiror or its assets are bound.

7. Sufficiency of Financial Resources

Acquiror has the financial resources to undertake, implement and complete the Scheme and shall provide that a cash confirmation is furnished by an appropriate third party in compliance with the Code.

APPENDIX 13 – COMPANY REPRESENTATIONS AND WARRANTIES

All capitalised terms used and not defined in this Appendix shall have the same meanings given to them in the Implementation Agreement, a copy of which is available for inspection at the registered office of the Company during normal business hours until the Effective Date.

The Company represents and warrants that:

1. Group

1.1 Incorporation

Each Group Company is duly incorporated and validly existing under its respective laws of incorporation, and is carrying on businesses in material compliance with all applicable laws and regulations.

1.2 Shares

All the issued shares of each Group Company has been duly authorised and is validly issued, fully paid-up and rank *pari passu* in all respects with each other and are not subject to any Encumbrance. No Group Company is subject to any actual or contingent obligation to issue or convert any securities or debt except as required or contemplated by the Implementation Agreement or in accordance with the terms of the Company Employees' Share Option Scheme. The Company has not, and will not, declare or pay any dividend or make any distribution (in cash or in kind) to its Shareholders, in respect of preceding or subsequent financial periods, commencing from the date hereof (except for the Permitted Dividend).

As at the date of the Implementation Agreement, there are 942,000 unexercised Options under the Company Employees' Share Option Scheme. For the avoidance of doubt the aggregate number of Shares to be issued pursuant to the Company Employees' Share Option Scheme shall not exceed 942,000 Shares.

2. Full Disclosure

All information contained in the Audited FY2010 Financial Statements, SGXNET announcements of the Company from 1 January 2011 to the date of the Implementation Agreement and the Implementation Agreement was when given, true and accurate in all material respects and not misleading, and as of the date of the Implementation Agreement, the Company is not aware of any fact or matter or circumstances which renders or will render any such information untrue, inaccurate or misleading in any material respect. Copies of the documents set out in the Index List are true in all material respects and to the best of the Company's knowledge, information and belief, complete in all material respects.

3. Power and Authority

The Company has all the necessary corporate power and authority to enter into and perform its obligations under the Implementation Agreement and to carry out the transactions contemplated by the Implementation Agreement.

4. Binding Obligation

The Company's obligations under the Implementation Agreement are valid, legally binding and enforceable in accordance with its terms.

5. No Breach

Neither the execution nor performance by the Company of the Implementation Agreement nor any transaction contemplated under the Implementation Agreement will violate any provision of its constitutive documents, any order, writ, injunction or decree of any Regulatory Authority applicable to the Company or its assets, or any agreement or instrument to which the Company is a party or by which the Company or its assets are bound.

APPENDIX 13 – COMPANY REPRESENTATIONS AND WARRANTIES

6. Claims, Actions and Proceedings

There are no material claims, actions and/or proceedings pending against the Group.

7. Bonus

Save for (i) the Retention Arrangements, (ii) such annual bonus paid or payable by any Group Company or the Company to its management or employees in the ordinary course of business consistent with past practice, (iii) such bonus of up to US\$1 million which will be paid to certain employees by any Group Company in accordance with the OEM Agreement dated 19 January 2011 which is set out as document number 86 in the Index List and (iv) Shares and Options as expressly contemplated herein, no transactional, retention or incentive bonus or amounts have been paid or are payable by any Group Company to its management or employees in connection with the implementation of the Scheme.

8. Fees and Expenses

The aggregate fees and expenses incurred by the Group in connection with the Scheme shall not exceed in aggregate S\$0.8 million.

9. Conduct of Business

During the period from 1 October 2011 to the date of the Implementation Agreement (and save as publicly disclosed or as required pursuant to the terms of the Implementation Agreement), the Group has carried on its businesses in the usual, regular and ordinary course in the same manner as conducted immediately prior to 1 October 2011, and in compliance in all material respects with all applicable laws and regulations (including not directly or indirectly disposing of or creating Encumbrance over any assets or incurring any liabilities (including contingent liabilities) otherwise than in such usual, regular and ordinary course of business).

APPENDIX 14 – THE SCHEME

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons)
No. 520 of 2012)

In the Matter of
Nera Telecommunications Ltd
(Registration No. 197802690R)

And

In the Matter of Section 210 of
the Companies Act, Chapter 50

SCHEME OF ARRANGEMENT

under Section 210 of the Companies Act, Chapter 50

Between

Nera Telecommunications Ltd

And

Shareholders (as defined herein)

And

Singapore Technologies Electronics Limited

PRELIMINARY

In this Scheme of Arrangement, except to the extent that the context requires otherwise, the following expressions shall bear the following meanings:

“Acquiror”	Singapore Technologies Electronics Limited
“Announcement Date”	10 February 2012, being the date of the joint announcement by the Company and the Acquiror in relation to, <i>inter alia</i> , this Scheme
“Books Closure Date”	A date and time to be announced (before the Effective Date) by the Company on which the Transfer Books and the Register of Members will be closed in order to determine the entitlements of the Shareholders under the Scheme
“Business Day”	A day (other than Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore
“CDP”	The Central Depository (Pte) Limited
“Companies Act”	The Companies Act, Chapter 50 of Singapore

APPENDIX 14 – THE SCHEME

“Company”	Nera Telecommunications Ltd
“Court”	The High Court of the Republic of Singapore
“Directors”	The directors of the Company as at the Latest Practicable Date
“Effective Date”	The date on which this Scheme, if approved, becomes effective in accordance with its terms
“Encumbrance”	means any charge, mortgage, lien, hypothecation, judgment, encumbrance, easement, right of pre-emption, security, title retention, preferential right, trust arrangement or other security interest or any other agreement or arrangement having a commercial effect analogous to the conferring of security or a similar right in favour of any person
“Entitled Shareholders”	Shareholders as at 5.00 p.m. on the Books Closure Date
“Implementation Agreement”	The implementation agreement dated 10 February 2012 entered into between the Company and the Acquiror in relation to the implementation of this Scheme
“Latest Practicable Date”	11 June 2012, being the latest practicable date prior to the printing of the Scheme Document
“Permitted Dividend”	The final one-tier tax exempt dividend amount of S\$0.06 per Share declared by the Company on 10 February 2012 which shall be payable to Shareholders in accordance with the terms of the Scheme
“Register of Members”	The register of members of the Company
“Relevant Court Date”	The first day on which the Court hears the application for an order under Section 210 of the Companies Act approving this Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard
“Scheme”	This scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto in accordance with its terms or condition(s) approved or imposed by the Court
“Scheme Consideration”	As defined in Clause 6 of this Scheme
“Scheme Document”	The document dated 14 June 2012 and any other document(s) which may be issued by or on behalf of the Company to amend, revise, supplement or update the document(s) from time to time
“Scheme Meeting”	The meeting of Shareholders to be convened at the direction of the Court, notice of which is set out on pages 174 to 175 of the Scheme Document, and any adjournment thereof
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share Consideration”	The amount of S\$0.39 to be paid in cash by the Acquiror to each Entitled Shareholder for each Share transferred to the Acquiror under the Scheme

APPENDIX 14 – THE SCHEME

“Shareholders”	Persons who are registered as holders of the Shares in the Register of Members and Depositors who have Shares entered against their names in the Depository Register
“Share Registrar”	Boardroom Corporate & Advisory Services Pte. Ltd.
“Shares”	Issued and fully paid-up ordinary shares in the capital of the Company
“S\$”	Singapore dollars
“Transfer Books”	The transfer books of the Company

The expressions “**Depositor**” and “**Depository Register**” shall have the same meanings as ascribed to them respectively in Section 130A of the Companies Act.

The expressions “**subsidiary**” and “**related corporations**” shall have the same meanings as ascribed to them respectively in Sections 5 and 6 of the Companies Act.

The term “**Shareholder**”, in relation to any Share, includes a person entitled to that Share by transmission.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words indicating a specific gender shall include, where applicable, the other genders (male, female or neuter). References to persons shall, where applicable, include corporations.

A reference to an enactment or statutory provision shall include a reference to any subordinate legislation and any regulation made under the relevant enactment or statutory provision and is a reference to that enactment, statutory provision, subordinate legislation or regulation as from time to time amended, consolidated, modified, re-enacted or replaced, whether before or after the date of this Scheme.

Any reference to a time of day and date shall be a reference to Singapore time and date respectively, unless otherwise specified.

RECITALS

- (A) The Company is incorporated in Singapore and is listed on the Official List of the SGX-ST. As at the Latest Practicable Date, the Company has 361,897,000 Shares in issue.
- (B) The primary purpose of this Scheme is the acquisition by the Acquiror of all the Shares.
- (C) The Company and the Acquiror have entered into the Implementation Agreement to set out their respective obligations with respect to the Scheme.
- (D) The Acquiror has agreed to appear by legal counsel at the hearing of the Originating Summons to sanction this Scheme, and to consent thereto, and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

APPENDIX 14 – THE SCHEME

PART I

CONDITIONS PRECEDENT

1. This Scheme is conditional upon:
 - (a) each condition precedent set out in clause 3.1 of the Implementation Agreement (as set out in **Appendix 10** of the Scheme Document) being satisfied or, subject to the terms of the Implementation Agreement, being waived; and
 - (b) as at 8.00 a.m. on the Relevant Court Date, the Implementation Agreement not having been terminated.

PART II

TRANSFER OF THE SHARES

2. With effect from the Effective Date, all of the Shares will be transferred to the Acquiror fully paid, free from any Encumbrance and together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date but excluding the Permitted Dividend.
3. For the purpose of giving effect to the transfer of the Shares provided for in **Clause 2** of this Scheme:
 - (a) (in the case of the Entitled Shareholders (not being Depositors)), the Company shall authorise any person to execute or effect on behalf of all such Entitled Shareholders an instrument or instruction of transfer of all the Shares held by such Entitled Shareholders and every such instrument or instruction of transfer so executed shall be effective as if it had been executed by the relevant Entitled Shareholder; and
 - (b) (in the case of the Entitled Shareholders (being Depositors)), the Company shall instruct CDP, for and on behalf of such Entitled Shareholders, to debit, not later than 10 calendar days after the Effective Date, all the Shares standing to the credit of the Securities Account of such Entitled Shareholders and credit all of such Shares to the Securities Account of the Acquiror or such Securities Account(s) as directed by the Acquiror.

PART III

SHARE CONSIDERATION

4. In consideration for the transfer of the Shares to the Acquiror under **Clause 2** of this Scheme and subject to **Clause 1** of this Scheme, the Acquiror shall pay or procure that there shall be paid to each Entitled Shareholder the Share Consideration, being S\$0.39 in cash for each Share transferred, pursuant to the Scheme.

PART IV

PERMITTED DIVIDEND

5. Subject to the Scheme becoming effective in accordance with its terms, the Company shall pay or procure that there shall be paid to each Entitled Shareholder the Permitted Dividend, being S\$0.06 in cash for each Share transferred, pursuant to the Scheme.

APPENDIX 14 – THE SCHEME

PART V

PAYMENT OF SCHEME CONSIDERATION

6. The Acquiror and the Company shall, not later than 10 calendar days after the Effective Date, and against the transfer of the Shares set out in **Clause 2** of this Scheme, make payment of the Share Consideration and Permitted Dividend (as the case may be) ("**Scheme Consideration**") payable on the transfer of the Shares pursuant to this Scheme to:
 - (a) each Entitled Shareholder (not being a Depositor) by sending a cheque for the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Register of Members at the close of business on the Books Closure Date, at the sole risk of such Entitled Shareholder, or in the case of joint Entitled Shareholders, to the first named Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Register of Members at the close of business on the Books Closure Date, at the sole risk of such Entitled Shareholders; and
 - (b) each Entitled Shareholder (being a Depositor) by making payment of the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder to CDP. CDP shall (1) in the case of an Entitled Shareholder (being a Depositor) who has registered for CDP's direct crediting service, credit the Share Consideration and Permitted Dividend (as the case may be) payable to such Entitled Shareholder, to the designated bank account of such Entitled Shareholder; and (2) in the case of an Entitled Shareholder (being a Depositor) who has not registered for CDP's direct crediting service, send to such Entitled Shareholder, by ordinary post to his address in the Depository Register at the close of business on the Books Closure Date and at the sole risk of such Entitled Shareholder, a cheque for the payment of the Share Consideration and Permitted Dividend (as the case may be) made out in favour of such Entitled Shareholder, or in the case of joint Entitled Shareholders, to the first named Entitled Shareholder made out in favour of such Entitled Shareholder by ordinary post to his address in the Depository Register at the close of business on the Books Closure Date, and at the sole risk of such Entitled Shareholder.
7. The crediting by CDP of the Scheme Consideration payable to the Entitled Shareholders (being Depositors and in the case of Entitled Shareholders who have registered for CDP's direct crediting service) into the designated bank accounts of such Entitled Shareholders or, as the case may be, the encashment of any cheque referred to in **Clause 6** of this Scheme shall be deemed as good discharge to the Acquiror and the Company (as the case may be), and CDP for the moneys represented thereby.
8.
 - (a) On and after the day being six (6) calendar months after the posting of such cheques relating to the Share Consideration or the Permitted Dividend (as the case may be), the Acquiror and the Company shall have the right to cancel or countermand payment of any such cheque which has not been cashed (or has been returned uncashed) and shall place all such moneys in a bank account in the Company's name with a licensed bank in Singapore selected by the Company.
 - (b) The Company or its successor entity shall hold such moneys and any moneys returned by CDP to the Company (which shall similarly be placed in the bank account referred to in **Clause 8(a)** of this Scheme) until the expiration of six (6) years from the Effective Date and shall prior to such date make payments therefrom of the sums payable pursuant to **Clause 6** of this Scheme to persons who satisfy the Company or its successor entity that they are respectively entitled thereto and that the cheques referred to in **Clause 6** of this Scheme for which they are payees have not been cashed. Any such determination shall be conclusive and binding upon all persons claiming an interest in the relevant moneys, and any payments made by the Company hereunder shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to **Clause 6** of this Scheme.

APPENDIX 14 – THE SCHEME

- (c) On the expiry of six (6) years from the Effective Date, each of the Acquiror and the Company shall be released from any further obligation to make any payments of the Share Consideration or Permitted Dividend (as the case may be) under the Scheme and the Company or its successor entity shall transfer to the Acquiror the balance (if any) of the sums payable by the Acquiror for the Share Consideration then standing to the credit of the bank account referred to in **Clause 8(a)** of this Scheme including accrued interest subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and subject to the deduction of any expenses. Any sums attributable to the Permitted Dividend then standing to the credit of the bank account referred to in **Clause 8(a)** of this Scheme including accrued interest shall revert to the Company.
- (d) **Clause 8(c)** of this Scheme shall take effect subject to any prohibition or condition imposed by law.
9. From the Effective Date, each existing share certificate representing a former holding of Shares by Entitled Shareholders (not being Depositors) will cease to be evidence of title to the Shares represented thereby. The Entitled Shareholders (not being Depositors) shall be required to forward their existing share certificates relating to their Shares to the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 before the Effective Date for cancellation.

PART VI

EFFECTIVE DATE

10. Subject to the satisfaction of the conditions precedent set out in **Clause 1** of this Scheme, this Scheme shall become effective upon a copy of the order of the Court sanctioning this Scheme under Section 210 of the Companies Act being duly lodged with the Accounting and Corporate Regulatory Authority in Singapore for registration.
11. Unless this Scheme shall have become effective as aforesaid on or before 10 October 2012 (or such later date as the Court on the application of the Company or the Acquiror allows), this Scheme shall lapse.
12. The Company and the Acquiror may jointly consent, for and on behalf of all concerned, to any modification of, or amendment to, this Scheme or to any condition which the Court may think fit to approve or impose.
13. In the event that the Scheme does not become effective for any reason, the costs and expenses incurred by the Company in connection with the Scheme will be borne by the Company.
14. This Scheme shall be governed by, and construed in accordance with, the laws of Singapore, and the Company, the Acquiror and the Shareholders submit to the non-exclusive jurisdiction of the courts of Singapore. Save as provided for in this Scheme, a person who is not a party to this Scheme has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term or provision of this Scheme.

Dated 14 June 2012

APPENDIX 15 – NOTICE FOR THE SCHEME MEETING

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons)
No. 520 of 2012)

In the Matter of
Nera Telecommunications Ltd
(Registration No. 197802690R)

And

In the Matter of Section 210 of
the Companies Act, Chapter 50

SCHEME OF ARRANGEMENT

under Section 210 of the Companies Act, Chapter 50

Between

Nera Telecommunications Ltd

And

Shareholders (as defined herein)

And

Singapore Technologies Electronics Limited

NOTICE OF THE SCHEME MEETING

NOTICE IS HEREBY GIVEN that by an Order of Court made in the above matter, the High Court of the Republic of Singapore (“**Court**”) has directed a meeting (“**Scheme Meeting**”) of the Shareholders (as defined in the Schedule hereto) of Nera Telecommunications Ltd (“**Company**”) to be convened and such Scheme Meeting shall be held at Ballroom 1 (Level 3), Hilton Hotel, 581 Orchard Road, Singapore 238883 on 6 July 2012 at 3.30 p.m., for the purpose of considering and, if thought fit, approving (with or without modification) the following resolution:

“That the Scheme of Arrangement dated 14 June 2012 proposed to be made pursuant to Section 210 of the Companies Act, Chapter 50 of Singapore, between (a) the Company, (b) Shareholders and (c) Singapore Technologies Electronics Limited, a copy of which has been circulated with the Notice convening this Scheme Meeting, be and is hereby approved.”

A copy of the said Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 211 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), are incorporated in the printed document of which this Notice forms part.

A Shareholder may vote in person at the Scheme Meeting or may appoint only one (and not more than one) proxy, whether a member of the Company or not, to attend and vote in his stead.

A form of proxy applicable for the Scheme Meeting (“**Proxy Form**”) is enclosed with the printed document of which this Notice forms part.

APPENDIX 15 – NOTICE FOR THE SCHEME MEETING

It is requested that all Proxy Forms be lodged at 109 Defu Lane 10, Singapore 539225 not less than 48 hours before the time set for the Scheme Meeting.

Each Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where a Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

A corporation which is a Shareholder may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Scheme Meeting, in accordance with Section 179 of the Companies Act.

In the case of joint Shareholders, any one of such persons may vote, but if more than one of such persons be present at the Scheme Meeting, the person whose name stands first in the Register of Members of the Company or, as the case may be, the Depository Register (as defined in Section 130A of the Companies Act) shall alone be entitled to vote.

By the said Order of Court, the Court has appointed Mr. S. Chandra Das, or failing him, Mr. Lau Ping Sum, or failing him, Mr. Sitoh Yih Pin, who are each directors of the Company to act as Chairman of the Scheme Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

THE SCHEDULE

Expression	Meaning
“Shares”	Issued and fully paid-up ordinary shares in the capital of the Company
“Shareholders”	Persons who are registered as holders of Shares in the Register of Members of the Company and Depositors who have Shares entered against their names in the Depository Register (as defined in Section 130A of the Companies Act)

Dated this 18 June 2012

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

Solicitors for
Nera Telecommunications Ltd

PROXY FORM FOR THE SCHEME MEETING

IMPORTANT:

1. For investors who have used their CPF moneys to buy Shares, this Scheme Document is forwarded to them at the request of their CPF Agent Banks and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPFIS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPFIS Investors who wish to vote should contact their CPF Agent Banks.

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number 197802690R)

PROXY FORM FOR USE AT THE SCHEME MEETING (OR ANY ADJOURNMENT THEREOF) OF THE SHAREHOLDERS

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Originating Summons)
No. 520 of 2012)

In the Matter of
Nera Telecommunications Ltd
(Registration No. 197802690R)

And

In the Matter of Section 210 of
the Companies Act, Chapter 50

SCHEME OF ARRANGEMENT

under Section 210 of the Companies Act, Chapter 50

Between

Nera Telecommunications Ltd

And

Shareholders

And

Singapore Technologies Electronics Limited

I/We, ^(Note 1) _____ (Name),

with NRIC/Passport Number _____ of _____

_____ (Address) with ^(Note 2) _____ ordinary shares
each fully paid-up in the capital of Nera Telecommunications Ltd, HEREBY APPOINT

Name	Address	NRIC/Passport Number



or failing him/her

Name	Address	NRIC/Passport Number

or failing him/her, the Chairman of the Scheme Meeting^(Note 3), as my/our proxy to vote for me/us and on my/our behalf at the Scheme Meeting (or any adjournment thereof) of the Shareholders to be held at Ballroom 1 (Level 3), Hilton Hotel, 581 Orchard Road, Singapore 238883 on 6 July 2012 at 3.30 p.m. for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme referred to in the notice convening the Scheme Meeting, and at such Scheme Meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) for the said Scheme (either with or without modification, as my/our proxy may approve) or against the said Scheme as hereunder indicated.

If you wish to vote “for” the Scheme referred to in the notice convening the Scheme Meeting, please indicate with a tick (✓) in the box marked “**For**” as set out below. If you wish to vote “against” the Scheme referred to in the notice convening the Scheme Meeting, please indicate with a tick (✓) in the box marked “**Against**” as set out below. **DO NOT TICK IN BOTH BOXES.** In the absence of specific directions, the proxy will vote or abstain as he/she may think fit, as he will on any other matters arising at the Scheme Meeting (or at any adjournment thereof).

Resolution	For	Against
To approve the Scheme		

Dated this _____ day of _____ 2012.

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT

Please read the Notes below:

1. Full name(s) and address(es) are to be inserted in BLOCK CAPITALS.
2. Please insert the total number of Shares held by you and in respect of which you wish to cast your vote. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act) or registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered against your name in the Depository Register as well as in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the Shares registered in your name(s) in the Depository Register and/or the Register of Members.
3. IF THE BOXES ABOVE ARE LEFT BLANK OR ARE INCOMPLETE, THE CHAIRMAN OF THE SCHEME MEETING SHALL BE DEEMED TO BE APPOINTED AS YOUR PROXY.
4. **YOU MAY APPOINT ONLY ONE (AND NOT MORE THAN ONE) PROXY TO ATTEND AND VOTE IN YOUR STEAD. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY BUT MUST ATTEND THE SCHEME MEETING IN PERSON TO REPRESENT YOU.**
5. You are requested to lodge this Proxy Form at 109 Defu Lane 10, Singapore 539225 not less than 48 hours before the time set for holding the Scheme Meeting, but if this Proxy Form is not so lodged it must be handed to the Chairman of the Scheme Meeting at the Scheme Meeting.
6. This Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing, or if you are a corporation, must either be executed under seal or under the hand of an officer or attorney duly authorised.
7. A corporation which is a Shareholder may authorise by a resolution of its directors or other governing body such persons as it thinks fit to act as its representative at the Scheme Meeting, in accordance with Section 179 of the Companies Act.
8. In the case of joint holders of Shares, any one of such persons may vote, but if more than one of such persons be present at the Scheme Meeting, the person whose name stands first on the Register of Members or (as the case may be) the Depository Register (as defined in Section 130A of the Companies Act) shall alone be entitled to vote.
9. Any alteration made to this Proxy Form should be initialled by the person who signs it.
10. The Company shall be entitled to reject this Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this Proxy Form. In addition, in the case of Shareholders whose Shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such Shareholders are not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Scheme Meeting, as certified by CDP to the Company.