

CIRCULAR DATED 5 AUGUST 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your shares in the capital of Nera Telecommunications Ltd, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form (as a separate enclosure) to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**THE PROPOSED DISPOSAL BY NERA TELECOMMUNICATIONS LTD
OF ALL THE SHARES IN THE CAPITAL OF NERA PAYMENT
SOLUTIONS PTE. LTD. TO INGENICO GROUP S.A.**

IMPORTANT DATES AND TIMES

- Last Date and Time for Lodgement of Proxy Form : 20 August 2016 at 3.00 p.m. (Singapore time)
- Date and Time of Extraordinary General Meeting : 22 August 2016 at 3.00 p.m. (Singapore time)
- Place of Extraordinary General Meeting : Suntec Singapore Convention & Exhibition Centre,
1 Raffles Boulevard, Singapore 039593,
Meeting Room 324-325, Level 3

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“Agreement”	:	The conditional share sale agreement dated 20 May 2016 entered into between the Company and the Purchaser in relation to the Proposed Disposal
“ASL”	:	Asia Systems Ltd
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 5 August 2016
“Closing”	:	The completion of the Proposed Disposal in accordance with the terms and conditions of the Agreement
“Closing Statement Preparation Date”	:	(a) If Closing occurs on or before the 15th day of a month, the last calendar day of the previous month; and (b) if Closing occurs after the 15th day of a month, the last calendar day of the same month
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	Nera Telecommunications Ltd
“Consideration”	:	The consideration payable for the purchase of the Shares
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“EGM”	:	The extraordinary general meeting of the Company to be held on 22 August 2016 (or any adjournment thereof), notice of which is set out on pages 15 and 16 of this Circular
“Encumbrance”	:	Any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, with the exception of liens arising by operation of law in the ordinary and usual course of business of any NPS Group Company (as the case may be)
“FY2015”	:	The financial year ended 31 December 2015
“IDR”	:	Indonesian rupiah, being the lawful currency of Indonesia
“Ingenico Singapore”	:	Ingenico International (Singapore) Pte. Ltd.
“Intra-Group Payables”	:	All liabilities or payables owed to the NeraTel Group (other than a NPS Group Company) by a NPS Group Company at the close of business on the Closing Statement Preparation Date
“Intra-Group Receivables”	:	All liabilities or payables owed to a NPS Group Company by the NeraTel Group (other than a NPS Group Company) at the close of business on the Closing Statement Preparation Date
“Latest Practicable Date”	:	1 August 2016, being the latest practicable date prior to the printing of this Circular

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“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“MYR”	:	Malaysian ringgit, being the lawful currency of Malaysia
“NAV”	:	Net asset value
“Nera Payment Solutions”	:	Nera Payment Solutions Pte. Ltd.
“NeraTel Group”	:	The Company and its subsidiaries
“NeraTel Group 1QFY2016 Results”	:	The latest announced unaudited consolidated financial statements of the NeraTel Group for the three months ended 31 March 2016
“NPS Group Companies”	:	Nera Payment Solutions and its subsidiaries, namely, Nera Payment Solutions (M) Sdn Bhd, PT Nera Payment Solutions, Nera Payment Solutions (Thailand) Ltd. and Nera Solutions Philippines Inc.
“NPS Pro Forma Accounts”	:	The unaudited pro forma consolidated profit and loss statement and the unaudited pro forma consolidated balance sheet of the NPS Group Companies for the 12-month period ending on 31 December 2015 reflecting the Restructuring
“NPS Pro Forma 1QFY2016 Accounts”	:	The unaudited pro forma consolidated profit and loss statement and the unaudited pro forma consolidated balance sheet of the NPS Group Companies for the three months ended 31 March 2016 reflecting the Restructuring
“NTA”	:	Net tangible asset
“Offer Price”	:	S\$88,000,000
“Payment Solutions Business”	:	The payment solutions business of the NeraTel Group
“PHP”	:	Philippine peso, being the lawful currency of Philippines
“Proposed Disposal”	:	The proposed sale of the Shares by the Company to the Purchaser in accordance with the terms and conditions of the Agreement
“Purchaser”	:	Ingenico Group S.A.
“Restructuring”	:	The restructuring exercise undertaken by the NeraTel Group pursuant to which the Payment Solutions Business that was previously undertaken by the Company, Nera Infocom (M) Sdn Bhd, Nera (Philippines), Inc., Nera (Thailand) Limited and PT Nera Indonesia, each a subsidiary of the Company, was transferred to the NPS Group Companies
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the shares in the Company
“Shares”	:	The two ordinary shares in the capital of Nera Payment Solutions, being all the issued shares in Nera Payment Solutions

DEFINITIONS

“S\$”	:	Singapore dollars, being the lawful currency of the Republic of Singapore
“THB”	:	Thai baht, being the lawful currency of Thailand
“1QFY2016”	:	The three months ended 31 March 2016
“%” or “per cent.”	:	Per centum or percentage

The terms “**Depositor**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

The term “**controlling shareholder**” shall have the same meaning ascribed to it in the Listing Manual.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing a specific gender shall, where applicable, include the other genders. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning ascribed to that word under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date unless otherwise stated.

Any discrepancy with the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197802690R)

Directors

Executive Director

Ang Seong Kang Samuel (President & Chief Executive Officer)

Non-Executive Directors

Ashish Jaiprakash Shastry

Tan Choon Hong

Independent Non-Executive Directors

Wong Su-Yen (Chairman)

Tan Lye Huat

Lee Kwok Cheong

Registered Office

109 Defu Lane 10
Singapore 539225

5 August 2016

To: The Shareholders of Nera Telecommunications Ltd

Dear Shareholders,

THE PROPOSED DISPOSAL BY THE COMPANY OF ALL THE SHARES IN THE CAPITAL OF NERA PAYMENT SOLUTIONS PTE. LTD. TO INGENICO GROUP S.A.

1. INTRODUCTION

1.1 Proposed Disposal. On 20 May 2016, the Company announced that it had entered into a conditional share sale agreement (“**Agreement**”) with Ingenico Group S.A. (the “**Purchaser**”) to sell two ordinary shares in the capital of Nera Payment Solutions Pte. Ltd. (“**Nera Payment Solutions**”), being all the issued shares in Nera Payment Solutions (the “**Shares**”).

Closing is conditional upon satisfaction of certain conditions more fully set out in **paragraph 2.3** of this Circular.

1.2 Major Transaction. The relative figures in relation to the proposed sale of the Shares by the Company to the Purchaser in accordance with the terms and conditions of the Agreement (the “**Proposed Disposal**”) computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Shares (S\$ million)	NeraTel Group (S\$ million)	Relative Figures (%)
(a)	The NAV of the Shares compared with the NAV of the NeraTel Group	14.5 ⁽¹⁾	57.7 ⁽²⁾	25.2
(b)	Net profits ⁽³⁾ attributable to the Shares compared with the NeraTel Group’s net profits	0.5 ⁽⁴⁾	3.0 ⁽⁵⁾	15.6
(c)	The Consideration ⁽⁶⁾ compared with the market capitalisation ⁽⁷⁾ of the Company	71.5	252.9	28.3

LETTER TO SHAREHOLDERS

Rule 1006	Bases	Shares (S\$ million)	NeraTel Group (S\$ million)	Relative Figures (%)
(d)	The number of equity securities issued by the Company as consideration, compared with the number of equity securities previously in issue ⁽⁸⁾	Not applicable	Not applicable	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves ⁽⁹⁾	Not applicable	Not applicable	Not applicable

Notes:

- (1) The NAV attributable to the Shares is derived from the unaudited pro forma consolidated profit and loss statement and the unaudited pro forma consolidated balance sheet of the NPS Group Companies for the three months ended 31 March 2016 reflecting the Restructuring (the “NPS Pro Forma 1QFY2016 Accounts”).
- (2) The NAV of the NeraTel Group is based on the NeraTel Group 1QFY2016 Results.
- (3) Net profits is defined as profit or loss before tax, minority interests and exceptional items.
- (4) The net profits attributable to the Shares is based on the NPS Pro Forma 1QFY2016 Accounts.
- (5) The NeraTel Group's net profits is based on the NeraTel Group 1QFY2016 Results.
- (6) Assuming the Consideration is S\$71.5 million based on a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in **paragraph 2.2** (i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in **paragraph 2.2** is S\$16.5 million) and that the entire escrow amount of S\$10.0 million is not utilised and will be released and paid to the Company after the expiry of the nine month escrow period.
- (7) The market capitalisation of the Company is based on a total number of 361,897,000 shares in issue (excluding treasury shares) as at 19 May 2016, at the volume-weighted average price of S\$0.6989 per share transacted on 19 May 2016, being the market day preceding the date of the Agreement.
- (8) This is not applicable as the Proposed Disposal does not involve any issue of equity securities by the Company as consideration for an acquisition.
- (9) This is not applicable as the Proposed Disposal does not involve a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20 per cent., the transaction is classified as a “major transaction” and must be made conditional upon approval by the Shareholders in general meeting. As the relative figures for the Proposed Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual exceed 20 per cent., the Proposed Disposal is classified as a “major transaction” for the purposes of Chapter 10 of the Listing Manual and is subject to approval of the Shareholders in general meeting.

- 1.3 Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with necessary information relating to the Proposed Disposal, including the rationale and the financial effects of the Proposed Disposal on the NeraTel Group, and to seek Shareholders' approval for the Ordinary Resolution relating to the Proposed Disposal to be tabled at the EGM, notice of which is set out on pages 15 and 16 of this Circular.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholder to whom this Circular is despatched to by the Company) or for any other purpose.

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2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Shares. Pursuant to the Agreement, the Company has agreed to sell, and the Purchaser has agreed to purchase, the Shares, free from all Encumbrances and together with all rights and advantages attaching to them as at Closing (including the right to receive all dividends and distributions declared, made or paid on or after Closing).

2.2 Consideration. The Consideration for the Proposed Disposal is S\$88,000,000 (“**Offer Price**”) subject to adjustments provided for in the Agreement. In summary, the adjustments:

(a) add to the Offer Price:

- (i) all cash balances held by or on behalf of Nera Payment Solutions and its subsidiaries, namely, Nera Payment Solutions (M) Sdn Bhd, PT Nera Payment Solutions, Nera Payment Solutions (Thailand) Ltd. and Nera Solutions Philippines Inc. (the “**NPS Group Companies**”) at the close of business on the Closing Statement Preparation Date;
- (ii) all liabilities or payables owed to a NPS Group Company by the NeraTel Group (other than a NPS Group Company) at the close of business on the Closing Statement Preparation Date (the “**Intra-Group Receivables**”); and
- (iii) the aggregate net book value as at the Closing Statement Preparation Date of certain purchases of point-of-sales payment terminals made by the NPS Group Companies between 1 January 2016 and the date of Closing;

(b) deduct from the Offer Price:

- (i) all outstanding debt owed by the NPS Group Companies to third parties at the close of business on the Closing Statement Preparation Date; and
- (ii) all liabilities or payables owed to the NeraTel Group (other than a NPS Group Company) by a NPS Group Company at the close of business on the Closing Statement Preparation Date (the “**Intra-Group Payables**”); and

(c) adjust for the difference between actual working capital of the NPS Group Companies as at the close of business on the Closing Statement Preparation Date and the base working capital of S\$5,735,000.

The Consideration is currently estimated to be approximately S\$71.5 million¹ and will be payable in cash on Closing, save for S\$10.0 million of the Consideration which will be held in escrow for an escrow period of nine months to satisfy certain potential liabilities of the Company² under the Agreement. The Consideration was arrived at on a willing buyer willing seller basis, after arms’ length negotiations between the Company and the Purchaser, taking into account the NTA and profitability of the NPS Group Companies.³

¹ Assuming a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in **paragraph 2.2**, i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in **paragraph 2.2** is S\$16.5 million.

² Namely, the Company’s potential liabilities for (i) breach of certain warranties given by the Company to the Purchaser under the Agreement that are not backed by warranty and indemnity insurance and (ii) claims by the Purchaser under the tax indemnity given by the Company to the Purchaser under the Agreement (with the Company’s maximum aggregate liability for such tax indemnity claims being S\$880,000).

³ The NTA of the NPS Group Companies based on the NPS Pro Forma 1QFY2016 Accounts is S\$14,517,951, excluding all the liabilities owing to the NeraTel Group as at 31 March 2016 (which amount to S\$14,587,850).

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2.3 Conditions Precedent. Closing is conditional upon the satisfaction of the following conditions:

- (a) the approval of the Proposed Disposal by the Shareholders at an extraordinary general meeting of the Company to be convened; and
- (b) certain key customer contracts having been novated or transferred to specified NPS Group Companies.

2.4 Post-Closing. Upon Closing, the Company will no longer hold any interest in the NPS Group Companies, and the NPS Group Companies will cease to be subsidiaries of the Company.

2.5 Post-Closing Transitional Arrangements. The Company and various other members of the NeraTel Group will also be entering into a licence agreement and certain services agreements with specific NPS Group Companies on Closing. Under the licence agreement, the Company will be licensing the use of certain trade marks of the Company with the word “Nera” to Nera Payment Solutions for a period of up to six months following Closing to facilitate the transition of ownership of Nera Payment Solutions. No fees are payable for this licence. Under each services agreement, each relevant NeraTel Group member undertakes to provide certain transitional services (such as assistance in preparing monthly management reports in accordance with past practices, preparing income tax returns and maintenance of employment records etc.) to the relevant NPS Group Company. Each services agreement has a term of six months following Closing and may be extended at the option of the relevant NPS Group Company for an additional period of three months. Monthly fees are payable in local currencies under each services agreement, namely, S\$66,370 per month under the services agreement executed by Nera Payment Solutions, MYR 23,284 per month for the services agreement executed by Nera Payment Solutions (M) Sdn Bhd, IDR 72,276,221 per month for services agreement executed by PT Nera Payment Solutions, PHP 350,282 per month for the services agreement executed by Nera Solutions Philippines Inc. and THB 479,097 per month for the services agreement executed by Nera Payment Solutions (Thailand) Ltd..

3. INFORMATION ON NERA PAYMENT SOLUTIONS AND THE SHARES

3.1 Nera Payment Solutions. The Payment Solutions Business is currently undertaken by the NPS Group Companies.⁴ Accordingly, the effect of completion of the Proposed Disposal is that the Payment Solutions Business will be transferred to the Purchaser via the sale of the Shares. The Payment Solutions Business involves, among other things, the distribution of point-of-sales payment terminals (via sale or leasing), maintenance of point-of-sales payment terminals, provision of electronic payment solutions and other value added services such as signature capture, loyalty programs etc. for Banking, Financial Services and Retail industries.

Nera Payment Solutions has the following subsidiaries:

- (a) Nera Payment Solutions (M) Sdn Bhd;
- (b) PT Nera Payment Solutions;
- (c) Nera Payment Solutions (Thailand) Ltd.; and
- (d) Nera Solutions Philippines Inc.,

which will continue to be controlled by Nera Payment Solutions on Closing.

⁴ The Payment Solutions Business was previously undertaken by the Company, Nera Infocom (M) Sdn Bhd, Nera (Philippines), Inc., Nera (Thailand) Limited and PT Nera Indonesia and is in the midst of being transferred to the NPS Group Companies pursuant to the Restructuring. The Restructuring was undertaken by the NeraTel Group independent of the Proposed Disposal.

LETTER TO SHAREHOLDERS

- 3.2 Shares – Asset Value.** As at 31 March 2016, the book value of the Shares was approximately S\$2.00 and the NTA value, as well as the NAV, of the Shares was approximately S\$14,517,951.⁵ There is no open market value in respect of the Shares as the Shares are not publicly traded.
- 3.3 Shares – Premium to NTA.** The Consideration is expected to represent a premium of approximately 392.7 per cent. to each of the NTA and NAV of the Shares.⁶
- 3.4 Shares – Net Profits.** The net profits before tax, minority interests and exceptional items attributable to the Shares is approximately S\$469,008.⁷
- 3.5 Gain on Proposed Disposal.** The NeraTel Group is expected to realise a gain of approximately S\$71.6 million from the disposal of the Shares.⁸

4. INFORMATION ON THE PURCHASER

The Purchaser was incorporated in France on 10 June 1980 and is the global leader in seamless payment, providing smart, trusted and secure solutions to empower commerce across all channels (point of sale, mobile, online). The Purchaser is, as at the Latest Practicable Date, listed on Euronext Paris.

5. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Assumptions. The pro forma financial effects of the Proposed Disposal on the NTA value per share, the earnings per share, and the share capital of the Company are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the NeraTel Group after the Proposed Disposal. The pro forma financial effects have been prepared based on:

- (a) the NPS Pro Forma Accounts and the audited consolidated financial statements of the NeraTel Group for the financial year ended 31 December 2015 (“FY2015”), such financial year being the most recently completed financial year; and
- (b) the NPS Pro Forma 1QFY2016 Accounts and the NeraTel Group 1QFY2016 Results.

5.2 NTA Value – FY2015. Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2015,⁹ being the end of FY2015, the effect on the NTA value per share of the Company as at 31 December 2015 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA value (S\$'000)	55,058	126,883 ¹⁰
NTA value per share (Singapore cents)	15.2	35.1

⁵ The NTA value and NAV of the Shares was approximated based on the NPS Pro Forma 1QFY2016 Accounts and may not reflect the NTA value and NAV of the Shares as at the Latest Practicable Date.

⁶ The NTA value and NAV of the Shares (approximately S\$14,517,951) was derived from the NPS Pro Forma 1QFY2016 Accounts. Assuming a Consideration of S\$71,535,919, the Consideration represents a premium of 392.7% over the NTA value and NAV of Shares.

⁷ This was derived from the NPS Pro Forma 1QFY2016 Accounts and may not reflect the net profits before tax, minority interests and exceptional items attributable to the Shares as at the Latest Practicable Date.

⁸ Calculated based on the expected Consideration of S\$71.5 million (assuming a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in **paragraph 2.2**, i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in **paragraph 2.2** is S\$16.5 million) less S\$(69,899), being the NTA of the NPS Group Companies as at 31 March 2016.

⁹ Also assuming that the Restructuring had been completed on 31 December 2015.

¹⁰ The NTA value after the Proposed Disposal includes the expected net proceeds of S\$71.5 million.

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5.3 NTA Value – 1QFY2016. Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 March 2016,¹¹ being the end of 1QFY2016, the effect on the NTA value per share of the Company as at 31 March 2016 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA value (S\$'000)	57,691	129,297 ¹²
NTA value per share (Singapore cents)	15.9	35.7

5.4 Earnings – FY2015. Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2015,¹³ being the beginning of FY2015, the pro forma financial effects on the earnings per share of the Company for FY2015 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to the Shareholders (S\$'000)	13,401	10,640
Weighted average number of shares ('000)	361,897	361,897
Earnings per share (Singapore cents)	3.7	2.9
Diluted Earnings per share (Singapore cents)	3.7	2.9

5.5 Earnings – 1QFY2016. Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2016,¹⁴ being the beginning of 1QFY2016, the pro forma financial effects on the earnings per share of the Company for 1QFY2016, are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to the Shareholders (S\$'000)	2,030	1,714
Weighted average number of shares ('000)	361,897	361,897
Earnings per share (Singapore cents)	0.6	0.5
Diluted Earnings per share (Singapore cents)	0.6	0.5

5.6 Share Capital. The Proposed Disposal will not have any impact on the issued share capital of, or number of issued shares in, the Company.

6. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

6.1 Rationale. The Proposed Disposal represents an attractive opportunity for the Company to unlock the value of its Payment Solutions Business, which is consistent with the intent of maximising returns to the Shareholders. The Proposed Disposal will also allow the Company to sharpen its focus on the core network solutions business and strengthen the balance sheet of the Company.

6.2 Use of Proceeds. In the event the Proposed Disposal proceeds to Closing, the Company is expected to receive net proceeds of approximately S\$71.5 million.¹⁵ Subject to legal and contractual restrictions, a significant portion of the net proceeds from the Proposed Disposal is

¹¹ Also assuming that the Restructuring had been completed on 31 March 2016.

¹² The NTA value after the Proposed Disposal includes the expected net proceeds of S\$71.5 million.

¹³ Also assuming that the Restructuring had been completed on 1 January 2015.

¹⁴ Also assuming that the Restructuring had been completed on 1 January 2016.

¹⁵ Expected net proceeds of S\$71.5 million (assuming a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in **paragraph 2.2**, i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in **paragraph 2.2** is S\$16.5 million) does not include net cash proceeds from the settlement of Intra-Group Receivables and Intra-Group Payables as described in **paragraph 2.2**. Also assumes that the entire escrow amount of S\$10.0 million is not utilised and will be released and paid to the Company after the expiry of the nine month escrow period.

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intended to be returned to Shareholders. The Company will make further announcements on any distribution at the appropriate time. The portion of the proceeds not returned to Shareholders will be used as working capital for the remaining businesses of the Company, developing the Company's competence in both wired and wireless solutions, market expansions and the repayment of various bank loans of the NeraTel Group.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

7.1 Interests of Directors and Controlling Shareholders. Mr. Ang Seong Kang Samuel is a director of the Company and each of the NPS Group Companies¹⁶ and will be receiving an incentive payment of approximately S\$954,800¹⁷ from the Company if the Shareholders approve the Proposed Disposal at the EGM and the Proposed Disposal is completed. To facilitate the transition of ownership of the Payment Solutions Business, Mr. Ang Seong Kang Samuel and Ingenico International (Singapore) Pte. Ltd., a subsidiary of the Purchaser, ("**Ingenico Singapore**") also entered into an advisory services agreement in respect of the provision of certain advisory services¹⁸ to Ingenico Singapore for a transitional period of nine months. Mr. Ang Seong Kang Samuel's aggregate fees under the advisory services agreement, payable by Ingenico Singapore, are approximately S\$270,000.

Save as disclosed in this Circular, none of the controlling shareholders or other Directors has any interest, direct or indirect, in the Proposed Disposal.

7.2 Directors' Service Contracts. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The substantial Shareholders of the Company and their interests in the Company as at the Latest Practicable Date are set out below:

Substantial Shareholder	Number of shares in the Company ("NeraTel Shares")			
	Direct Interest	Deemed Interest	Total Interest	% of issued NeraTel Shares
Asia Systems Ltd ⁽¹⁾	193,173,439	–	193,173,439	53.38
Canopus Asia Systems, L.P. ⁽²⁾	–	193,173,439	193,173,439	53.38
PGA Partners Ltd ⁽³⁾	–	193,173,439	193,173,439	53.38
Ashish Jaiprakash Shastry ⁽⁴⁾	–	193,173,439	193,173,439	53.38

Notes:

⁽¹⁾ The percentage of issued NeraTel Shares is calculated based on the number of issued NeraTel Shares as at the Latest Practicable Date (excluding any NeraTel Shares held in treasury as at that date), being 361,897,000 NeraTel Shares. The 193,173,439 NeraTel Shares held by Asia Systems Ltd ("**ASL**") are registered in the name of RHB Bank Nominees Pte Ltd.

¹⁶ Mr. Ang Seong Kang Samuel is a director of each of the NPS Group Companies apart from PT Nera Payment Solutions, of which he is a commissioner.

¹⁷ The incentive payment to be received by Mr. Ang Seong Kang Samuel is based on a formula agreed with the Company. Mr. Ang Seong Kang Samuel will receive, as his incentive payment, the product of (i) 62% multiplied by (ii) the Offer Price multiplied by (iii) a variable incentive percentage (such percentage varying based on the Offer Price. In summary, the higher the Offer Price, the higher the variable incentive percentage). The figure of S\$954,800 is calculated based on the Offer Price of S\$88.0 million. Apart from the incentive payment to be made to Mr. Ang Seong Kang Samuel in respect of the Proposed Disposal, the Company will also be paying to certain key employees of the NeraTel Group, incentive payments of an aggregate amount of S\$1,540,000 if the Shareholders approve the Proposed Disposal at the EGM and the Proposed Disposal is completed. The incentive payments were offered to such key employees as a formalised bonus payment for the time and effort that the key employees expended in relation to the Proposed Disposal, which was over and above their normal work scope.

¹⁸ These advisory services include supporting of the integration of the NPS Group Companies within the Ingenico group of companies, providing personnel of Ingenico Singapore with necessary technical, administrative and domestic assistance and helping the Ingenico group of companies create and reinforce long-lasting business relationships with the clients of the NPS Group Companies.

LETTER TO SHAREHOLDERS

- ⁽²⁾ Canopus Asia Systems, L.P. (“**Canopus**”) owns 100% of ASL and is deemed to be interested in all the NeraTel Shares held by ASL.
- ⁽³⁾ PGA Partners Ltd (“**PGA**”) is the general partner of and controls Canopus. PGA is deemed to be interested in the NeraTel Shares held via Canopus in ASL.
- ⁽⁴⁾ Mr. Ashish Jaiprakash Shastry owns all the issued share capital of PGA and he is deemed to be interested in the NeraTel Shares held via PGA and Canopus in ASL.

9. DIRECTORS’ RECOMMENDATION

Having considered, *inter alia*, the terms of and rationale for the Proposed Disposal, the Directors, save for Mr. Ang Seong Kang Samuel, are of the opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Directors, save for Mr. Ang Seong Kang Samuel (who for the reasons set out in **paragraph 7.1** above refrains from making any recommendation), recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Disposal to be tabled at the EGM.

10. IRREVOCABLE UNDERTAKING

ASL (an entity controlled by the Northstar Group) is currently the legal and beneficial owner of 193,173,439 shares in the Company (the “**ASL Stake**”), representing approximately 53.38 per cent. of all the shares in the capital of the Company. ASL has executed an irrevocable undertaking in favour of the Purchaser pursuant to which it has, *inter alia*, undertaken to vote the ASL Stake in favour of the resolution(s) to approve the Proposed Disposal at the EGM.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 15 and 16 of this Circular, will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Meeting Room 324-325, Level 3 on 22 August 2016 at 3.00 p.m. (Singapore time) for the purpose of considering, and if thought fit, passing with or without any modifications, the Ordinary Resolution set out in the aforementioned notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote in his place or on his behalf, he should complete, sign and return the Proxy Form appended in this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 109 Defu Lane 10 Singapore 539225 not less than 48 hours before the time appointed for the EGM.

The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he subsequently wishes to do so. In such an event, the Proxy Form shall be deemed to be revoked.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have shares of the Company entered against his name in the Depository Register, as certified by CDP as at 72 hours before the time appointed for the EGM.

13. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal and the NeraTel Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

LETTER TO SHAREHOLDERS

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement was made available for inspection during normal business hours at the registered office of the Company at 109 Defu Lane 10 Singapore 539225 beginning 20 May 2016 and will continue to be available for inspection during normal business hours at the same address up to the date of the EGM.

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

Wong Su-Yen
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197802690R)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Nera Telecommunications Ltd (the “**Company**”) will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Meeting Room 324-325, Level 3 on 22 August 2016 at 3.00 p.m. (Singapore time) for the purpose of considering and, if thought fit, passing with or without modification(s), the following resolution which will be proposed as an Ordinary Resolution:

ORDINARY RESOLUTION

APPROVAL FOR THE PROPOSED DISPOSAL BY NERA TELECOMMUNICATIONS LTD OF TWO ORDINARY SHARES IN THE CAPITAL OF NERA PAYMENT SOLUTIONS PTE. LTD.

That:

- (i) the sale by the Company of two ordinary shares, being all the shares, in the capital of Nera Payment Solutions Pte. Ltd. to Ingenico Group S.A. (the “**Purchaser**”) upon the terms and conditions of the conditional share sale agreement dated 20 May 2016 (the “**Agreement**”) entered into between the Company and the Purchaser (the “**Proposed Disposal**”), be and is hereby approved; and
- (ii) the directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including approving, amending, modifying, supplementing and executing all such documents as may be required under, pursuant to or in connection with the Agreement and/or the Proposed Disposal), as they and/or he or she may consider necessary, desirable, expedient or in the interests of the Company to give effect to this Ordinary Resolution and/or the Proposed Disposal as they and/or he or she may deem fit.

BY ORDER OF THE BOARD

Wong Su-Yen
Chairman of the Board
5 August 2016

Notes:

1. (a) A member of the Company who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting in his stead. Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting in its stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**Relevant Intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”).
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or duly authorised officer.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. A corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative or representatives to attend, speak and vote at the Extraordinary General Meeting, in accordance with its constitution and Section 179 of the Companies Act.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 109 Defu Lane 10 Singapore 539225 not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if such member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
8. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

Personal data privacy:

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

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197802690R)

PROXY FORM EXTRAORDINARY GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Relevant Intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Nera Telecommunications Ltd's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 5 August 2016.

*I/We _____ (Name)

_____ (NRIC Number(s)/Passport Number(s)/Company Registration Number)

of _____ (Address)

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/them, the Chairman of the Meeting or such other person as may be designated by the Chairman, as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Meeting Room 324-325, Level 3 on Monday, 22 August 2016 at 3.00 p.m. (Singapore time) and at any adjournment thereof.

The Chairman intends to cast undirected proxy votes in favour of the Ordinary Resolution. Where the Chairman is appointed as *my/our *proxy/proxies, *I/we acknowledge that the Chairman may exercise *my/our *proxy/proxies even if he/she has an interest in the outcome of the Ordinary Resolution.

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

	Number of Votes For**	Number of Votes Against**
Ordinary Resolution Approval for the Proposed Disposal by the Company of the two ordinary shares in the capital of Nera Payment Solutions Pte. Ltd.		

* Delete where applicable.

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2016.

Total number of Shares Held

Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM



Notes:

1. A member of the Company should insert the total number of shares held. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by such member.
2. (a) A member of the Company who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM in his stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the **"Companies Act"**).

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative or representatives to attend, speak and vote at the EGM, in accordance with its constitution and Section 179 of the Companies Act.
6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 109 Defu Lane 10 Singapore 539225 not less than 48 hours before the time appointed for the holding of the EGM.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if such member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument (including any related attachment) appointing a proxy or proxies.
10. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

Personal data privacy:

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