CIRCULAR DATED 18 DECEMBER 2012

THIS CIRCULAR IS ISSUED BY NERA TELECOMMUNICATIONS LTD. THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS OF NERA TELECOMMUNICATIONS LTD AND THE ADVICE OF DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD TO THE INDEPENDENT DIRECTORS OF NERA TELECOMMUNICATIONS LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to 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 your issued and paid-up ordinary shares in the capital of Nera Telecommunications Ltd, you should immediately forward this Circular to the purchaser or to the bank, stockbroker or agent through whom you effected the sale for onward transmission to the purchaser.

NERA

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

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

STANDARD CHARTERED BANK

for and on behalf of

ASIA SYSTEMS LTD
(Incorporated in the Cayman Islands)
(Company Registration No. 272769)

to acquire all the issued and paid-up ordinary shares in the capital of Nera Telecommunications Ltd other than those shares owned, controlled or agreed to be acquired by Asia Systems Ltd as at the date of the Offer

Independent Financial Adviser to the Independent Directors of Nera Telecommunications Ltd

Deloitte.

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 200200144N)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. ON 8 JANUARY 2013. THE OFFER DOCUMENT FURTHER STATES THAT THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND 5.30 P.M. ON 8 JANUARY 2013 AND THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE.

ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY 5.30 P.M. ON 8 JANUARY 2013.

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DEFINITIONS

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

"**Act**"	:	The Companies Act, Chapter 50 of Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**CEO**"	:	Chief Executive Officer
"**Circular**"	:	This circular to Shareholders dated 18 December 2012 in relation to the Offer
"**Closing Date**"	:	5.30 p.m. on 8 January 2013 being the last time and date for the lodgement of acceptances for the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Company**"	:	Nera Telecommunications Ltd
"**Company Convertible Securities**"	:	Convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company
"**CPFIS Investors**"	:	Investors who have purchased Shares using their monies under the Central Provident Fund Investment Scheme
"**Directors**"	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
"**Eltek**"	:	Eltek ASA
"**Encumbrances**"	:	All liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever
"**EY**"	:	Ernst & Young LLP, the auditors of the Company
"**FAA**"	:	Form of Acceptance and Authorisation which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer which forms part of the Offer Document which is issued to Shareholders whose Shares are not deposited with CDP
"**Financial Adviser**"	:	Standard Chartered Bank, the financial adviser to the Offeror in connection with the Offer
"**FY**"	:	Financial year ended 31 December
"**Group**"	:	The Company, its subsidiaries and associated companies, and "**Group Company**" means any of them
"**IFA**" or "**Deloitte**"	:	Deloitte & Touche Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors in connection with the Offer
"**IFA Letter**"	:	Has the meaning ascribed to it in **Paragraph 6.1** of the Letter to Shareholders

"**Independent Directors**"	:	The Directors, all of whom are independent for the purpose of making recommendations to the Shareholders in respect of the Offer
"**Latest Practicable Date**"	:	10 December 2012, being the latest practicable date prior to the printing of this Circular
"**Letter to Shareholders**"	:	The letter from the Directors to the Shareholders as set out from **page 4** to **page 12** of this Circular
"**Listing Manual**"	:	The listing manual of the SGX-ST, as amended up to the Latest Practicable Date
"**Market Day**"	:	A day on which the SGX-ST is open for trading of securities
"**Mr. Ang**"	:	Mr. Ang Seong Kang Samuel
"**Northstar Group**"	:	As described in **Paragraph 3.2** of the Offer Document
"**Offer**"	:	The mandatory unconditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, to acquire all the Shares on the terms and conditions set out in the Offer Document, the FAA and the FAT
"**Offer Announcement**"	:	The announcement of the Offer released by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	20 November 2012, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 5 December 2012 which is issued by the Financial Adviser for and on behalf of the Offeror in respect of the Offer
"**Offeror**"	:	Asia Systems Ltd
"**Offeror Convertible Securities**"	:	Convertible securities, warrants, options and derivatives in respect of Offeror Shares or securities which carry voting rights in the Offeror
"**Offeror Shares**"	:	Issued and paid-up ordinary shares in the capital of the Offeror
"**Offer Price**"	:	S$0.49 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares other than those Shares owned, controlled or agreed to be acquired by the Offeror as at the Offer Announcement Date
"**Overseas Shareholders**"	:	The Shareholders whose addresses are outside Singapore as shown in the register of holders of the Shares or, as the case may be, in the records of CDP
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	The holders of Shares, including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST
"**Share Registrar**" or "**Boardroom**"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"**Shares**"	:	Issued and paid-up ordinary shares in the capital of the Company
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore

"**%**" or "**per cent.**"	:	Per centum or percentage

Acting in Concert and Associated Company. Unless otherwise defined, the expressions "**acting in concert**" and "**associated company**" shall have the same meanings as ascribed to them respectively in the Code.

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

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

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

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

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders.

Statutes. 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 Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning as ascribed to it under the Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary. The expression "**subsidiary**" shall have the same meaning as ascribed to it in the Act.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

Total number of Shares as at the Latest Practicable Date. In this Circular, the total number of Shares as at the Latest Practicable Date is 361,897,000.

<u>Cautionary Note on Forward-Looking Statements</u>

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "expect", "anticipate", "believe", "estimate", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" and "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 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*
Pål Skistad, *Independent, Non-executive Director*
Erik Thorsen, *Independent, Non-executive Director*

Registered Office:

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

18 December 2012

To: The Shareholders of Nera Telecommunications Ltd

Dear Sir / Madam

MANDATORY UNCONDITIONAL CASH OFFER FOR NERA TELECOMMUNICATIONS LTD

1. INTRODUCTION

1.1 Offer Announcement. On 20 November 2012, the Financial Adviser announced, for and on behalf of the Offeror, that the Offeror had agreed to acquire from Eltek pursuant to an off-market transaction an aggregate of 181,136,000 Shares, representing approximately 50.05 per cent. of the total issued Shares at S$0.49 per Share in cash. Accordingly, the Offeror is required to make the Offer in accordance with Rule 14 of the Code for the Offer Shares.

1.2 Offer Document. Shareholders should by now have received a copy of the Offer Document issued by the Financial Adviser, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on **pages 6** and **7** of the Offer Document. Shareholders are advised to read the terms and conditions contained therein carefully.

1.3 Circular. The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors with regard to the Offer.

2. THE OFFER

2.1 Offer Price. As set out in the Offer Document, the Offer is made on the following basis:

For each Offer Share: S$0.49 in cash.

The Offeror does not intend to revise the Offer Price.

2.2 Unconditional Offer.

The Offer is unconditional in all respects.

2.3 No Encumbrances. The Offer Shares will be acquired (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

Accordingly, if any dividend, other distribution or return of capital is declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital.

2.4 Warranty. According to **Paragraph 2.4** of the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (i) fully paid, (ii) free from Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.5 Details of the Offer. Further details of the Offer are set out on **pages 6** and **7** and **Appendix IV** to the Offer Document in relation to (i) the settlement of the consideration for the Offer, (ii) the requirements relating to the announcement of the level of acceptances of the Offer, and (iii) the right of withdrawal of acceptances of the Offer.

A copy of each of the Offer Announcement and the Offer Document is available on the website of the SGX-ST at www.sgx.com.

2.6 Closing Date. Shareholders should note that the Offer will close at 5.30 p.m. on 8 January 2013, being the Closing Date. **The Offeror does not intend to revise the Offer Price or extend the Offer beyond the Closing Date. Notice was given in the Offer Document that the Offer will not be open for acceptance beyond the Closing Date.**

3. INFORMATION ON THE OFFEROR AND THE NORTHSTAR GROUP

Paragraph 3 of the Offer Document sets out information on the Offeror and the Northstar Group, an extract of which is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"3.1 ***The Offeror***

*The Offeror is a newly incorporated exempted company with limited liability formed under the laws of the Cayman Islands on 30 October 2012 for the purposes of making the Offer. As at the Latest Practicable Date, the sole shareholder of the Offeror is PGA Partners Ltd ("**GP**"), an exempted company with limited liability incorporated under the laws of the Cayman Islands, acting solely in its capacity as general partner of Canopus Asia Systems, L.P. ("**Holdco**"), an exempted limited partnership established and existing under the laws of the Cayman Islands. The limited partner of Holdco is Northstar Equity Partners III Limited ("**NS III**"), an exempted company with limited liability incorporated under the laws of the Cayman Islands. The shareholders and directors of GP are Mr. Sugito Walujo, Mr. Glenn Timothy Sugita and Mr. Ashish Jaiprakash Shastry. Northstar Advisors Pte. Ltd. ("**Northstar Advisors**"), a private limited company incorporated in Singapore, is the investment manager of NS III.*

As at the Latest Practicable Date, the Directors comprise of:

(a) Mr. Sugito Walujo, who is a Managing Partner of the Northstar Group and a member of the board of directors of Northstar Advisors;

(b) Mr. Glenn Timothy Sugita, who is a Managing Partner of the Northstar Group and a member of the board of directors of Northstar Advisors;

(c) Mr. Ashish Jaiprakash Shastry, who is a Managing Partner of the Northstar Group and a member of the board of directors of Northstar Advisors; and

(d) Mr. Tan Choon Hong, who is a Managing Director of the Northstar Group.

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US$0.01 consisting of one (1) ordinary share.

***Appendix I** of this Offer Document sets out additional information on the Offeror.*

3.2 ***The Northstar Group***

The Northstar Group manages US$1.2 billion in committed equity capital dedicated to Southeast Asia. The Northstar Group has a solid track record of actively growing the businesses of its investee companies. To date, it has invested in over 20 companies across various sectors, including banking, insurance, retail, oil and gas, coal and mining services and oil palm. It has invested close to US$2 billion with co-investors in the Southeast Asian region."

Further information on the Offeror is set out in **Appendix 3** to this Circular.

4. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from **Paragraph 5** of the Offer Document and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

"***5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY***

5.1 ***Rationale for the Offer***

The Offeror is making the Offer for the following reasons:

(a) As set out in paragraph 1 of this Offer Document, the Offeror is making the Offer in compliance with the requirements of the Code.

(b) The Offeror is of the view that the Acquisition and the undertaking of the Offer represents a unique opportunity for the Offeror to acquire control in a telecommunications solutions provider, which has a well-diversified mix of products and customers as well as an established regional market footprint.

5.2 ***Offeror's Intentions for the Company***

Following the close of the Offer, the Offeror intends to undertake a strategic and operational review of the organisation, businesses and operations of the Group, and to evaluate various strategic options. It is currently the intention of the Offeror to ensure continuity in the operations of the Group and to steer the Group to further growth and development.

Save as disclosed above, the Offeror has no present intention to (a) make any major changes to the existing business of the Company, (b) redeploy the fixed assets of the Company, or (c) discontinue the employment of the employees of the Group. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves, and which the Offeror regards to be in the interests of the Offeror and/or the Group.

The Offeror nonetheless intends to be a long term investor in the Group and does not intend to divest, sell or dispose of the Shares which it acquires pursuant to the Acquisition in the six (6) months following the close or lapse of the Offer."

5. COMPULSORY ACQUISITION AND LISTING STATUS

Paragraph 7.3 of the Offer Document sets out the intentions of the Offeror relating to its right of compulsory acquisition and the listing status of the Company, an extract of which is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"7.3 ***Offeror's Intentions***

The Offeror when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total issued Shares (excluding any Shares held by the Company as treasury shares) are held in public hands. *In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual."*

6. ADVICE OF THE IFA

6.1 IFA. Deloitte & Touche Corporate Finance Pte Ltd has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in its letter to the Independent Directors dated 18 December 2012, which is set out in **Appendix 1** to this Circular ("**IFA Letter**").

6.2 Factors Taken into Consideration by the IFA. In arriving at its recommendation, the IFA has taken into consideration certain factors, an extract of which is set out in *italics* below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"***7. CONCLUSION***

In arriving at our advice in respect of the financial terms of the Offer, 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 took place over a lengthy period of time and Eltek solicited interest from a wide range of strategic and financial investors. The Offer represents the highest firm price offered by parties expressing interest through the Sale Process.

b. Our analysis of the liquidity of the Shares indicates that the historical market price of the Shares provides a meaningful reference point for comparison with the Offer.

c. The Shares have traded at or marginally higher than the Offer Price from the Offer Announcement Date to the Latest Practicable Date.

d. The Offer Price represents a 6.6% discount to 1 month VWAP and a 1.7% premium to the 3 month VWAP. This compares unfavourably to the average and median premium of 35.5% and 31.1% for 1 month VWAP and 39.7% and 36.4% for 3 month VWAP respectively for takeovers in the last two year period preceding the Offer Announcement Date up to the Latest Practicable Date where the acquirer stated its intention to privatise the target.

e. We note that the market price of the Shares has traded up in the year prior to the Scheme Holding Announcement Date and that the market price of the Shares outperformed the benchmark indices (being FSSTI, FSTTG and FSTTC). It is possible that the Sale Process is in part responsible for this rise and outperformance.

f. *The LTM EV/EBITDA of 4.2x and LTM P/E of 7.0x implied by the Offer Price are lower than the minimum of those of the Comparable Companies and significantly below the average and median EV/EBITDA and P/E of the Comparable Companies. We note that the Comparable Companies are not under offer and that the financial ratios of the Company are in general more favourable than those of the Comparable Companies.*

g. *The LTM EV/EBITDA of 4.2x and LTM P/E of 7.0x implied by the Offer Price are significantly below the median and average of those of the Comparable Transactions.*

h. *The Offer Price is S$0.04 (or 8.9%) higher than the Scheme Consideration offered by STEL. However, we note that the financial performance of the Company has improved by a greater proportion in the intervening period. We note also that the premium that the Offer Price represents over the 3 month VWAP for the Shares is lower than that implied by the Scheme Consideration over an equivalent period prior to the Scheme Holding Announcement Date.*

i. *The Offeror has stated that it does not intend to revise the Offer Price or extend the Offer beyond 5:30 p.m. on 8 January 2013.*

j. *The Offer is unconditional in all respects.*

k. *The Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total issued Shares (excluding any Shares held by the Company as treasury shares) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.*

l. *The Offer Document describes the Northstar Group, inter alia, as follows "…The Northstar Group has a solid track record of actively growing the businesses of its investee companies.". In addition, the Offeror has stated in the Offer Document, inter alia, the following intentions "…It is currently the intention of the Offeror to ensure continuity in the operations of the Group and to steer the Group to further growth and development… The Offeror nonetheless intends to be a long term investor in the Group and does not intend to divest, sell or dispose of the Shares which it acquires pursuant to the Acquisition in the six (6) months following the close or lapse of the Offer…."*

m. *With the entrance of a new controlling shareholder, Shareholders should be aware that dividend policies and payments going forward may vary from historical norms.*

n. *The Company has not received any competing offer(s) as at the Latest Practicable Date."*

6.3 Advice of the IFA. After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors, an extract of which is set out in *italics* below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"*Having considered the factors listed in paragraph 6 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 Offer is **fair but not compelling**. Accordingly, we advise the Independent Directors that they should recommend that the Shareholders **REJECT** the Offer.*

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 Offer."

7. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

7.1 Recommendation. The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, concur with the advice given by the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that Shareholders REJECT the Offer.

Messrs Erik Thorsen and Pål Skistad, who are respectively director and officer of Eltek and Directors, wish to highlight that Eltek's sale of its entire shareholding in the Company of 181,136,000 Shares to the Offeror which resulted in the Offer, was carried out pursuant to Eltek's stated intention to divest its non-core assets. Eltek's objectives may be different from that of other Shareholders and their decisions in relation to the sale of Eltek's Shares were made in their respective capacities as director and officer of Eltek. Their recommendation to Shareholders in relation to the Offer are made in their respective capacities as Independent Directors, and should be viewed in a separate light from their decisions as director and officer of Eltek.

SHAREHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE IFA LETTER WHICH IS SET OUT IN APPENDIX 1 TO THIS CIRCULAR CAREFULLY.

7.2 No Regard to Specific Objectives. In making their recommendation, the Independent Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

8. OVERSEAS SHAREHOLDERS

8.1 Overseas Shareholders. Paragraph 9 of the Offer Document sets out information relating to Overseas Shareholders, an extract of which is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"9. __OVERSEAS SHAREHOLDERS__

*The availability of the Offer to Shareholders whose mailing addresses are outside Singapore, as maintained on the register of members of the Company or, as the case may be, in the records of CDP (each, an "__**Overseas Shareholder**__") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdiction, the Offeror and SCB each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.*

*Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAAs and/or the FATs and any related documents, during normal business hours and up to 5.30 p.m. on the Closing Date, from the Offeror through its receiving agent, Boardroom Corporate & Advisory Services Pte. Ltd., at its office located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or CDP at 4 Shenton Way, #02-01, SGX Centre 2, Singapore 068807. Alternatively, an Overseas Shareholder may write to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. and CDP at the addresses listed above to request for this Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAAs and/or the FATs and/or any related documents, or (b) accept the Offer, 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 and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including SCB) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including SCB) may be required to pay. In (i) requesting for this Offer Document, the FAAs and/or the FATs and any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and SCB 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. ***Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and SCB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, 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 to receive or see such announcement, notice or advertisement."

8.2 Copies of the Offer Document. Based on the Offer Document, Shareholders and Overseas Shareholders (subject to compliance with applicable laws) may obtain copies of the Offer Document, the FAAs and/or the FATs and any related documents, during normal business hours up to the Closing Date from the Offeror through its receiving agent, Boardroom, at its office located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or CDP at 4 Shenton Way, #02-01, SGX Centre 2, Singapore 068807.

Alternatively, any Overseas Shareholder may write to the Offeror through Boardroom and CDP at the addresses listed above to request for the Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to five (5) Market Days prior to the Closing Date.

8.3 **Overseas Jurisdictions.** It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable, and the Offeror and any person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf may be required to pay. In (i) requesting for the Offer Document, the FAAs and/or the FATs and any related documents and/or (ii) accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and the Financial Adviser 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.

Overseas Shareholders who are in any doubt about their position should consult their professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

8.4 **Notice.** Each of the Offeror and the Financial Adviser reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, 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 to receive or see such announcement, notice or advertisement.

9. INFORMATION PERTAINING TO CPFIS INVESTORS

The Offer Document sets out information pertaining to CPFIS Investors in **Paragraph 11** of the Offer Document, an extract of the relevant paragraph is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"CPFIS Investors will receive further information on how to accept the Offer from the CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts."

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in **Appendix V** to the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than the Closing Date.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

11. RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than the IFA Letter for which the IFA has taken responsibility) are fair and accurate and that no material facts have been omitted the omission of which would make any statement in this Circular (other than the IFA Letter for which the IFA has taken responsibility) misleading, and they jointly and severally accept responsibility accordingly. Where any information in this Circular (other than the IFA Letter for which the IFA has taken responsibility) has been extracted or reproduced from the Offer Document or from published or publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
Nera Telecommunications Ltd

S. Chandra Das
Chairman

DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Company Registration Number 200200144N)
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

18 December 2012

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

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY STANDARD CHARTERED BANK FOR AND ON BEHALF OF ASIA SYSTEMS LIMITED TO ACQUIRE ALL THE ISSUED AND PAID UP ORDINARY SHARES IN THE CAPITAL OF NERA TELECOMMUNICATIONS LTD (THE "OFFER")

*Unless otherwise defined or the context otherwise requires, all terms defined in the Circular dated 18 December 2012 ("**Circular**") shall have the same meaning herein.*

1. INTRODUCTION

On 20 November 2012, (the "**Offer Announcement Date**"), Standard Chartered Bank ("**SCB**") announced, for and on behalf of Asia Systems Ltd (the "**Offeror**"), that the Offeror had agreed to acquire, pursuant to an off-market transaction an aggregate of 181,136,000 ordinary shares (the "**Shares**") in the issued and paid-up capital of Nera Telecommunications Ltd (the "**Company**"), representing approximately 50.05% of the total issued Shares[1], which are owned by Eltek ASA (the "**Acquisition**"). The Acquisition subsequently completed on 23 November 2012.

As a result of the Acquisition, the Offeror is required to make a mandatory unconditional cash offer (the "**Offer**") for all the remaining Shares, other than those Shares owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer (the "**Offer Shares**") in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**").

The offer document (the "**Offer Document**") in relation to the Offer was dispatched to shareholders of the Company (the "**Shareholders**") on 5 December 2012.

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 Offer. This letter sets out our assessment of the financial terms of the Offer and our advice to the Independent Directors. It will form part of the Circular dated 18 December 2012 issued by the Company to provide the Shareholders with details of the Acquisition and the Offer and the recommendations of the Independent Directors on the actions to be taken by the Shareholders in respect of the Offer.

[1] Unless otherwise state, all reference to the total issued Shares shall be 361,897,000 Shares.

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 Offer.

We have confined our assessment to the financial terms of the Offer. We are not required to evaluate, comment or form a view on the commercial risks or merits of the Offer or on the future prospects and earnings potential of the Company and its subsidiaries and associated companies (the "**Group**") and we have made no such evaluation. Such evaluation, if any, remains the responsibility of the directors of the Company (the "**Directors**") and the management of the Company (the "**Management**"). 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 Offer. We do not make any representation or warranty in relation to the merits of the Offer nor have we been requested, and we do not express an opinion on, the relative merits of the Offer as compared to any other alternative transaction. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares or the Offer. We have not made an independent evaluation or appraisal of the assets and liabilities including without limitation the real properties of the Group and we have not been furnished with any such independent evaluation or appraisal.

We have held discussions with the Independent Directors and Management 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). 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 Circular 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 Offer, and the parties acting or deemed to be acting in concert with the Offeror in connection with the Offer, 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 Circular 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 Circular other than this letter. Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular other than this letter.

Whilst a copy of this letter may be reproduced in the Circular, 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 Offer should be considered in the context of the entirety of this letter and the Circular.

3. THE TERMS OF THE OFFER

Shareholders should have, by now received a copy of the Offer Document setting out, *inter alia*, the background of the Offeror, the terms and conditions of the Offer and the intentions of the Offeror with respect to the Company, **Shareholders are advised to read these documents and the terms and conditions contained therein very carefully.**

The following summary of the salient terms of the Offer have been obtained from the Offer Document and paragraph 2 of the Circular.

3.1. Offer Price

In accordance with Rule 14 of the Code and Section 139 of the Securities and Futures Act (Chapter 289) of Singapore, and subject to the terms and conditions set out in the Offer Document, SCB for and on behalf of the Offeror has made an Offer for the Offer Shares on the following basis:

For each Offer Share: S$0.49 in cash (the "Offer Price").

The Offeror does not intend to revise the Offer Price.

3.2. No Encumbrances

The Offer Shares will be acquired

a. fully paid;

b. free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever; and

c. together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

If any dividend, other distribution or return of capital is declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital.

3.3. Offer is Unconditional in All Respects

We highlight that as at Latest Practicable Date, the total number of Shares owned and controlled by the Offeror amount to 181,136,000 Shares, representing 50.05% of the total issued share capital of the Company. As such the Offer is unconditional in all respects.

3.4. Duration of the Offer

The Offeror has stated that the Offer will close at **5.30 p.m. on 8 January 2013** being the Closing Date. **The Offeror does not intend to revise the terms of the Offer or extend the Offer beyond 5.30 p.m. on 8 January 2013. Notice was given in the Offer Document that the Offer will not be revised or be open for acceptance beyond the Closing Date.**

3.5. Offeror's Rationale and Intentions for the Company

The Offeror's rationale and intentions for the Company for the Acquisition is set out in paragraph 4 of the Circular and paragraph 5 of the Offer Document.

3.6. Compulsory Acquisition and Listing Status

The Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total issued Shares (excluding any Shares held by the Company as treasury shares) are held in public hands.

In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

4. INFORMATION ON THE COMPANY AND THE OFFEROR

4.1. Information on the Company

Information on the Company is set out in paragraph 4 of the Offer Document.

4.2. Information on the Offeror and the Northstar Group

Information on the Offeror is set out in paragraph 3 of the Circular and paragraph 3 of the Offer Document.

We highlight the following sentences *"The Northstar Group manages US$1.2 billion in committed equity capital dedicated to Southeast Asia. The Northstar Group has a solid track record of actively growing the businesses of its investee companies."*

5. RESTRUCTURING

We refer to paragraph 3.6 of the Letter to Shareholders in the Company's scheme document dated 14 June 2012 (the "**Scheme Document**"), where one of the conditions precedent for the proposed privatisation of the Company by Singapore Technologies Electronics Limited ("**STEL**") via a scheme of arrangement (the "**Scheme**") was a restructuring in which the other shareholders of Nera (Malaysia) Sdn,. Bhd. ("**Nera (Malaysia)**") would have to 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 (the "**Restructuring**"). We highlight that this paragraph further states the following *"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"*

Accordingly, in our analysis of the financial terms of the Offer in paragraphs 6.7, 6.8 and 6.9 of this letter, we have used proforma financial information of the Group assuming that Nera (Malaysia) is a wholly owned subsidiary of the Company (the "**Proforma Financial Information**"). The Proforma Financial Information is provided by the Management and is unaudited.

6. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer, 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. Comparison of prices for the Shares with selected, relevant indices;

e. Volume weighted average prices for the Shares;

f. Premia for takeovers of SGX-listed companies;

g. Comparison of ratings with Comparable Companies;

h. Comparison of ratings with Comparable Transactions;

i. Comparison of the Offer Price with the Scheme Consideration; and

j. Other considerations.

6.1. Eltek's Sale Process

Eltek undertook a sale process to sell its 50.05% interest in the Company (the "**Sale Process**").

In April 2011, Eltek, being the sole controlling Shareholder, holding 181,136,000 Shares, representing approximately 50.05% of the total number of Shares, appointed its financial adviser to undertake the process of selling its 50.05%. interest in the Company.

On 3 February 2012, the Company issued a holding announcement ("**Scheme Holding Announcement Date**") followed by a joint announcement with STEL on 10 February 2012 announcing the proposed acquisition of the Company by the STEL to be effected by way of a scheme of arrangement (the "**Scheme**").

On 6 July 2012, the Directors announced that the requisite majority required to vote in favour of the Scheme under the Companies Act was not obtained at the Scheme meeting convened in connection with the Scheme (the "**Scheme Meeting Date**") and as such, they would not be proceeding with the Scheme.

On 20 November 2012 (being the Offer Announcement Date), SCB announced, for and on behalf of the Offeror, that the Offeror has agreed to acquire pursuant to an off-market transaction approximately 50.05% of the total issued Shares, which are owned by Eltek. The Acquisition completed on 23 November 2012.

The Sale Process took Eltek and its financial adviser more than 18 months (including the failed Scheme) for Eltek to finally divest its 50.05% interest in the Company for a consideration of S$0.49 per Share (which is the Offer Price).

In addition, the abovementioned dates (the Scheme Holding Announcement Date, the Scheme Meeting Date and the Offer Announcement Date) represent corporate actions which have had significant impact on the share price and liquidity of the Shares and as such, have been taken into consideration in our financial assessment of the Offer.

6.2. Liquidity of the Shares

Share prices transacted in the equity capital market can be affected by their liquidity which for this purpose is expressed as average daily volume traded as a percentage of free float. In order to evaluate whether the historical market prices of the Shares provide a meaningful reference point for comparison of the Offer, we have considered the historical liquidity of the Shares over selected reference periods. We have also compared the liquidity of the Shares with the liquidity of the ten largest companies by market capitalisation within the FTSE Straits Times Index.

In undertaking that analysis, we note that the Company's only substantial Shareholder was Eltek (up to 23 November 2012) and the Acquirer (from 23 November 2012 onwards) (holding 181.1 million Shares, representing approximately 50.05% of the Company) and that the Company's free float comprises approximately 177.25 million Shares (or approximately 48.98% of the Company).

Reference Periods	Average Daily Trading Volume ('000 Shares)	Approximate Percentage of Free Float (%)
Offer Announcement Date to the Latest Practicable Date (20 November – 10 December 2012)	643	0.36%
Scheme-Holding Announcement Date to the Offer Announcement Date		
1 month prior to Offer Announcement Date	353	0.20%
3 months prior to Offer Announcement Date	757	0.43%
Between the Scheme Meeting Date and the Offer Announcement Date (7 July - 19 November 2012)	1,175	0.66%
After the Scheme Holding Announcement Date to the Scheme Meeting Date (4 February – 6 July 2012)	475	0.27%
Prior to Scheme Holding Announcement Date		
1 month prior to Scheme Holding Announcement Date	212	0.12%
3 months prior to Scheme Holding Announcement Date	245	0.14%
6 months prior to Scheme Holding Announcement Date	219	0.12%
1 year prior to Scheme Holding Announcement Date	252	0.14%

Table 1 – Liquidity of the Shares

Source: Bloomberg

We note that the liquidity of the Shares in the reference periods prior to the Scheme Holding Announcement Date was between 0.12% and 0.14%.

The liquidity of the Shares after the Scheme Holding Announcement Date to the Scheme Meeting Date was approximately 0.27% and the liquidity rose to 0.66% in the period between the Scheme Meeting Date and Offer Announcement Date.

The liquidity of the Shares from the Offer Announcement Date to the Latest Practicable Date was approximately 0.36%.

We have also benchmarked the liquidity of the Shares to the liquidity of the Top 10 SGX Companies (by market capitalisation) for the one year period preceding the Scheme Holding Announcement Date and the period between the Scheme Meeting Date and the Offer Announcement Date. Please note that the composition of Top 10 SGX Companies is different between these two reference periods.

We note that the liquidity of the Top 10 SGX Companies in the one year period prior to Scheme Holding Announcement Date ranged from 0.09% to 1.40% with an average and median of 0.37% and 0.28% respectively. We also note that the liquidity of the Top 10 SGX Companies (excluding Jardine Matheson Holdings Limited ("**JMHL**") and Jardine Strategic Holdings Limited ("**JSHL**")) in this same one year reference period ranged from 0.19% to 1.40% with an average and median of 0.44% and 0.31% respectively. The liquidity of the Shares during this one year reference period was 0.14% and as such is (i) within the range of the liquidity of the Top 10 SGX Companies, and (ii) below the liquidity of the Top 10 SGX Companies (excluding JMHL and JSHL).

We also analysed the liquidity of the Top 10 SGX Companies (including and excluding JMHL and JSHL) in the period between the Scheme Meeting Date and the Offer Announcement Date and note the following:

a. The liquidity of the Top 10 SGX Companies in this period ranged from 0.08% to 0.53% with an average and median of 0.22% and 0.17% respectively; and

b. The liquidity of the Top 10 SGX Companies (excluding JMHL and JSHL) in this period ranged from 0.13% to 0.53% with an average and median of 0.25% and 0.23% respectively.

The liquidity of the Shares traded between the Scheme Meeting Date and the Offer Announcement Date is as follows:

a. 0.66% between the Scheme Meeting Date and the Offer Announcement Date;

b. 0.43% for the 3 months prior to Offer Announcement Date; and

c. 0.20% for the 1 month prior to Offer Announcement Date.

As such, the liquidity of the Shares between the Scheme Meeting Date and the Offer Announcement Date (whether the entire period, 1 month or 3 months prior to the Offer Announcement Date), was within the range of that of the Top 10 SGX Companies (whether including or excluding JMHL and JSHL).

Overall, this analysis indicates that the historical market price of the Shares provides a meaningful reference point for comparison with the Offer. However, Shareholders should note that the level of liquidity of the Shares 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 Scheme Holding Announcement Date and Offer 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 after the Offer closes.

6.3. Market Quotations for the Shares

We have compared the Offer Price against the historical and current prices of the Shares.

We set out below a chart showing the Offer relative to the daily closing prices and trading volumes of the Shares for the period from 1 February 2010 (being the two year period up to the last Market Day prior to the Scheme Holding Announcement Date) to the Latest Practicable Date.

Chart 1 - Price-Volume chart of the Company from 1 February 2010 (being the two year period up to the last Market Day prior to the Scheme Holding Announcement) to the LPD

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 19 November 2012 (being the Market Day prior to the Offer 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; Annoucement of purchase orders of approximately S$17.1 million received by the Company.
5)	03 February 2012	Scheme 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 STEL on the proposed 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.
10)	14 June 2012	Shareholders' Circular released: Proposed acquisition of the Company by way of the Scheme.
11)	06 July 2012	Announcement of the results of the Scheme Meeting. Requisite majority required to vote in favour of the Scheme under the Companies Act was not obtained and the parties will not be proceeding with the Scheme.
12)	14 July 2012	Announcement of 2Q 2012 results; Dividends of S$0.04 per share declared; Announcement of purchase orders of approximately S$23.0 million received by the Company.
13)	3 August 2012	Payment of dividend of S$0.04 per share.
14)	18 October 2012	Announcement of 3Q 2012 results.
15)	20 November 2012	Offer Announcement.
16)	5 December 2012	Despatch of the Offer Document.

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

a. The Offer Price of S$0.49 is higher than the traded price of the Shares in the two year period preceding the Scheme Holding Announcement Date (where the Shares traded in the range of S$0.310 to S$0.430 per Share).

b. The Shares have traded in the range of S$0.430 to S$0.515 per Share in the period from the Scheme Holding Announcement Date to the Scheme Meeting Date.

c. Post the Scheme Meeting Date to the Offer Announcement Date, the Shares have traded between the range of S$0.390 to S$0.555.

d. The Shares have traded at or marginally higher than the Offer Price in the period post the Offer Announcement Date to the Latest Practicable Date.

6.4. Comparison of prices for the Shares with selected, relevant indices

We have benchmarked movements of the market prices of the Shares against selected relevant indices being:

a. FTSE Straits Times Index ("**FSSTI Index**");

b. FTSE Straits Times Technology Index ("**FSTTG Index**"); and

c. FTSE Straits Times Telecommunications Index ("**FSTTC Index**").

The reference price for the prices of the Shares is the closing price on 1 February 2010. The period of comparison is the 2 year period prior to the Scheme Holding Announcement Date up to the Latest Practicable Date.

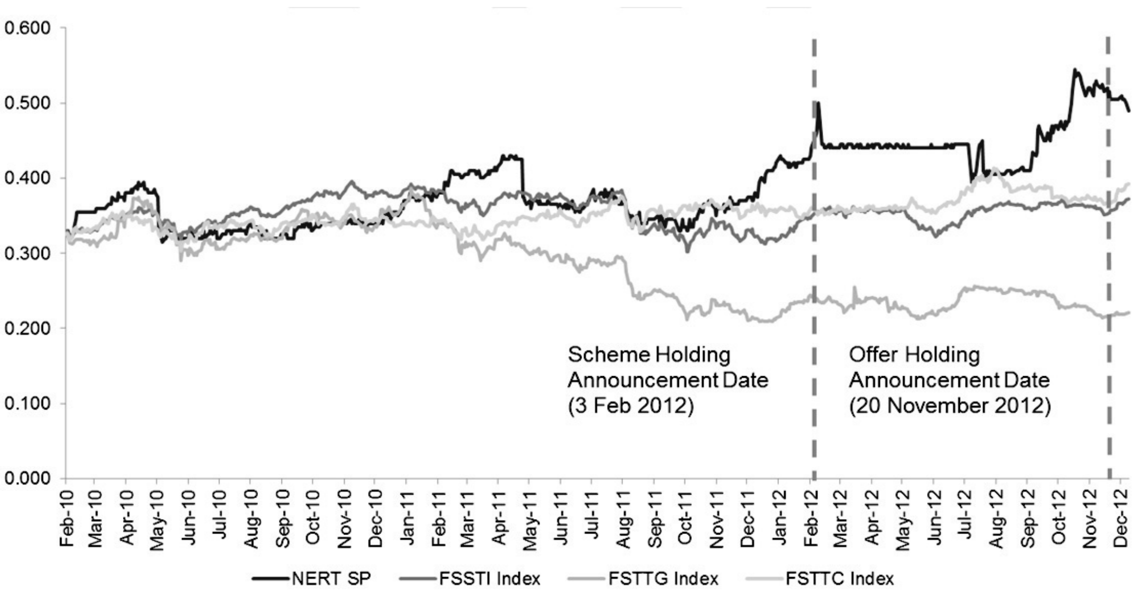

Chart 2 – Comparision of the Price Performance of the Shares Relative to the FSSTI, FSTTG and FSTTC Index

Source : Bloomberg

We highlight that the following key observations in respect of this comparison:

a. The market price of the Shares has traded broadly in line with the FSSTI and FSTTC indices up to December 2011 but outperformed the FSTTG Index over the same period; and

b. The market price of the Shares outperformed the FSSTI, FSTTG and FSTTC indices between the period from January 2012 to the Latest Practicable Date. It is possible that the Sale Process is in part responsible for this rise and outperformance.

6.5. Volume Weighted Average Prices for the Shares

We have compared the Offer Price with the Volume Weighted Average Prices ("**VWAP**") of the Shares for the selected reference periods in the table below:

Reference Period	VWAP (S$)	Premium/ (Discount) of Offer (%)	Highest Transaction Price (S$)	Lowest Transacted Price (S$)
Offer Announcement Date to the Latest Practicable Date (20 November – 10 December 2012)				
Latest Practicable Date[(1)] (10 December 2012)	0.490	0.0	0.495	0.490
Offer Announcement Date to the Latest Practicable Date	0.505	(2.9)	0.525	0.490
Scheme Holding Announcement Date to the Offer Announcement Date				
Day prior to the Offer Announcement date[(2)] (19 November 2012)	0.520	(5.8)	0.520	0.515
Last 1 month VWAP prior to Offer Announcement Date	0.525	(6.6)	0.545	0.505
Last 3 month VWAP prior to Offer Announcement Date	0.482	1.7	0.555	0.410
Between the Scheme Meeting Date and the Offer Announcement Date (7 July - 19 November 2012)	0.445	10.2	0.555	0.390
After the Scheme Holding Announcement Date to the Scheme Meeting Date (4 February – 6 July 2012)	0.449	9.1	0.515	0.440
Prior to Scheme				
Holding Announcement Date				
Last 1 month VWAP prior to Scheme Holding Announcement Date	0.424	15.6	0.430	0.410
Last 3 month VWAP prior to Scheme Holding Announcement Date	0.401	22.2	0.430	0.355
Last 6 month VWAP prior to Scheme Holding Announcement Date	0.381	28.6	0.430	0.330
Last 1 year VWAP prior to Scheme Holding Announcement Date	0.391	25.3	0.430	0.330

Table 2 - Comparison of the VWAP of the Shares and the Offer

Notes:

(1) Closing Share price as at Latest Practicable Date
(2) Closing Share price as at 19 November 2012

Source: Bloomberg

We highlight the following:

a. The Offer Price is the same as the closing Share price on Latest Practicable Date.

b. The Offer Price represents a discount of S$0.02 (or 2.9%) to the VWAP of the Share from the Offer Announcement Date to the Latest Practicable Date. Within this period, the Share price has not traded below the Offer Price and with a highest price of S$0.525.

c. The Offer Price represents a discount of S$0.03 (or 5.8%) to the Share price on the day prior to the Offer Announcement Date.

d. The Offer Price represents a discount of S$0.035 (or 6.6%) to the 1 month VWAP of the Shares prior to the Offer Announcement Date and a premium of S$0.01 (or 1.7%) to the 3 month VWAP of the Shares prior to the Offer Announcement Date.

e. The Offer Price represents a premium of S$0.041 (or 9.1%) to the VWAP of the Shares after the Scheme Holding Announcement Date to the Scheme Meeting Date.

f. The Offer Price represents a premium of 25.3% to the 1 year VWAP prior to the Scheme Holding Announcement Date.

The market price of the Shares has traded up from the 1 year period prior to the Scheme Holding Announcement Date to the Offer Announcement Date and market price of the Shares has traded at or marginally higher than the Offer Price from the Offer Announcement Date to the Latest Practicable Date.

6.6. Premia for Takeovers of SGX-Listed Companies

We have benchmarked the premium implied by the Offer Price over the VWAP of the Shares against the premia or discounts paid in respect of selected takeovers of companies listed on the SGX-ST. We have compiled data of such transactions from the two year period preceding the Offer 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 1 month	**Premium/ (Discount) for 3 month**
Offer Price		-6.6%	1.7%
All transactions	Number	30	30
	Average	18.1%	18.5%
	Median	22.5%	21.6%
	Minimum	-75.3%	-74.3%
	Maximum	100.0%	118.8%
Privatisations (intention of acquirer is to privatise the target)	Number	20	20
	Average	35.5%	39.7%
	Median	31.1%	36.4%
	Minimum	-3.6%	1.6%
	Maximum	100.0%	118.8%
Non-Privatisations (intention of acquirer is not to privatise the target)	Number	10	10
	Average	-16.8%	-23.9%
	Median	-14.7%	-26.7%
	Minimum	-75.3%	-74.3%
	Maximum	14.3%	9.6%

Table 3 - Selected Data in Respect of Takeovers on the SGX-ST

Source: Company announcements, offer documents and circulars to shareholders

We note the following:

a. The Offer Price represents a discount of 6.6% to the VWAP of the Shares in the 1 month period prior to the Offer Announcement Date. The average and median of the 10 observed non-privatisation takeovers (where the intention of the acquirer is not to privatise the target) are at discounts of 16.8% and 14.7% respectively when compared with the targets' 1 month VWAP. The average and median of the 20 privatisation takeovers (where the intention of the acquirer is to privatise the target) are at premiums of 35.5% and 31.1% respectively when compared with the targets' 1 month VWAP; and

b. The Offer Price represents a marginal premium of 1.7% to the VWAP of the Shares in the 3 month period prior to the Offer Announcement Date. The average and median of the 10 observed non-privatisation takeovers (where the intention of the acquirer is not to privatise the target) are at discounts of 23.9% and 26.7% respectively when compared with the targets' 3 month VWAP. The average and median of the 20 privatisation takeovers (where the intention of the acquirer is to privatise the target) are at premiums of 39.7% and 36.4% respectively when compared with the targets' 3 month VWAP.

The Offer Price's discount of 6.6% (for the 1 month VWAP) and marginal premium of 1.7% (for the 3 month VWAP) does not compare favourably with the average and median premium of the 20 privatisation takeovers (where the intention of the acquirer is to privatise the target).

6.7. 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 wireless infrastructure networks and solutions; and

(ii) Info-communications - Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure comprises IP, optical and broadcast network infrastructure and payment systems.

The Group's key geographical market is Southeast Asia comprising Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Brunei, Laos, Cambodia and, Myanmar, 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 this 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 Offer Price by generating selected valuation statistics for the Company implied by the Offer Price 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 of the Price-to-Earnings ratio ("**P/E**") where the earnings of a company is computed based upon the last-twelve-month ("**LTM**") period ending on the most recent quarter for which financial results have been published.

The P/E is the ratio of market capitalisation relative to its profit after tax attributable to shareholders of the company ("**NPAT**"). The P/E 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 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.

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 Offer Price to asset based measures is not relevant for our analysis of the Offer Price.

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 Offer Price. 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(1) (2) (S$ millions)	Revenue LTM(2) (3) (S$ millions)
Nera Telecommunications Ltd ("**Nera**")	Operates in two key segments - telecommunications and info-communications - engaged in the sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications and wireless infrastructure networks and solutions; and info-communications - engaged in the sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure comprises IP, optical and broadcast network infrastructure and payment systems.	Singapore	177.3(4)	192.4(5)

Company Name	Principal Activities	Country	Market Capitalisation[(1) (2)] (S$ millions)	Revenue LTM[(2) (3)] (S$ millions)
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	157.6	165.4
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	49.7	137.6
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, it provides computer and related equipment consulting, system design, and installation services, including development of software applications and maintenance services for computer hardware and other peripheral equipment.	Thailand	56.9	41.2
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	23.6	34.3

Company Name	Principal Activities	Country	Market Capitalisation(1) (2) (S$ millions)	Revenue LTM(2) (3) (S$ millions)
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	254.9	443.1

Table 4 - Description of Comparable Companies

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

Notes:

(1) Market Capitalisation of the Comparable Companies is as at Latest Practicable Date.

(2) Exchange Rate is as at Latest Practicable Date.

(3) LTM revenue is computed based upon the last-twelve-month period ending on the most recent quarter for which financial results have been published.

(4) Market Capitalisation of the Company is implied by the Offer Price.

(5) The LTM revenue of the Company is calculated on the basis that the Restructuring had been completed on 1 October 2011.

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	LTM ending	EBITDA margin(1) (%)	Net Margin(2) (%)	Return on Equity (%)(3)	Net Gearing (%)(4)	Asset Turnover (times)(5)	3Yr CAGR Revenue (%)(6)
The Company(7)	**30/09/2012**	**16.9%**	**13.2%**	**36.8%**	**-60.2%**	**1.3x**	**0.9%**
Advanced Information Technology	30/09/2012	14.8%	9.2%	28.7%	40.8%	1.3x	13.3%
Mesiniaga	30/09/2012	6.8%	3.3%	6.4%	12.2%	1.2x	4.2%
Jasmine Telecom	30/09/2012	8.4%	3.1%	2.2%	13.1%	0.3x	-4.0%
Ntegrator	30/06/2012	8.0%	5.2%	10.6%	36.8%	0.8x	-8.3%
DMX	30/09/2012	11.5%	5.4%	5.2%	-7.4%	0.8x	24.8%
Average		9.9%	5.3%	10.6%	19.1%	0.9x	6.0%
Median		8.4%	5.2%	6.4%	13.1%	0.8x	4.2%
Maximum		14.8%	9.2%	28.7%	40.8%	1.3x	24.8%
Minimum		6.8%	3.1%	2.2%	-7.4%	0.3x	-8.3%

Table 5 - Financial Ratios of Comparable Companies

Source: Bloomberg, the annual report and company filings 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 extra ordinary 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 extra ordinary 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) 3Yr-CAGR revenue is the compound annual growth rate in revenue over a 3 year period (FY2008 to FY2011).

(7) The financial ratios of the Company are calculated on the basis that the Restructuring had been completed on 1 October 2011.

We note the following:

a. The Company's EBITDA margin, net margin and return on equity is above the maximum of the Comparable Companies.

b. The Company's net gearing is significantly below that of the Comparable Companies.

c. The Company's asset turnover is in line with the maximum of that of the Comparable Companies.

d. The Company's revenue CAGR over the last three years is within the range of that of the Comparable Companies.

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

Company Name	**Market Capitalisation (S$ millions)**	**LTM EV/EBITDA (Normalised)(1)**	**LTM P/E (Normalised)(2)**
The Offer Price(3)(4)	**177.3(5)**	**4.2x**	**7.0x**
Advanced Information Technology	157.6	7.3x	10.3x
Mesiniaga	49.7	6.7x	10.8x
Jasmine Telecom	56.9	18.6x	43.8x
Ntegrator International	23.6	10.9x	13.2x
DMX	254.9	5.5x	13.0x
Average		9.8x	11.8x(6)
Median		7.3x	13.0x
Maximum		18.6x	43.8x
Minimum		5.5x	10.3x

Table 6 – Valuation multiples 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 extra ordinary items.

(2) Computed as the ratio of market capitalisation to normalised LTM NPAT. LTM NPAT has been adjusted for non-operating, nonrecurring and extra ordinary 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 October 2011.

(4) Based on cash position, debt, net earnings and LTM EBITDA for the 12 month period ended 30 September 2012, as provided by the Company.

(5) Implied by the Offer Price.

(6) LTM P/E ratio of Jasmine Telecom is considered an outlier and has been excluded from the calculation of the average LTM P/E ratio of the Comparable Companies.

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

a. The LTM EV/EBITDA implied by the Offer Price is lower than the minimum of those of the Comparable Companies and significantly below the average and median EV/EBITDA of the Comparable Companies of 9.8x and 7.3x, respectively; and

b. The LTM P/E implied by the Offer Price is lower than the minimum of those of the Comparable Companies and significantly below the average and median P/E of the Comparable Companies of 11.8x and 13.0x, respectively.

The key observations above illustrate that the Offer Price is not compelling as the LTM EV/EBITDA and LTM P/E implied by the Offer Price are below the range of multiples implied by the Comparable Companies. Please note that this comparison is for illustration purposes only and our opinion in paragraph 7 is based on the factors listed in paragraph 6 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 (i) the Company's selected financial ratios generally are better than that of the Comparable Companies, and (ii) the Comparable Companies are not subject to take-over offers as at the Latest Practicable Date.

6.8. Comparison of ratings with Comparable Transactions

We have made comparison between the valuation ratios implied by the Offer Price 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. Carry on its business 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; has operations across the Asia Pacific region.
22 July 2008	Datacraft Asia Ltd ("**Datacraft Asia**")	Singapore	Provider of information technology solutions and services. It offers contact centers solutions, security solutions, access management solutions, converged communications solutions, 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	Installation, field service and engineering support activities for products and solutions marketed; provision of systems integration, software and information services, IT outsourcing and related professional and consulting services.

Table 7 - Comparable Transactions Target Company Descriptions

Source: Mergermarket, Circular, Offer Document and Company Filings

Note:

(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.

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 Offer Price with the Comparable Transactions is for illustration purposes only.

Announcement Date	Acquirer	Target	% Shares Acquired	Implied Equity Value (S$ million)	LTM EV/ EBITDA[1] (Normalised)	LTM P/ Earning[1] (Normalised)
20 November 2012 (Offer Announcement Date)	**Offeror**	**Company[2]**	**50.05**	**177.3**	**4.2x[3]**	**7.0x[3]**
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[6]	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 8 - Valuation Analysis for Comparable Transactions

Source: Bloomberg, company filings, offer documents and circulars to shareholders in relation to the respective transactions and DTCF's computation, as the case may be.

Notes:

(1) Based on normalised LTM EBITDA and LTM NPAT for last twelve-month period prior to each transaction's announcement date. LTM EBITDA has been adjusted for non-operating, nonrecurring and extra ordinary items. LTM NPAT has been adjusted for non-operating, nonrecurring and extra ordinary 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 October 2011.

(3) Based on cash position, debt, net earnings and EBITDA for the 12 month period ended 30 September 2012, as provided by the Company.

(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 LTM EBITDA and LTM NPAT for the latest full financial year as of the transaction's announcement date being 30 March 2007. LTM EBITDA has been adjusted for non-operating, nonrecurring and extra ordinary items. LTM NPAT has been adjusted for non-operating, nonrecurring and extra ordinary items; corporate tax rates have been applied to these adjustments.

(8) Implied Equity Value for CSAM is based on the revised offer of RM3.90 per share.

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

a. The LTM EV/EBITDA implied by the Offer Price is lower than both the median and average of the Comparable Transactions of 6.9x and 7.8x, respectively, but within the range; and

b. The LTM P/E implied by the Offer Price is lower than both the median and average of those of the Comparable Transactions of 14.1x and 14.8x, respectively, but within the range.

The key observations above illustrate that the Offer Price is not compelling, as the LTM EV/EBITDA and LTM P/E implied by the Offer Price are towards the lower end of the range of multiples implied by the Comparable Transactions. Please note that this comparison is for illustration purposes only and our opinion in paragraph 7 is based on the factors listed in paragraph 6 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.

6.9. Comparison of the Offer Price with the Scheme Consideration

We have made the below comparison of the financial assessment of the Offer Price and the consideration offered by STEL in the Scheme (the "**Scheme Consideration**"):

	Scheme Consideration (A)	**Offer Price (B)**	**Difference (absolute) (C)[1]**	**Difference (%) (D)[2]**
Latest Practicable Date	11 Jun 2012	10 Dec 2012	NA	NA
Price per Share	S$0.45	S$0.49	S$0.04	8.9%
Premium/ (Discount) trailing 1 month VWAP	6.20%[3]	(6.60)%[4]	-12.80%	-206.5%
Premium/ (Discount) trailing 3 month VWAP	12.20%[5]	1.70%[6]	-10.50%	-86.1%
LTM EBITDA	S$26.2 million[7]	S$32.6 million[8]	S$6.4 million	24.4%
LTM NPAT	S$19.3 million[9]	S$25.3 million[10]	S$6.0 million	31.1%
LTM EV/EBITDA	3.9x[11]	4.2x[11]	0.3x	7.7%
LTM P/E	8.4x[12]	7.0x[12]	-1.4x	-16.7%

Table 9 – Comparison of financial assessment of the Offer Price and the Scheme Consideration

Source: Bloomberg, offer document, scheme document and company information and DTCF's computation, as the case may be.

Notes:

(1) (B) minus (A).

(2) (C) divided by (A).

(3) Premium of Scheme Consideration to the 1 month VWAP of the Shares before the Scheme Holding Announcement Date.

(4) Discount of Offer Price to the 1 month VWAP of the Shares before the Offer Announcement Date.

(5) Premium of Scheme Consideration to the 3 month VWAP of the Shares before the Scheme Holding Announcement Date.

(6) Premium of Offer Price to the 3 month VWAP of the Shares before the Offer Announcement Date.

(7) LTM EBITDA has been adjusted for non-operating, nonrecurring and extra ordinary items for the period from 1 April 2011 to 31 March 2012. The LTM EBITDA are calculated on the basis that the Restructuring had been completed on 1 April 2011.

(8) LTM EBITDA has been adjusted for non-operating, nonrecurring and extra ordinary items for the period from 1 October 2011 to 30 September 2012. The LTM EBITDA are calculated on the basis that the Restructuring had been completed on 1 October 2011.

(9) LTM NPAT has been adjusted for non-operating, non-recurring and extra-ordinary items for the period from 1 April 2011 to 31 March 2012; corporate tax rates have been applied to these adjustments. The LTM NPAT are calculated on the basis that the Restructuring had been completed on 1 April 2011.

(10) LTM NPAT has been adjusted for non-operating, nonrecurring and extra ordinary items for the period from 1 October 2011 to 30 September 2012; corporate tax rates have been applied to these adjustments. The LTM NPAT are calculated on the basis that the Restructuring had been completed on 1 October 2011.

(11) Computed as the ratio of EV to normalised LTM EBITDA, where EV is calculated as equity value + net debt + minority interest.

(12) Computed as the ratio of market capitalisation to normalised LTM NPAT.

We note that the Offer Price is higher than the Scheme Consideration by S$0.04 per share (or 8.9%). We note also that:

a. The Offer Price implies a discount of 6.60% to the 1 month VWAP of the Shares prior to the Offer Announcement Date whereas the Scheme Consideration was at a premium of 6.20% for the equivalent period prior to the Scheme Holding Announcement Date.

b. The Offer Price implies a small premium of 1.70% to the 3 month VWAP of the Shares prior to the Offer Announcement Date whereas the Scheme Consideration was at a premium of 12.20% to the equivalent period prior to the Scheme Holding Announcement Date.

c. The LTM EBITDA (that is, for the LTM to 30 September 2012) for the financial assessment of the Offer Price was S$32.6 million whereas the LTM EBITDA (that is, for the LTM to 31 March 2012) for the financial assessment of the Scheme Consideration was S$26.2 million, an increase of S$6.4 million (or 24.4%).

d. The LTM NPAT (that is, for the LTM to 30 September 2012) for the financial assessment of the Offer Price was S$25.3 million whereas the LTM NPAT (that is, for the LTM to 31 March 2012) for the financial assessment of the Scheme Consideration was S$19.3 million, an increase of S$6.0 million (or 31.1%).

e. The LTM EV/EBITDA implied by the Offer Price is 4.2x, whereas the LTM EV/EBITDA implied by the Scheme Consideration was 3.9x (that is, an improvement of 7.7%).

f. The LTM P/E implied by the Offer Price is 7.0x, whereas the LTM P/E implied by the Scheme Consideration was 8.4x (that is, a reduction of 16.7%).

On 6 July 2012, requisite majority required to vote in favour of the Scheme under the Companies Act was not obtained at the Scheme Meeting and as such, the Company did not proceed with the Scheme.

We also note that between the Scheme Meeting Date and the Offer Announcement Date, the Company declared and paid dividends of S$0.04 per Share and this has reduced the Company's cash balance by S$14.5 million.

6.10. Other considerations

6.10.1. No Intention to Revise the Offer Price or extend the Offer

The Offeror has stated that it does not intend to revise the Offer Price or extend the Offer beyond 5:30 p.m. on 8 January 2013.

6.10.2. Unconditional Offer

The Offer is unconditional in all respects.

6.10.3. Compulsory Acquisition and Listing Status

The Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total issued Shares (excluding any Shares held by the Company as treasury shares) are held in public hands.

In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

6.10.4. The Northstar Group and its intentions for the Company

The Offer Document describes the Northstar Group, *inter alia*, as follows "…The Northstar Group has a solid track record of actively growing the businesses of its investee companies.".

In addition, the Offeror has stated in the Offer Document, inter alia, the following intentions "…It is currently the intention of the Offeror to ensure continuity in the operations of the Group and to steer the Group to further growth and development… The Offeror nonetheless intends to be a long term investor in the Group and does not intend to divest, sell or dispose of the Shares which it acquires pursuant to the Acquisition in the six (6) months following the close or lapse of the Offer…."

6.10.5. Dividend policies going forward

The Offeror has not stated dividend polices for Nera going forward. As such, Shareholders should be aware that going forward dividend policies and payments may vary from historical norms.

6.10.6. Absence of Competing Offers

We understand from the Company that from the Offer Announcement date up to the Latest Practicable Date, no competing offer has been forthcoming. As the Offeror now has a controlling interest in the Company and the Offer is unconditional, it is unlikely that a competing offer will be forthcoming.

7. CONCLUSION

In arriving at our advice in respect of the financial terms of the Offer, 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 took place over a lengthy period of time and Eltek solicited interest from a wide range of strategic and financial investors. The Offer represents the highest firm price offered by parties expressing interest through the Sale Process.

b. Our analysis of the liquidity of the Shares indicates that the historical market price of the Shares provides a meaningful reference point for comparison with the Offer.

c. The Shares have traded at or marginally higher than the Offer Price from the Offer Announcement Date to the Latest Practicable Date.

d. The Offer Price represents a 6.6% discount to 1 month VWAP and a 1.7% premium to the 3 month VWAP. This compares unfavourably to the average and median premium of 35.5% and 31.1% for 1 month VWAP and 39.7% and 36.4% for 3 month VWAP respectively for takeovers in the last two year period preceding the Offer Announcement Date up to the Latest Practicable Date where the acquirer stated its intention to privatise the target.

e. We note that the market price of the Shares has traded up in the year prior to the Scheme Holding Announcement Date and that the market price of the Shares outperformed the benchmark indices (being FSSTI, FSTTG and FSTTC). It is possible that the Sale Process is in part responsible for this rise and outperformance.

f. The LTM EV/EBITDA of 4.2x and LTM P/E of 7.0x implied by the Offer Price are lower than the minimum of those of the Comparable Companies and significantly below the average and median EV/EBITDA and P/E of the Comparable Companies. We note that the Comparable Companies are not under offer and that the financial ratios of the Company are in general more favourable than those of the Comparable Companies.

g. The LTM EV/EBITDA of 4.2x and LTM P/E of 7.0x implied by the Offer Price are significantly below the median and average of those of the Comparable Transactions.

h. The Offer Price is S$0.04 (or 8.9%) higher than the Scheme Consideration offered by STEL. However, we note that the financial performance of the Company has improved by a greater proportion in the intervening period. We note also that the premium that the Offer Price represents over the 3 month VWAP for the Shares is lower than that implied by the Scheme Consideration over an equivalent period prior to the Scheme Holding Announcement Date.

i. The Offeror has stated that it does not intend to revise the Offer Price or extend the Offer beyond 5:30 p.m. on 8 January 2013.

j. The Offer is unconditional in all respects.

k. The Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total issued Shares (excluding any Shares held by the Company as treasury shares) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

l. The Offer Document describes the Northstar Group, *inter alia*, as follows "…The Northstar Group has a solid track record of actively growing the businesses of its investee companies.". In addition, the Offeror has stated in the Offer Document, *inter alia*, the following intentions "*…It is currently the intention of the Offeror to ensure continuity in the operations of the Group and to steer the Group to further growth and development… The Offeror nonetheless intends to be a long term investor in the Group and does not intend to divest, sell or dispose of the Shares which it acquires pursuant to the Acquisition in the six (6) months following the close or lapse of the Offer….*"

m. With the entrance of a new controlling shareholder, Shareholders should be aware that dividend policies and payments going forward may vary from historical norms.

n. The Company has not received any competing offer(s) as at the Latest Practicable Date.

Having considered the factors listed in paragraph 6 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 Offer is **fair but not compelling**. Accordingly, we advise the Independent Directors that they should recommend that the Shareholders **REJECT** the Offer.

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 Offer.

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.

Shareholders should note that the trading of the Shares is subject to, inter alia, the performance and prospects of the Group, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, our advice on the Offer does not and cannot take into account future trading activities or patterns or price levels that may be established for the Shares after the Latest Practicable Date since these are governed by factors beyond the ambit of our review and also, such advice, if given, would not fall within our terms of reference in connection with the Offer.

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

Our recommendations may not be used and/or relied on by any other person for any purpose at any time and in any manner except with our prior written consent in each specific case. Our recommendations are governed by the laws of Singapore, and are 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 2
GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Description
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
Pål Skistad	Rodhetteveien 8, 3042 Drammen, Norway	Independent, Non-executive Director
Erik Thorsen	Pareliusveien 38, 1177 Oslo, Norway	Independent, Non-executive Director

2. PRINCIPAL ACTIVITIES

The Company is incorporated in the Republic of Singapore and listed on the Main Board 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, the 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 Issued Capital

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

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

The Company has not issued any Shares since the end of FY 2011.

There is no restriction in the Memorandum and Articles of Association of the Company on the right to transfer any Shares, which has the effect of requiring the Shareholders, before transferring them, to offer them for purchase to members of the Company or to any other person.

3.2 Rights in Respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles of Association of the Company. For ease of reference, selected texts of the Articles of Association of the Company relating to the same have been extracted and reproduced in **Appendix 6** to this Circular.

4. COMPANY CONVERTIBLE SECURITIES

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

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Shares and Offeror Convertible Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or indirect interests in Offeror Shares or Offeror Convertible Securities.

5.2 Dealings in Offeror Shares and Offeror Convertible Securities by the Company

Neither the Company nor its subsidiaries have dealt in Offeror Shares or Offeror Convertible Securities during the period commencing six (6) months prior to 20 November 2012, being the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of the Directors in Offeror Shares and Offeror Convertible Securities

As at the Latest Practicable Date, none of the Directors have any direct or indirect interests in Offeror Shares or Offeror Convertible Securities.

5.4 Dealings in Offeror Shares and Offeror Convertible Securities by the Directors

None of the Directors have dealt in Offeror Shares or Offeror Convertible Securities during the period commencing six (6) months prior to 20 November 2012 being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.5 Interests of the Directors in Shares and Company Convertible Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors have an interest, direct or indirect, in the Shares or Company Convertible Securities.

	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
Name	**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 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.

5.6 Dealings in Shares and Company Convertible Securities by the Directors

As at the Latest Practicable Date, none of the Directors have dealt in the Shares or Company Convertible Securities during the period commencing six (6) months prior to 20 November 2012, being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.7 Interests of the IFA in Shares and Company Convertible Securities

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

5.8 Dealings in Shares and Company Convertible Securities by the IFA

None of Deloitte, its related corporations or funds whose investments are managed by Deloitte or its related corporations on a discretionary basis, have dealt for value in the Shares or Company Convertible Securities during the period commencing six (6) months prior to 20 November 2012, being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.9 Accepting or Rejecting the Offer

Each of the Directors who directly holds Shares in the Company, being Mr. Ang, Lau Ping Sum and Sitoh Yih Pin, intends to reject the Offer in respect of each of their shareholdings as set out against their names in **Paragraph 5.5** of this **Appendix 2** above.

6. OTHER DISCLOSURES

6.1 Directors' Service Contracts

Mr. Ang had 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 profit before tax, 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 (i) 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 (ii) 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 Offer Announcement Date and the Latest Practicable Date.

6.2 No Payment or Benefit to Directors

As at the Latest Practicable Date, it is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer.

6.3 No Agreement Conditional upon Outcome of the Offer

Mr. Ang is an Executive Director, President and CEO of the Company. The Company has been informed that Mr. Ang had entered into an incentive agreement dated 25 October 2012 with Eltek, whereby Eltek had agreed to pay to Mr. Ang an incentive of S$2 million upon completion of Eltek's divestment of their Shares. Eltek announced the completion of its divestment of their Shares on 23 November 2012.

The Company has also been informed that incentive agreements dated 25 October 2012 were also entered into by Eltek with certain other key employees of the Company. The terms of these incentive agreements provide that the key employees will be entitled to a total cash consideration of S$0.8 million upon satisfaction of certain conditions.

For the avoidance of doubt, none of the incentive agreements entered into by Mr. Ang and/or the key employees with Eltek are conditional upon the outcome of the Offer.

Save as disclosed in this Circular, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.

6.4 Material Contracts entered into by the Offeror

As at the Latest Practicable Date, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

7. FINANCIAL INFORMATION OF THE GROUP

A summary of the financial information of the Group for FY 2009, FY 2010, FY 2011 and the third quarter ended 30 September 2012 ("**3Q 2012**") (based on the audited consolidated financial statements for each of FY 2009, FY 2010 and FY 2011, and the unaudited financial statements for 3Q 2012) is set out below.

A summary of the financial information of the Group as set out in this **Paragraph 7** is extracted from, and should be read together with, the audited consolidated financial statements (or unaudited financial statements, as the case may be) of the Group 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.

(i) Consolidated Income Statements

	Audited FY 2009 S$'000	**Audited FY 2010 S$'000**	**Audited FY 2011 S$'000**	**Unaudited 3Q 2012 S$'000**
Revenue	171,741	155,811	156,238	133,465
Exceptional items	–	–	–	–
Net profit before tax	13,183	14,640	16,226	18,878
Net profit after tax	10,668	10,912	13,505	15,526
Minority interests	–	–	–	–
Net Earnings per Share	**(cents)**	**(cents)**	**(cents)**	**(cents)**
Basic[(1)]	2.95	3.02	3.73	4.29
Diluted[(1)]	2.95	3.02	3.73	4.29
	(cents)	**(cents)**	**(cents)**	**(cents)**
Net dividends per Share	3 cents	4 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.

(ii) Consolidated Balance Sheets

	Audited FY 2009 S$'000	Audited FY 2010 S$'000	Audited FY 2011 S$'000	Unaudited 3Q 2012 S$'000
Non-current assets				
Property, plant and equipment	7,785	6,793	7,788	7,644
Intangible asset	–	–	1,225	1,176
Investment in an associate	1,179	1,730	2,042	2,806
Financial lease receivable	–	–	321	151
Deferred tax assets	892	1,285	2,375	2,238
Total non-current assets	**9,856**	**9,808**	**13,751**	**14,015**
Current assets				
Stocks	3,779	3,100	3,245	2,034
Contract work-in-progress	20,677	21,750	20,541	20,297
Trade receivables	25,280	39,199	56,272	60,191
Financial lease receivable	–	–	288	244
Other receivables, deposits and prepayments	3,376	5,100	2,289	2,859
Amount due from associate				
- trade	21,676	4,467	503	542
- Non-trade	420	–	–	–
Amounts due from related companies (trade)	32	14	–	–
Cash and cash equivalents	29,401	39,991	46,535	37,436
Total current assets	**104,641**	**113,621**	**129,673**	**123,603**
Current liabilities				
Trade payables	30,508	37,302	54,047	46,701
Other payables and accruals	13,239	15,946	19,111	19,080
Amounts due to an associate (non-trade)	–	–	24	750
Amounts due to related companies (trade)	1,958	688	–	15
Provision for taxation	2,032	2,182	3,027	3,444
Provision for warranty	4,415	4,985	5,934	5,320
Obligations under finance leases	25	27	28	14
Total current liabilities	**52,177**	**61,130**	**82,171**	**75,324**
Net current assets	**52,464**	**52,491**	**47,502**	**48,279**
Non-current liabilities				
Obligations under finance leases	(62)	(36)	(7)	–
Net assets	**62,258**	**62,263**	**61,246**	**62,294**
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	34,878
Translation reserve	(2,395)	(2,445)	(2,491)	(2,493)
Total equity	**62,258**	**62,263**	**61,246**	**62,294**

8. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in the audited consolidated financial statements of the Group for FY 2011, the unaudited financial statements of the Group for 3Q 2012, and any other information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there have been no material changes to the financial position of the Company since 31 December 2011, being the date of the last audited accounts of the Company laid before the Shareholders in general meeting.

9. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Group which are disclosed in Note 2 of the audited consolidated financial statements of the Group for FY 2011 are reproduced in **Appendix 4** to this Circular.

10. CHANGES IN ACCOUNTING POLICIES

There is no change in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

11. MATERIAL CONTRACTS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have entered into any material contracts with interested persons (other than those entered into in the ordinary course of business) during the period commencing three years before 20 November 2012, being the Offer Announcement Date, and ending on the Latest Practicable Date.

12. MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries are engaged in any material litigation as plaintiff or defendant which might materially and adversely affect the financial position of the Group as a whole. The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

13. GENERAL

13.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

13.2 Consent of EY

EY has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the auditor's report relating to the audited consolidated financial statements of the Group for FY 2011 which is set out in **Appendix 4** to this Circular, and all references to its name in the form and context in which they appear in this Circular.

13.3 Consent of Deloitte

Deloitte has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter which is set out in **Appendix 1** to this Circular and all references to its name in the form and context in which they appear in this Circular.

13.4 Consent of the Share Registrar

Boardroom has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all the references to its name in the form and context in which they appear in this Circular.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, during normal business hours until the Closing Date:

(i) the Memorandum and Articles of Association of the Company;

(ii) the annual reports of the Company for FY 2009, FY 2010 and FY 2011;

(iii) the unaudited financial statements of the Group for 3Q 2012;

(iv) the IFA Letter; and

(v) the letters of consent referred to in **Paragraph 13** above.

APPENDIX 3
INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from **Appendix I** to the Offer Document and set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"1. __DIRECTORS__

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

Name	***Address***	***Description***
Mr. Sugito Walujo	*Jl. Besuki No. 18 RT 003 RW005 Menteng Jakarta Pusat Indonesia*	*Director*
Mr. Glenn Timothy Sugita	*Jl. Sekolah Duta V/50 RT003/14 Pondok Indah-Pondok Pinang Kebayoran Lama 12310 Jakarta Indonesia*	*Director*
Mr. Ashish Jaiprakash Shastry	*33 Robin Road #11-02 Singapore 258208*	*Director*
Mr. Tan Choon Hong	*94 Lorong H Telok Kurau Singapore 426112*	*Director*

2. __PRINCIPAL ACTIVITIES AND SHARE CAPITAL__

The principal activity of the Offeror is that of an investment holding company. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US$0.01 consisting of one (1) ordinary share.

3. __REGISTERED OFFICE__

The registered office of the Offeror is 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands.

4. __SUMMARY OF FINANCIAL INFORMATION__

As the Offeror was recently incorporated on 30 October 2012, no audited financial statements of the Offeror have been prepared since the date of its incorporation. As no audited financial statements of the Offeror have been prepared to date, there are no significant accounting policies to be noted.

5. __MATERIAL CHANGES IN FINANCIAL POSITION__

As at the Latest Practicable Date, save for making and financing the Offer, there has been no known material changes in the financial position of the Offeror since the date of its incorporation."

APPENDIX 4
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY 2011

The audited consolidated financial statements of the Group for FY 2011 which is set out below has been reproduced from the annual report of the Company for FY 2011, and was not specifically prepared for inclusion in this Circular.

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

BALANCE SHEETS

as at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 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.

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.

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
Contributions by and distributions to owners				
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
Contributions by and distributions to owners				
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
Contributions by and distributions to owners				
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
Contributions by and distributions to owners				
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.

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.

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 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	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.

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

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').

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.

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.

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.

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.

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.

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.

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

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

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.

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 (ß)	Dormant	Singapore	100	100	^	^
Nera Networks (S) Pte Ltd (ß)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communication and information technology networks	Singapore	100	–	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

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 Telecom-munications (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 Telecom-munications (Australia) Pty Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589

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	–	–	–

5. Investment in subsidiaries (cont'd)

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

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

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

(^) Amounts less than $1,000.

(**) No requirement for statutory audit.

(***) 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

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.

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

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

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

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

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

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 $'000		2010 $'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 $'000	2010 $'000	2011 '000	2010 '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.

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

22. Administrative and other operating expenses

Administrative and other operating expenses include :

	Group 2011 $'000	Group 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	Group 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	Group 2010 $'000
Interest income from :-		
Bank deposits	146	56
An associate	46	551
Others	31	–
	223	607

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

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).

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

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 Granted	Exercised	Forfeited	Number of options outstanding at 31.12.2011	Exercisable period
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	

30. Employee share option scheme (cont'd)

2010 Category	Exercise price $	Number of options outstanding at 1.1.2010(1)	During the year Granted	Exercised	Forfeited	Number of options outstanding at 31.12.2010	Exercisable period
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

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

33. Related party disclosures (cont'd)

(b) ***Compensation of key management personnel***

	Group	
	2011 **$'000**	**2010** **$'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.

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

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

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.

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)

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

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

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

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

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

	Group		Company	
% of total	**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

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

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 :-

2011	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	11,497	–	–	–	–	–	11,497
Fixed rate							
Fixed deposits	35,038	–	–	–	–	–	35,038
Finance lease receivable	288	321	–	–	–	–	609
Obligations under finance leases	(28)	(7)	–	–	–	–	(35)
Company							
Floating rate							
Cash and bank balances	4,821	–	–	–	–	–	4,821
Fixed rate							
Fixed deposits	35,000	–	–	–	–	–	35,000

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					
	2011 S$'000			2010 S$'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	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.

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 $'000	**2010 $'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.

The unaudited financial statements of the Group for 3Q 2012 which is set out below has been extracted from the announcement by the Company on 18 October 2012, and was not specifically prepared for inclusion in this Circular.

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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.

		Group 3rd Quarter				Group Period ended 30 September		
	Note	2012 S$'000	2011 S$'000	Increase/ (Decrease) %		2012 S$'000	2011 S$'000	Increase/ (Decrease) %
Turnover		**48,195**	**36,596**	**31.7**		**133,465**	**108,309**	**23.2**
Cost of sales		(33,903)	(25,917)	30.8		(91,608)	(78,139)	17.2
Gross profit		**14,292**	**10,679**	**33.8**		**41,857**	**30,170**	**38.7**
Other operating income		727	790	(8.0)		2,787	4,487	(37.9)
Distribution and selling expenses		(5,836)	(6,251)	(6.6)		(17,622)	(18,584)	(5.2)
Administrative expenses		(2,277)	(2,042)	11.5		(7,534)	(5,989)	25.8
Other operating expenses		(385)	191	(301.6)		(1,153)	(793)	45.4
Profit from operations		**6,521**	**3,367**	**93.7**		**18,335**	**9,291**	**97.3**
Financial expenses		(176)	(95)	85.3		(277)	(236)	17.4
Financial income		39	59	(33.9)		124	179	(30.7)
Profit after financial items		**6,384**	**3,331**	91.7		**18,182**	**9,234**	96.9
Share of results of an associate		216	140	54.3		696	290	140.0
Profit before taxation		**6,600**	**3,471**	**90.1**		**18,878**	**9,524**	**98.2**
Taxation		(910)	(814)	11.8		(3,352)	(2,071)	61.9
Profit after taxation		**5,690**	**2,657**	**114.2**		**15,526**	**7,453**	**108.3**
Other comprehensive income / (expense) :								
Foreign currency translation of financial statements of foreign operations		**(273)**	**44**	N.M		**(2)**	**(98)**	N.M.
Total comprehensive income for the period		**5,417**	**2,701**	**100.6**		**15,524**	**7,355**	**111.1**

		Group 3rd Quarter				Group Period ended 30 September		
		2012	2011	Increase / (Decrease)		2012	2011	Increase / (Decrease)
		S$'000	S$'000	%		S$'000	S$'000	%
Profit for the period is arrived at after crediting / (charging) the following :								
Adjustments for (under) / over provision of tax in respect of prior years		(8)	-	100.0		42	(24)	N.M.
Amortisation of intangible asset		(17)	(16)	6.3		(49)	(48)	2.1
Depreciation	(1)	(756)	(984)	(23.2)		(2,530)	(2,441)	3.6
Foreign exchange loss		(372)	216	(272.2)		(1,105)	(159)	595.0
Interest expense		-	(1)	(100.0)		(2)	(3)	(33.3)
Interest income	(2)	39	59	(33.9)		124	179	(30.7)
Net gain / (loss) on disposal / wrtie-off of property, plant and equipment		7	1	600.0		4	2	N.M.
Writeback / (Allowance) for doubtful debts		38	(56)	N.M.		156	(59)	N.M.
Writeback / (Allowance) for stock obsolesence		15	(4)	N.M.		32	(20)	N.M.
Provision for warranty		(394)	(498)	(20.9)		(563)	(1,041)	(45.9)
Gross profit as a percentage of turnover		29.7%	29.2%	0.5		31.4%	27.9%	3.5
Profit for the period as a percentage of turnover		11.8%	7.3%	4.5		11.6%	6.9%	4.7
<u>Other information</u>								
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period		9.1%	4.8%	4.3		24.9%	13.5%	11.4

N.M. Not meaningful

<u>Notes</u> :

(1) The lower depreciation for the quarter resulted from lesser depreciable assets in the quarter. However, depreciation for nine months of 2012 were higher than the corresponding period mainly due higher depreciation for motor vehicles.

(2) The lower interest income for the quarter and nine months of 2012 as compared to the corresponding periods were mainly because there was no interest income from the associate in 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 30/9/2012 S$'000	Group 31/12/2011 S$'000	Company 30/9/2012 S$'000	Company 31/12/2011 S$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	34,878	33,828	23,944	28,118
Translation reserve	(2,493)	(2,491)	-	-
	62,294	61,246	53,853	58,027
Non current assets				
Property, plant and equipment	7,644	7,788	3,241	3,966
Intangible asset	1,176	1,225	1,176	1,225
Investment in subsidiaries	-	-	4,602	4,602
Investment in an associate	2,806	2,042	199	199
Finance lease receivable	151	321	-	-
Deferred tax assets	2,238	2,375	377	427
	14,015	13,751	9,595	10,419
Current assets				
Stocks	2,034	3,245	584	1,799
Contract work-in-progress	20,297	20,541	8,614	12,295
Trade receivables	60,191	56,272	31,731	27,408
Finance lease receivable	244	288	-	-
Other receivables, deposits and prepayments	2,859	2,289	621	1,099
Due from subsidiaries (trade)	-	-	17,119	11,616
Due from subsidiaries (non-trade)	-	-	3,434	325
Due from an associate (trade)	542	503	542	503
Cash and cash equivalents	37,436	46,535	31,643	39,821
Total current assets	123,603	129,673	94,288	94,866
Current liabilities				
Trade payables	46,701	54,047	31,313	30,384
Other payables and accruals	19,080	19,111	13,255	11,868
Due to subsidiaries (non-trade)	-	-	387	402
Due to related company	15	-	15	-
Due to an associate (non-trade)	750	24	-	-
Provision for taxation	3,444	3,027	2,677	2,156
Provision for warranty	5,320	5,934	2,383	2,448
Obligations under finance leases	14	28	-	-
Total current liabilities	75,324	82,171	50,030	47,258
Net current assets	48,279	47,502	44,258	47,608
Non current liabilities				
Obligations under finance leases	-	(7)	-	-
Net Assets	62,294	61,246	53,853	58,027

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/9/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
14	-	28	-

Amount repayable after one year

As at 30/6/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	7	-

Details of any collateral

Hire purchase obligations of S$14,000 are secured on three motor vehicles.

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 3rd Quarter		Group Period ended 30 Sept	
	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000
Cash flows from operating activities				
Profit before taxation	6,600	3,471	18,878	9,524
Adjustments for :				
Amortisation of intangible asset	17	16	49	48
Depreciation of property, plant and equipment	756	984	2,530	2,441
Interest expense	-	1	2	3
Interest income	(39)	(59)	(124)	(179)
Net (gain) / loss on disposal / write-off of property, plant and equipment	(7)	(1)	(4)	(2)
(Writeback) / Allowance for doubtful debts	(38)	4	(156)	20
(Writeback) / Allowance for stock obsolescence	(15)	56	(32)	59
Provision for warranty	394	498	563	1,041
Share of results of an associate	(216)	(140)	(696)	(290)
Operating profit before working capital changes	7,452	4,830	21,010	12,665
Decrease / (increase) in :				
Stocks	146	(397)	1,250	366
Contract work-in-progress	(950)	2,484	244	(1,974)
Trade receivables	(7,508)	3,217	(3,760)	3,394
Finance lease receivables	57	-	214	-
Other receivables, deposits and prepayments	(191)	400	(570)	2,202
Changes in related companies and associate balances	(113)	(510)	702	3,393
(Decrease) / increase in :				
Trade payables	75	(2,159)	(7,346)	6,229
Other payables and accruals	955	1,191	(311)	2,995
Provision for warranty	(259)	(187)	(1,021)	(448)
Cash flows (used in) / from operations	(336)	8,869	10,412	28,822
Interest paid	-	(1)	(2)	(3)
Income taxes paid	(963)	(1,271)	(2,923)	(2,477)
Net cash flows (used in) / from operating activities	(1,299)	7,597	7,487	26,342
Cash flows from investing activities				
Proceeds from disposal of fixed assets	28	8	61	33
Purchase of fixed assets	(937)	(1,807)	(2,243)	(2,811)
Purchase of intangible asset	-	-	-	(1,289)
Interest received	39	59	124	179
Net cash flows used in investing activities	(870)	(1,740)	(2,058)	(3,888)
Cash flows from financing activities				
Dividend paid to shareholders	(14,476)	-	(14,476)	(14,476)
Repayment of obligations under finance leases	(7)	(5)	(21)	(21)
Net cash flows used in financing activities	(14,483)	(5)	(14,497)	(14,497)
Net (decrease) / increase in cash and cash equivalents	(16,652)	5,852	(9,068)	7,957
Effect of exchange rate changes	(246)	(40)	(31)	(56)
Cash and cash equivalents at beginning of the period	54,334	42,080	46,535	39,991
Cash and cash equivalents at end of the period	37,436	47,892	37,436	47,892

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 3rd Quarter ended 30 September	Share Capital S$'000	Revenue Reserve S$'000	Translation Reserve S$'000	Total S$'000
Group				
Balance as at 1.7.2012	29,909	43,664	(2,220)	**71,353**
Total comprehensive income for the period	-	5,690	(273)	5,417
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2012	29,909	34,878	(2,493)	**62,294**
Balance as at 1.7.2011	29,909	25,119	(2,587)	**52,441**
Total comprehensive income for the period	-	2,657	44	2,701
Balance as at 30.9.2011	29,909	27,776	(2,543)	**55,142**
Company				
Balance as at 1.7.2012	29,909	33,812	-	**63,721**
Total comprehensive income for the period	-	4,608	-	4,608
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2012	29,909	23,944	-	**53,853**
Balance as at 1.7.2011	29,909	18,937	-	**48,846**
Total comprehensive income for the period	-	3,758	-	3,758
Balance as at 30.9.2011	29,909	22,695	-	**52,604**

For Period ended 30 September	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	-	15,526	(2)	15,524
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2012	29,909	34,878	(2,493)	**62,294**
Balance as at 1.1.2011	29,909	34,799	(2,445)	**62,263**
Total comprehensive income for the period	-	7,453	(98)	7,355
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2011	29,909	27,776	(2,543)	**55,142**
Company				
Balance as at 1.1.2012	29,909	28,118	-	**58,027**
Total comprehensive income for the period	-	10,302	-	10,302
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2012	29,909	23,944	-	**53,853**
Balance as at 1.1.2011	29,909	28,281	-	**58,190**
Total comprehensive income for the period	-	8,890	-	8,890
Dividend paid	-	(14,476)	-	(14,476)
Balance as at 30.9.2011	29,909	22,695	-	**52,604**

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 30 June 2012. The share options granted under the Employees' Share Option Scheme 2002 expired on 28 February 2012. As at 30 September 2012, there was no share options granted (30 September 2011 : 942,000 share options @ S$0.625). There was no treasury share in issue as at the end of the current financial period (30 September 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.

There was no treasury share in issue as at the end of the current financial period (30 September 2011 : nil).

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 third quarter financial statements for the period ended 30 September 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 or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

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.

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 3rd Quarter		Group Period ended 30 Sept	
	2012	2011	2012	2011
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic earnings per share	1.57	0.73	4.29	2.06
(ii) fully diluted earnings per share	1.57	0.73	4.29	2.06

Basic earnings per ordinary share for the financial period ended 30 September 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 30 September 2012 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) 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	
	30/9/2012 (cents)	31/12/2011 (cents)	30/9/2012 (cents)	31/12/2011 (cents)
Net Asset Value per ordinary share based on issued share capital	17.21	16.92	14.88	16.03

Net asset value per ordinary share as at 30 September 2012 and 31 December 2011 was calculated based on the number of shares in issue of 361,897,000 ordinary shares.

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

On a Q on Q comparison, turnover in Q3 2012 increased 31.7% ($11.6 million) from $36.6 million to $48.2 million. Compared to nine months of 2011, turnover increased 23.2% ($25.2 million) from $108.3 million to $133.5 million.

The increase in turnover for the quarter and for the nine months resulted from higher turnover from both the Telecom and Infocomm business segments.

Telecommunications (Telecom)

On a Q on Q comparison, turnover in Q3 2012 increased 36.8% ($4.6 million) from $12.5 million to $17.1 million. Compared to nine months of 2011, turnover increased 42.3% ($14.1 million) from $33.3 million to $47.4 million.

The increase in turnover resulted from higher sales of microwave radio equipment in the Wireless Infrastructure Network business area. The new markets in Middle East and North Africa ('MENA') contributed revenue of $9.2 million for the quarter and $27.4 million for nine months of 2012, compared to $4.2 million revenue in Q3 2011 and $6.2 million for nine months of 2011. The increase was partially offset by lower sales of satellite terminals in the Satellite business area.

Infocomm

On a Q on Q comparison, turnover in Q3 2012 increased 29.0% ($7.0 million) from $24.1 million to $31.1 million. The increase was mainly due to higher sales of point-of-sales terminals and services in the Enterprise market sector, partially offset by lower sales of network equipment to the Service Provider market sector.

Compared to nine months of 2011, turnover for 2012 increased 14.7% ($11.0 million) from $75.0 million to $86.0 million. The resulted from higher sales of point-of-sales terminals and services in the Enterprise market sector and higher sales of network equipment to the Service Provider market sector.

(b) Gross Profit

On a Q on Q comparison, gross profit for Q3 2011 increased 33.8% from $10.7 million to $14.3 million. Gross margin % ("GM%") improved from 29.2% to 29.7%.

Compared to nine months of 2011, gross profit for 2012 increased 38.7% from $30.2 million to $41.9 million. GM% improved from 27.9% to 31.4%.

The improvement in gross profit and GM% from both the Telecom and Infocomm business segments can be attributed higher revenues, more competitive products and sales mix in product, project and services.

(c) Operating Expenses

On a Q on Q comparison, total operating expenses increased 4.9% from $8.1 million to $8.5 million. Compared to nine months of 2011, total operating expenses increased 3.5% from $25.4 million to $26.3 million.

Distribution and selling expenses decreased 6.6% ($0.4 million) for the quarter and 5.2% ($1.0 million) for nine months of 2012. The decrease was mainly due to lower payroll and operational costs of the MENA market resulting from lower headcount.

Administrative expenses increased 11.5% ($0.2 million) for the quarter and 25.8% ($1.5 million) for nine months of 2012. The increase for the quarter was mainly due to higher payroll and related costs. The increase for nine months of 2012 was mainly due to costs incurred of $0.8 million in relation to the Scheme of Arrangement announced on 10 February 2012, and expenses incurred for new subsidiaries in MENA ($0.7 million).

(d) <u>Profit Before Taxation ('PBT')</u>

On a Q to Q basis, PBT for Q3 2012 increased significantly by 90.1%. PBT as a percentage of turnover ("PBT %") improved from 9.5% to 13.7% for the quarter. Compared to nine months of 2011, PBT for 2012 increased significantly by 98.2%. PBT% improved from 8.8% to 14.1% for the nine months.

The improvement in PBT for the quarter and nine months was mainly due to higher turnover, improvement in the GM% and higher contribution from the associate, partially offset by lower other operating income due to lower accounts receivable collection fee in relation to an OEM agreement signed on 19 January 2011.

(e) <u>Cash flow</u>

For Q3 2012, there was a deficit in cashflow from operating activities mainly due to higher accounts receivable at the end of the quarter. For nine months of 2012, the Group was able to generate positive cashflows from operating activities. The decrease in cash and cash equivalents for the quarter and for nine months of 2012 was mainly due to an interim dividend payment on 3 August 2012.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no forecast previously disclosed to shareholders.

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 two main business areas : Wireless Infrastructure Network ('WIN') and Satellite Communications.

In the nine months of 2012, the Group's Telecom business segment secured $52.4 million in order in-take, an increase of 23.3% compared to $42.5 million in the nine months of 2011 as a result of point-to-point radio orders received from the MENA markets as well as orders for in-building coverage and wifi solutions from the AsiaPac markets.

There is strong competition in the Telecom industry with many equipment vendors aggressively engaging in trying to gain market share with various business models and special pricing to win key projects. Furthermore, the unclear spectrum, licencing and regulatory framework in some countries are causing some operators to take a more cautious approach in their investments.

Wireless Infrastructure Networks (WIN)
In the WIN business area, the Group believes that as mobile operators revised their mobile data pricing plan from a fixed price data plan to data capping pricing plan, operators will be able to generate additional revenues and part of these revenues will be used to increase network capacity, coverage and capabilities to provide better quality of experiences to their customers.

In order to meet mobile operators' demand for lower operating and capital expenditures for their 3G/LTE (Long Term Evolution) network rollout, the Group has expanded its product portfolio to provide end-to-end wireless infrastructure networks and solutions, covering from traditional point-to-point radios networks to include RAN (Radio Access Networks) such as in-building coverage solutions, wifi 3G data offload and performance networks.

In addition to the mobile markets, the Group will promote its suite of WIN products and solutions to the Defence, Broadcasting and Utilities market sectors.

Satellite Communications
The satellite business for land, mobile and handheld market remains highly competitive.

The Group will continue to offer its current range of Inmarsat land, marine and handheld satellite terminals, Thuraya as well as other satellite communication products, solutions and services to Satellite Operators, Broadcasters, Government, Oil / Gas / Maritime and Enterprises market sectors, and will continue to seek new products and business opportunities in other satellite market such as VSAT and DTH antenna systems.

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.

Competition in the Infocomm industry remains intense with many tiers of competitors, few large global players and many fragmented local resellers, distributors and system integrators offering various infocomm products, solutions and technology.

In the nine months of 2012, the Group's Infocomm business segment managed to secure $87.5 million in order intake, an increase of 18.6% compared to $73.8 million in the nine months of 2011.

In the Service Providers market sector, the Group believes that the consumer demand for capacity and higher speed broadband services, driven by more and more smart devices, will continue and telecom operators will have to expand their networks capacities and capabilities. The Group will continue to provide high performance IP, Optical and Broadcast, Security, Data Centres and Cloud network infrastructure product and solutions to the Service Provider market sector.

In the Enterprise market sector, the Group believes that demand for corporate IT infrastructure will be driven by corporate customers' need to upgrade, refresh or invest in new network infrastructure to address the security challenges and improve their overall competitiveness. The Group will provide enterprise-class network infrastructure products, solutions and services to help enterprises deploy cost effective network infrastructures to address their concerns on security, capacities, capabilities, service quality and competitiveness.

In the Enterprise's Banking, Finance and Retail market sector, the Group believes that point-of-sale ("POS") terminal penetration rate will continue to increase as a result of increased wages and in consumer spending in the region. The Group will continue to focus on providing end-to-end payment solutions and infrastructure, security and payment networks, and offer various business model such as sales and leasing of POS terminals and outsourcing alternatives to its customers.

In the Government, Transport and Utilities market sector, the Group believes that growth in IT spending for network infrastructure products and solutions are driven by government initiatives to lower costs, improve public services and achieve high security standard. The Group will focus on providing various network infrastructure, security solutions, integrated communication solutions, dedicated communication networks and payment solutions to customers in these sectors.

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 form 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.

There is no mandate obtained.

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary

18 October 2012

APPENDIX 6
SELECTED TEXTS OF THE COMPANY'S ARTICLES OF ASSOCIATION

The rights of Shareholders in respect of capital, dividends and voting as set out in the Company's Articles of Association are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings as ascribed 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 at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, during normal business hours until the Closing 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.

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;

(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 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.

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 thereby. 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;

(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.

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.

(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.