

NERA TELECOMMUNICATIONS LTD

(Incorporated in the Republic of Singapore)

(Company Registration No. 197802690R)

PROPOSED DISPOSAL OF SHARES IN NERA PAYMENT SOLUTIONS PTE. LTD.

1. INTRODUCTION

The Board of Directors of Nera Telecommunications Ltd (the “**Company**”) wishes to announce that the Company has today entered into a conditional share sale agreement (the “**Agreement**”) with Ingenico Group S.A. (the “**Purchaser**”) to sell two ordinary shares in the capital of Nera Payment Solutions Pte. Ltd. (“**Nera Payment Solutions**”), being all the issued shares in Nera Payment Solutions (the “**Shares**”) (the “**Proposed Disposal**”).

2. PRINCIPAL TERMS

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

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

(a) add to the Offer Price:

(i) all cash balances held by or on behalf of Nera Payment Solutions and its subsidiaries (the “**NPS Group Companies**”) at the close of business on:

a. if Closing occurs on or before the 15th day of a month, the last calendar day of the previous month; and

b. if Closing occurs after the 15th day of a month, the last calendar day of the same month,

(such date being the “**Closing Statement Preparation Date**”);

(ii) all liabilities or payables owed to a NPS Group Company by the Company and its subsidiaries (collectively, the “**NeraTel Group**”) (other than a NPS Group Company) at the close of business on the Closing Statement Preparation Date (“**Intra-Group Receivables**”); and

(iii) the aggregate net book value as at the Closing Statement Preparation Date of certain purchases made by the NPS Group Companies between 1 January 2016 and the date of Closing (“**Capex Adjustment**”);

(b) deduct from the Offer Price:

- (i) all outstanding debt owed by the NPS Group Companies to third parties at the close of business on the Closing Statement Preparation Date; and
- (ii) all liabilities or payables owed to the NeraTel Group (other than a NPS Group Company) by a NPS Group Company at the close of business on the Closing Statement Preparation Date ("**Intra-Group Payables**"); and
- (c) adjust for the difference between actual working capital of the NPS Group Companies as at the close of business on the Closing Statement Preparation Date and the base working capital of S\$5,735,000.

The Consideration is currently estimated to be approximately S\$71.5 million¹ and will be payable in cash on Closing, save for S\$10,000,000 of the Consideration which will be held in escrow for an escrow period of nine months to satisfy certain potential liabilities of the Company under the Agreement. The Consideration was arrived at on a willing buyer willing seller basis, after arms' length negotiations between the Company and the Purchaser, taking into account the book value of the NPS Group Companies.

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

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

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

3. INFORMATION ON NERA PAYMENT SOLUTIONS AND THE SHARES

3.1 Nera Payment Solutions. The payment solutions business of the NeraTel Group (the "**Payment Solutions Business**") is currently undertaken predominantly by the NPS Group Companies.² Accordingly, the effect of completion of the Proposed Disposal is that the Payment Solutions Business will be transferred to the Purchaser via the sale of the Shares. The Payment Solutions Business involves, among other things, the distribution of point-of-sales payment terminals (via sale or leasing), maintenance of point-of-sales payment terminals, provision of electronic

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

² Prior to and independent from the Proposed Disposal, a restructuring was undertaken (the "**Restructuring**") pursuant to which the Payment Solutions Business that was previously undertaken by Nera Telecommunications Ltd, Nera Infocom (M) Sdn Bhd, Nera (Philippines), Inc., Nera (Thailand) Limited and PT Nera Indonesia, each a subsidiary of the Company, was transferred to the NPS Group Companies.

payment solutions and other value added services such as signature capture, loyalty programs etc. for Banking, Financial Services and Retail industries.

Nera Payment Solutions has the following subsidiaries:

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

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

- 3.2 **Shares – Asset Value.** As at 31 December 2015, the book value of the Shares was approximately S\$2.00 and the net tangible asset (“**NTA**”) value of the Shares was approximately S\$12,926,083.³ There is no open market value in respect of the Shares as the Shares are not publicly traded.
- 3.3 **Shares – Premium to NTA.** The Consideration is expected to represent a premium of approximately 453.4% to the NTA of the Shares.⁴
- 3.4 **Shares – Net Profits.** The net profits before tax, minority interests and exceptional items attributable to the Shares is approximately S\$3,469,554.⁵
- 3.5 **Gain on Proposed Disposal.** The Company is expected to realise a gain of approximately S\$71.5 million from the disposal of the Shares.⁶

4. INFORMATION ON THE PURCHASER

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

³ The net tangible asset value of the Shares was approximated based on the unaudited pro forma consolidated profit and loss statement and the unaudited pro forma consolidated balance sheet of the NPS Group Companies for the 12-month period ending on 31 December 2015 reflecting the Restructuring (“**NPS Pro Forma Accounts**”) and may not reflect the net tangible asset value of the Shares as at the date of this announcement.

⁴ The net tangible asset value of the Shares was derived from the NPS Pro Forma Accounts.

⁵ This was derived from the NPS Pro Forma Accounts and may not reflect the net profits before tax, minority interests and exceptional items attributable to the Shares as at the date of this announcement.

⁶ Calculated based on the expected Consideration of S\$71.5 million (assuming a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in Paragraph 2.2, i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in Paragraph 2.2 is S\$16.5 million) less S\$2.00 of book value of the Shares.

5. RATIONALE FOR THE PROPOSED DISPOSAL

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

6. USE OF PROCEEDS

In the event the Proposed Disposal proceeds to Closing, the Company is expected to receive net proceeds of approximately S\$71.5 million.⁷ Subject to legal and contractual restrictions, a significant portion of the net proceeds from the Proposed Disposal is intended to be returned to Shareholders. The Company will make further announcements on any distribution at the appropriate time.

7. FINANCIAL EFFECTS

7.1 **Assumptions.** The pro forma financial effects of the Proposed Disposal on the net tangible assets (“NTA”) per share, the earnings per share, and the share capital of the Company are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the NeraTel Group after the Proposed Disposal. The pro forma financial effects have been prepared based on the NPS Pro Forma Accounts and the audited consolidated financial statements of the NeraTel Group for the financial year ended 31 December 2015 (“FY2015”), such financial year being the most recently completed financial year.

7.2 NTA – FY2015.

Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2015,⁸ being the end of FY2015, the effect on the NTA per share of the Company as at 31 December 2015 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	55,058	113,668 ⁹
NTA per share (Singapore cents)	15.2	31.4

⁷ Expected net proceeds of S\$71.5 million (assuming a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in Paragraph 2.2, i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in Paragraph 2.2 is S\$16.5 million) does not include net cash proceeds from the settlement of Intra-Group Receivables and Intra-Group Payables as described in Paragraph 2.2. Also assumes that the entire escrow amount of S\$10.0 million is not utilised and will be released and paid to the Company after the expiry of the nine month escrow period

⁸ Also assuming that the Restructuring had been completed on 31 December 2015

⁹ The net tangible asset after Proposed Disposal includes the expected net proceeds of S\$71.5 million

- 7.3 **Earnings – FY2015.** Purely for illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2015,¹⁰ being the beginning of FY2015, the pro forma financial effects on the earnings per share of the Company for FY2015 are as follows:

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

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

8. APPROVAL OF SHAREHOLDERS

- 8.1 **Rule 1006.** The relative figures in relation to the Proposed Disposal computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”) are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the Shares compared with the net asset value of the NeraTel Group ⁽¹⁾	(0.1)
(b)	Net profits attributable to the Shares compared with the NeraTel Group's net profits ⁽²⁾	(3.1)
(c)	The Consideration ⁽³⁾ compared with the market capitalisation ⁽⁴⁾ of the Company	28.3

¹⁰ Also assuming that the Restructuring had been completed on 1 January 2015

Notes:

- (1) The net asset value attributable to the Shares is derived from the latest announced unaudited consolidated financial statements of the NeraTel Group for the three months ended 31 March 2016 ("**NeraTel Group 1QFY2016 Results**"). The NeraTel Group 1QFY2016 Results do not reflect the pro forma effects of the Restructuring as the Restructuring was not completed as at 31 March 2016. The net asset value attributable to the Shares taking into account the pro forma effects of the Restructuring will be made available in the Circular (as defined in paragraph 8.3 below). The net asset value of the NeraTel Group is based on the NeraTel Group 1QFY2016 Results.
- (2) Net profits is defined as profit or loss before tax, minority interest and exceptional items. The net profits attributable to the Shares (based on the NeraTel Group 1QFY2016 Results) is approximately (S\$93,422). The NeraTel Group 1QFY2016 Results do not reflect the pro forma effects of the Restructuring as the Restructuring was not completed as at 31 March 2016. The net profit attributable to the Shares taking into account the pro forma effects of the Restructuring will be made available in the Circular. The NeraTel Group's net profits is based on the NeraTel 1QFY2016 Results and is approximately S\$3,015,179.
- (3) Assuming Consideration of S\$71.5 million based on a final downward adjustment of S\$16.5 million to the Offer Price in accordance with adjustments described in Paragraph 2.2 (i.e. that the final amount deducted from the Offer Price pursuant to the adjustments described in Paragraph 2.2 is S\$16.5 million) and that the entire escrow amount of S\$10.0 million is not utilised and will be released and paid to the Company after the expiry of the nine month escrow period.
- (4) The market capitalisation of the Company is based on a total number of 361,897,000 shares in issue (excluding treasury shares) as at 19 May 2016, at the volume-weighted average price of S\$0.6989 per share transacted on 19 May 2016.

- 8.2 **Rule 1014.** Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20 per cent., the transaction is classified as a "major transaction" and must be made conditional upon approval by the Shareholders in general meeting. As the relative figures for the Proposed Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual exceed 20 per cent., the Proposed Disposal is classified as a "major transaction" for the purposes of Chapter 10 of the Listing Manual and is subject to approval of the Shareholders in general meeting.
- 8.3 **EGM.** The Company intends to convene an EGM to seek approval of the Shareholders for the Proposed Disposal. A circular containing further information on the Proposed Disposal, together with a notice of the EGM ("**Circular**"), will be despatched to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.
- 8.4 **Irrevocable Undertaking from Asia Systems Ltd.** Asia Systems Ltd ("**ASL**") (an entity controlled by the Northstar Group) is currently the legal and beneficial owner of 193,173,439 shares in the Company (the "**ASL Stake**"), representing approximately 53.38 per cent. of all the shares in the capital of the Company. ASL has executed an irrevocable undertaking in favour of the Purchaser pursuant to which it has, *inter alia*, undertaken to vote the ASL Stake in favour of the resolution(s) to approve the Proposed Disposal at the EGM (or any adjournment thereof).

9. FURTHER INFORMATION

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

9.2 **Interests of Directors and Controlling Shareholders.** Mr. Ang Seong Kang Samuel is a director of the Company and each of the NPS Group Companies¹¹ and will be receiving an incentive payment of approximately S\$954,800¹² from the Company if the Shareholders approve the Proposed Disposal at the EGM and the Proposed Disposal is completed. To facilitate the transition of ownership of the Payment Solutions Business, Mr. Ang Seong Kang Samuel and Ingenico International (Singapore) Pte. Ltd., a subsidiary of the Purchaser, ("**Ingenico Singapore**") also entered into an advisory services agreement in respect of the provision of certain advisory services to Ingenico Singapore for a transitional period. Mr. Ang Seong Kang Samuel's aggregate fees under the advisory services agreement are approximately S\$270,000.

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

9.3 **Document for Inspection.** A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 109 Defu Lane 10 Singapore 539225 for a period of three months commencing from the date of this announcement.

10. FINANCIAL ADVISER

Rippledote Capital Advisers Pte. Ltd. acted as the financial adviser to the Company in connection with the Proposed Disposal.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary

20 May 2016

¹¹ Mr. Ang Seong Kang Samuel is a director of each of the NPS Group Companies apart from PT Nera Payment Solutions, of which he is a commissioner.

¹² The incentive payment to be received by Mr. Ang Seong Kang Samuel is based on a formula agreed with the Company. Mr. Ang Seong Kang Samuel will receive, as his incentive payment, the product of (i) 62% multiplied by (ii) the Offer Price multiplied by (iii) a variable incentive percentage (such percentage varying based on the Offer Price. In summary, the higher the Offer Price, the higher the variable incentive percentage). The figure of S\$954,800 is calculated based on the Offer Price of S\$88.0 million.