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

RESPONSE TO SGX QUERIES IN RELATION TO THE CHANGES IN COMPOSITION OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

The Board of Directors (the "**Board**") of Nera Telecommunications Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 25 October 2024 in relation to, *inter alia*, the changes in the composition of the Board of Directors and the Board Committees (the "**Previous Announcement**")

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") has issued queries on the Previous Announcement on 14 March 2025. The Board sets out below the Company's response to the queries issued by the SGX-ST:

Query

We note that the Audit and Risk Management Committee (ARMC) consists of all five Board members, including Mr. Chu Fu-Chuan and Mr. Yu Ling-Hsiao (Eric Yu), who are Non-Independent Directors and related to the controlling shareholders. Rule 210(5)(e) of the SGX Listing Rules (Mainboard) requires companies to establish committees as may be necessary to perform, inter alia, the functions of an audit committee.

(1) As this structure effectively eliminates a distinct ARMC and in substance assigns its roles and responsibilities of the Audit Committee to the full Board, could you please provide the Nominating Committee's (NC) and the ARMC's perspectives on the rationale behind replicating the entire Board within the ARMC and including the two Non-Independent Directors as members of the ARMC? Please provide specific justification for how this composition serves the best interests of the Company and its minority shareholders?

(2) Is the Board (based on the directors' experience as directors of listed companies listed here or elsewhere) aware of the practice for the entire Board to be replicated in the ARMC? If so, could you provide some examples?

(3) Practice Guidance 10 of the Code of Corporate Governance 2018 states, among other things, that 'The AC should report to the Board on how it has discharged its responsibilities and whether it was able to discharge its duties independently.' Please advise how the ARMC can effectively report to the Board if the entire Board is replicated within the ARMC.

Company's Response to Query 1

Prior to the Previous Announcement, Ennoconn Corporation ("**Ennoconn**"), the then incoming controlling shareholder of the Company, had requested the appointment of two (2) Directors, being Mr Chu Fu-Chuan ("**Mr Chu**") and Mr Yu Ling-Hsiao (Eric Yu) ("**Mr Yu**"), to the Board, in connection with the sale and purchase of shares by Ennoconn from Asia Systems Ltd.. Further, in connection with the aforesaid appointments, the Company's then sole Executive Director had resigned from the Board, thereby leaving only Non-Executive Directors on the Board.

Given that Ennoconn would become the single largest shareholder of the Company and further that Mr Chu and Mr Yu are Non-Executive Directors who were new to the Company (the "**Ennoconn Non-Executive Directors**"), it was agreed between Ennoconn and the Company that both Mr Chu and Mr Yu be appointed to the ARMC so that they may become better acquainted with the operations of the Company, and review and approve/recommend (as the case may be) the financials and the annual budget of the Company.

In this regard, in order to ensure compliance with Provision 10.2 of the Code of Corporate Governance 2018 (the "**Code**"), which provides, amongst others, that the ARMC should comprise of

a majority of Independent Directors, all three (3) of the Company's Independent Directors, which happens to be the remainder of the Board, had to be appointed to the ARMC.

At this juncture, the Board wishes to highlight that the current composition of the ARMC is in compliance with the Code. In particular, as at the date of this announcement, the ARMC Chairman is the Lead Independent Director, and all of the ARMC members, including the Ennoconn Non-Executive Directors, are Non-Executive Directors.

That being said, the ARMC and NC, with the Board's concurrence, is of the view that the Company's current composition of the ARMC serves the best interests of the Company and its minority shareholders, for the following reasons:

(a) All Directors are cognizant of the requirements under the Listing Rules, in particular, Chapter 9 of the Listing Rules, and shall abstain from deliberating from any matter which they are interested in.

In fact, under Regulation 105 the Company's Constitution, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. Further, a Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

In this regard, if there are any transactions between Ennoconn and the Company which requires the approval of the ARMC, pursuant to Regulation 105 of the Company's Constitution, the Ennoconn Non-Executive Directors would automatically not be included in the quorum for the meeting of the ARMC, such that effectively, the ARMC would only comprise of the three (3) Independent Directors.

(b) The Company's Lead Independent Director is the Chairman of the ARMC and has been with the Company since 2020. The Company's Lead Independent Director, in his capacity as Chairman of the ARMC, has been actively involved in the discussions of the ARMC and ensuring that the ARMC discharges its obligations dutifully. Further, the majority of the ARMC comprises of Independent Directors.

(c) Even if only one (1) of the Ennoconn Non-Executive Directors is appointed to the ARMC in order to address SGX's concerns, such that the ARMC comprises one (1) Ennoconn Director and three (3) Independent Directors, the threshold required to pass resolutions of the ARMC would still be three (3) Directors. This threshold would be the same as the current composition of the ARMC, where three (3) Directors out of five (5) would be required to pass resolutions of the ARMC.

Further, even in the alternative scenario where the ARMC comprises one (1) Ennoconn Director and two (2) Independent Directors, the current threshold of having three (3) Directors pass resolutions of the ARMC would better protect the interests of the Company's minority shareholders, as it is a higher threshold than that of the threshold of two (2) Directors under the aforesaid alternative scenario.

(d) Based on the Company's past practice (and the market practice), all Directors, regardless of whether they are a member of the ARMC (or the other Board Committees), are invited to attend all Board Committee meetings, save for exceptional circumstances. All Directors are free and in fact encouraged to provide their feedback at each Board Committee meeting, which would be taken into consideration by the Board Committee members.

(e) Being on the ARMC ensures that the Ennoconn Non-Executive Directors are able to familiarise themselves with the financials and internal controls of the Company. As Ennoconn is the single largest shareholder of the Company, it has an interest in ensuring that the matters of the Company are conducted properly, so as to ensure the Company's compliance with the relevant rules and regulations, as well as to ensure the Company's overall success. Accordingly, Ennoconn's interests will be aligned with the interests of Company and its minority shareholders (i.e., ensuring the Company's success) and having the Ennoconn Non-Executive Directors on the ARMC ensures that this common interest can be supervised.

Further, as disclosed above, the Company presently has no Executive Directors who could be able to assist the Ennoconn Non-Executive Directors in familiarising themselves with the financials and internal controls of the Company. Therefore, the Ennoconn Non-Executive Directors' presence on the ARMC would facilitate their familiarisation with the financials and internal controls of the Company.

Nevertheless, the Board duly notes SGX's concerns and will review the composition of the ARMC and will make the necessary announcements in due course.

Company's Response to Query 2

To the best of the Board's knowledge, the Board is not aware of the practice of the entire Board to be replicated in the ARMC. That said, the Board is of the view that the Company's current composition of the ARMC serves the best interests of the Company and its minority shareholders. Please refer to the Company's response to Query 1 above.

Company's Response to Query 3

As explained in the Company's response to Query 1 above, based on the Company's past practice (and the market practice), all Directors, regardless of whether they are a member of the ARMC or the other Board Committees, are invited to attend all Board Committee meetings, save for exceptional circumstances.

Further, the Company's Board meetings are typically held immediately after the ARMC meetings, or if not, within a few weeks of the ARMC meeting. Hence, based on the Company's past practice, all Directors who are not members of the ARMC would already be aware of the matters discussed at the ARMC meeting, including whether or not the ARMC has discharged its responsibilities and whether it is able to discharge its duties independently.

In addition, the Chairman of the ARMC and the Chairman of the Board are different Directors, each leading the discussions for their own respective meetings. As such, in practice, it is the Chairman of the ARMC who would report to the Board the matters discussed at the ARMC level, and discussions at the Board level with respect to the report of the ARMC would then be led by the Chairman of the Board.

Further the Company's Independent Directors will meet separately without the Ennoconn Non-Executive Directors to discuss matters relating to the Company. This further enhances the strength of the independent element of the Board and further ensures that the ARMC is able to discharge its responsibilities effectively, notwithstanding the fact that the Ennoconn Non-Executive Directors are members of the ARMC.

In this regard, the Board is of the view that, in practice, there is no material difference between the current composition of the ARMC and the past composition of the Company's ARMC (or a composition of the ARMC which has one (1) less Ennoconn Director, for example). Accordingly, and for the reasons as set out in the Company's response to Query 1 above, since the Directors would have attended the ARMC meeting followed by the Board meeting, the recommendations of ARMC, which have been carefully deliberated and robustly discussed during ARMC meeting, would then be tabled to the Board for approval, allowing effective and efficient reporting to the Board.

Nevertheless, the Board duly notes SGX's concerns and will review the composition of the ARMC and will make the necessary announcements in due course.

BY ORDER OF THE BOARD

Gn Jong Yuh Gwendolyn
Company Secretary

18 March 2025