CIRCULAR DATED 9 OCTOBER 2024

THIS CIRCULAR IS ISSUED BY NERA TELECOMMUNICATIONS LTD. THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF SAC CAPITAL PRIVATE LIMITED, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. 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, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the share capital of the Company, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker, solicitor or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should 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. Please note that no printed copies of this Circular will be despatched to Shareholders. Only printed copies of the Notice regarding the electronic dissemination of this Circular will be despatched to Shareholders.

NERA TELECOMMUNICATIONS LTD

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

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

DBS BANK LTD.

(Company Registration No.: 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

ENNOCONN CORPORATION

(Company Registration No.: 70380046)
(Incorporated in Taiwan)

to acquire all the issued and paid-up ordinary shares in the share capital of the Company other than those already owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and persons acting in concert with the Offeror

Independent Financial Adviser to the Independent Directors of the Company

SAC CAPITAL PRIVATE LIMITED

(Company Registration No.: 200401542N)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE, 23 OCTOBER 2024, AND THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE OR TO REVISE THE OFFER PRICE. THE OFFER DOCUMENT FURTHER STATES THAT NOTICE IS GIVEN THAT THE OFFER WILL NOT BE REVISED OR BE OPEN TO ACCEPTANCE BEYOND THE CLOSING DATE, SAVE THAT SUCH NOTICE SHALL NOT BE CAPABLE OF BEING ENFORCED IN A COMPETITIVE SITUATION.

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CONTENTS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

"**1H FY2024**"	:	The six-month financial period ending 30 June 2024
"**1H FY2024 Results**"	:	The unaudited condensed interim financial statements of the Group for 1H FY2024, as set out in Appendix E to this Circular
"**Acceptance Forms**" or "**Acceptance Form**"	:	The FAA and the FAT collectively, or any one of them, as the case may be
"**CDP**"	:	The Central Depository (Pte) Limited (Company Registration No.: 198003912M), a company incorporated in the Republic of Singapore
"**Circular**"	:	This circular to Shareholders dated 9 October 2024 from the Company containing, amongst other things, the Recommendation from the Independent Directors to Shareholders and the advice of the IFA to the Independent Directors in respect of the Offer
"**Closing Date**"	:	5.30 p.m. (Singapore time) on 23 October 2024, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Companies Act**"	:	The Companies Act 1967 of Singapore
"**Company**"	:	Nera Telecommunications Ltd (Company Registration No.: 197802690R), a company incorporated in the Republic of Singapore and listed on the Mainboard of the SGX-ST
"**Company Securities**"	:	(a) The Shares; (b) securities which carry voting rights in the Company; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
"**Convertible Securities**"	:	Securities convertible or exchangeable into new Shares or existing Shares
"**Constitution**"	:	The constitution of the Company
"**CPF**"	:	Central Provident Fund
"**CPFIS**"	:	CPF Investment Scheme
"**CPFIS Investors**"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS

"**DBS**"	:	DBS Bank Ltd. (Company Registration No.: 196800306E), a company incorporated in the Republic of Singapore
"**Derivatives**"	:	Include any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares 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 for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
"**FY**"	:	In respect of the Company, the financial year ended or ending (as the case may be) on 31 December of a particular year as stated
"**FY2023 Dividend**"	:	The first and final exempt (one-tier) dividend of S$0.005 per Share for the financial year ended 31 December 2023
"**FY2023 Results**"	:	The audited consolidated financial statements of the Group for FY2023
"**Group**"	:	The Company and its subsidiaries from time to time
"**IFA**"	:	SAC Capital Private Limited (Company Registration No.: 200401542N), a company incorporated in the Republic of Singapore and the independent financial adviser to the Independent Directors in respect of the Offer
"**IFA Letter**"	:	Letter dated 9 October 2024 from the IFA to the Independent Directors containing, amongst other things, the advice of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix A to this Circular

DEFINITIONS

"Independent Directors"	:	The Directors who are considered independent for the purposes of the Code, namely: (a) Mr. Basil Chan; (b) Mr. Chong Hoi Ming; (c) Ms. Kay Pang Ker-Wei; (d) Mr. Tommy Teo Zhi Zhuang; and (e) Mr. Wong Chee-Yann
"Latest Practicable Date"	:	25 September 2024, being the latest practicable date prior to the electronic dissemination of this Circular
"Listing Manual"	:	The listing manual of the Mainboard of the SGX-ST in force as at the Latest Practicable Date
"Notice"	:	The notice dated 9 October 2024 issued by the Company informing Shareholders of, amongst other things, the electronic dissemination of this Circular
"Offer"	:	The mandatory unconditional cash offer, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms
"Offer Announcement"	:	The announcement in connection with the Offer released by DBS, for and on behalf of the Offeror, on the Offer Announcement Date
"Offer Announcement Date"	:	4 September 2024, being the date of the Offer Announcement
"Offer Document"	:	The offer document dated 25 September 2024 issued by DBS, for and on behalf of the Offeror, in respect of the Offer
"Offer Price"	:	S$0.075 in cash for each Offer Share
"Offer Shares"	:	All the Shares, other than those already owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and the persons acting in concert with the Offeror
"Offeror"	:	Ennoconn Corporation (Company Registration No.: 70380046), a company incorporated in Taiwan

"**Offeror Securities**"	:	(a) The Offeror Shares; (b) securities which carry voting rights in the Offeror; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
"**Offeror Shares**"	:	Issued and paid-up ordinary shares in the capital of the Offeror
"**Options**"	:	Options to subscribe for or purchase new Shares or existing Shares
"**Overseas Persons**" or "**Overseas Person**"	:	Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP)
"**Recommendation**"	:	The recommendation of the Independent Directors in respect of the Offer as required under the Code
"**Register**"	:	The register of Shareholders maintained by the Share Registrar
"**SFA**"	:	The Securities and Futures Act 2001 of Singapore
"**SGXNET**"	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited (Company Registration No.: 197300970D), a company incorporated in the Republic of Singapore
"**Share Registrar**"	:	Boardroom Corporate & Advisory Services Pte. Ltd. (Company Registration No.: 196800531W), a company incorporated in the Republic of Singapore and the share registrar of the Company located at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632
"**Shareholders**"	:	The holders of Shares, including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST
"**Shares**"	:	Issued and paid-up ordinary shares in the share capital of the Company
"**SIC**"	:	The Securities Industry Council of Singapore
"**SRS**"	:	Supplementary Retirement Scheme
"**SRS Investors**"	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS

"**S$**"	:	Singapore dollars, being the lawful currency of Singapore
"**Warrants**"	:	Rights to subscribe for or purchase new Shares or existing Shares
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert and Associates. Unless otherwise defined, the expressions "**acting in concert**" and the term "**associates**" shall have the same meanings as ascribed to them respectively in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Depository Related Terms. The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

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

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

Rounding. Any discrepancies in figures included in this Circular between the listed amounts and their totals are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect 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 (including persons whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST).

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

Subsidiary, wholly owned subsidiary and related corporation. References to "**subsidiary**", "**wholly owned subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Sections 5, 5B and 6 of the Companies Act.

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

Total Number of Shares and Percentage of Shares. For the purposes of this Circular, as at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$29,909,152.00 comprising 361,897,000 Shares and the Company does not have any treasury shares. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on such number of Shares as at the Latest Practicable Date.

Reproduced Statements. Statements which are reproduced in their entirety or as excerpts from the Offer Document, the IFA Letter, and the Constitution are set out in this Circular within quotes and in *italics*, and all capitalised terms and expressions used within these reproduced statements and not defined herein shall have the same meanings ascribed to them in the Offer Document, the IFA Letter, and the Constitution respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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 “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These forward-looking statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. 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.

Given the risks and uncertainties that may cause the actual results, performance or achievements of the Company and/or Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, Shareholders and investors are advised not to place undue reliance on those forward-looking statements. Further, the Company assumes no obligation to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and/or any regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of electronic dissemination of Offer Document	:	25 September 2024
Date of electronic dissemination of this Circular	:	9 October 2024
Closing Date and time	:	5.30 p.m. (Singapore time) on 23 October 2024, being the last day for the lodgement of acceptances of the Offer.
Date of settlement of consideration for valid acceptances of the Offer	:	Subject to the receipt by the Offeror from accepting Shareholders of valid acceptances, complete in all respects and in accordance with the instructions given in the Offer Document and the relevant Acceptance Forms (as the case may be), as soon as practicable but in any event within seven (7) business days of the date of such receipt. Please refer to paragraph 2 of Appendix IV to the Offer Document for further information.

NERA TELECOMMUNICATIONS LTD

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

Directors	**Registered Office**
Mr. Basil Chan *(Chairman, Independent Director)*	19 Tai Seng Avenue
Mr. Chong Hoi Ming *(Executive Director, Chief Executive Officer)*	#06-01
Ms. Kay Pang Ker-Wei *(Independent Director)*	Singapore 534054
Mr. Tommy Teo Zhi Zhuang *(Non-Executive Director)*	
Mr. Wong Chee-Yann *(Non-Executive Director)*	

9 October 2024

To: Shareholders of the Company

Dear Shareholders

MANDATORY UNCONDITIONAL CASH OFFER BY DBS BANK LTD., FOR AND ON BEHALF OF ENNOCONN CORPORATION, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcement.** On 4 September 2024, DBS announced, for and on behalf of the Offeror, that the Offeror intends to make a mandatory unconditional cash offer to acquire the Offer Shares at a price of S$0.075 for each Offer Share.

A copy of the Offer Announcement is available for download from the Company's announcement page on SGXNET at www.sgx.com. The Offer Announcement was also advertised in The Straits Times on 11 September 2024.

1.2 **Offer Document and Related Documents.** On 25 September 2024, DBS announced, for and on behalf of the Offeror, that the notification letter containing the instructions for the electronic retrieval of the Offer Document has been despatched to Shareholders on 25 September 2024, together with the Acceptance Forms. Shareholders should have by now received such notification letter and the Acceptance Forms. The Offer Document contains, amongst other things, the full terms and conditions of the Offer, and the principal terms and conditions of the Offer are set out in paragraph 2 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

Copies of the Offeror's notification letter, the Offer Document, and the Acceptance Forms are available for download from the Company's announcement page on SGXNET at www.sgx.com.

1.3 **Independent Financial Adviser.** The Company has appointed SAC Capital Private Limited as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.4 **Independent Directors.** Under the Code, the Independent Directors are required to make a Recommendation to Shareholders as to whether Shareholders should accept or reject the Offer.

1.5 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information relating to the Offer and to set out the Recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A to this Circular carefully and consider the advice of the IFA to the Independent Directors and the Recommendation of the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

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

2. THE OFFER

2.1 **Offer and Offer Shares.** Subject to the terms and conditions set out in the Offer Document, the Offer is made by DBS, for and on behalf of the Offeror, for all the Offer Shares on the principal terms set out in paragraph 2 of the Offer Document, extracts of which are reproduced in *italics* below.

Capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

2.2 **Consideration.** Paragraph 2.2 of the Offer Document states the following:

"***2.2 Consideration***

For each Offer Share: S$0.075 in cash (the "Offer Price").

The Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation."

2.3 **No Encumbrances.** Paragraph 2.3 of the Offer Document states the following:

"***2.3 No Encumbrances***

*The Offer Shares will be acquired (a) fully paid-up; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**Encumbrances**"); and (c) 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, rights, 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).* ***In the event that any dividends, rights, other distributions or return of capital is declared, made or paid on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights, distributions or return of capital.***"

2.4 **Unconditional Offer.** Paragraph 2.4 of the Offer Document states the following:

> "***2.4 Unconditional Offer***
>
> ***The Offer is unconditional in all respects.***"

2.5 **Holder of Offer Shares.** Paragraph 2.5 of the Offer Document states the following:

> "***2.5 Offer Shares***
>
> *The Offeror has nominated ESS to hold the Offer Shares.*"

"**ESS**" is defined at paragraph 1.1 of the Offer Document to mean Ennoconn Solutions Singapore Pte. Ltd., a wholly-owned subsidiary of the Offeror.

2.6 **Warranty.** Paragraph 2.6 of the Offer Document states the following:

> "***2.6 Warranty***
>
> *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, (a) fully paid-up; (b) free from Encumbrances; and (c) 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, rights, 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).*"

2.7 **Closing Date.** Paragraph 2.7 of the Offer Document states the following:

> "***2.7 Closing Date***
>
> *Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.*
>
> ***Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 23 October 2024. Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.***"

3. FURTHER DETAILS OF THE OFFER

Appendix IV to the Offer Document sets out further details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer.

4. PROCEDURES FOR ACCEPTANCE

Appendix V to the Offer Document sets out the procedures for acceptance of the Offer.

5. INFORMATION ON THE COMPANY

The Company was incorporated in the Republic of Singapore on 19 October 1978 and was listed on the Mainboard of the SGX-ST on 1 July 1999.

The principal activities of the Company, and its subsidiaries, are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunications systems and products in transmission networks and information technology networks.

Additional information on the Company is set out in Appendix B to this Circular.

6. INFORMATION ON THE OFFEROR

The full text of the information on the Offeror has been extracted from paragraph 3 of the Offer Document and reproduced in *italics* below. Capitalised terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***3. INFORMATION ON THE OFFEROR***

3.1 Incorporation and listing

The Offeror is a company incorporated under the laws of Taiwan on 12 July 1999 and its stocks were listed at the Taiwan Stock Exchange Corporation on 28 March 2014. The main businesses of the Offeror and its subsidiaries are manufacturing and sale of data storage, processing equipment and industrial motherboards.

3.2 Share capital

As at the Latest Practicable Date:

(a) the Offeror has an issued and paid-in capital of approximately NT$1,370,771,030, consisting of 137,077,103 ordinary shares; and

(b) the Directors are Mr. Fu-Chuan Chu, Ms. Mei-Huei Hong, Mr. Chuan-Wang Chang, Ms. Yu-Hui Su, Ms. Hsin-I Chan, Ms. Miao-Hsin Wen and Mr. Hwang-Hsu Tu.

3.3 Additional information on the Offeror

***APPENDIX I** to this Offer Document sets out certain additional information on the Offeror.*"

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S FUTURE INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's future intentions for the Company has been extracted from paragraph 5 of the Offer Document and reproduced in *italics* below. Capitalised 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. <u>RATIONALE FOR THE OFFER; FUTURE INTENTIONS</u>***

5.1 Strategic Acquisition Enhances Integration and Expands Market Reach Across Asia-Pacific and Beyond

The Company operates across a network spanning 16 countries and regions, including Asia-Pacific, Europe, the Middle East, and Africa and excels in key areas such as network infrastructure, Internet of Things (IoT), information security, cloud and data center solutions, and enterprise service management. Its diverse client base includes businesses in telecommunications, utilities, healthcare, education, transportation, logistics, financial services, and government organisations.

As the Offeror is enhancing its strategy for its ESaaS (Ennoconn Solution as a Service) platform, the Acquisition can leverage the synergies between the Offeror and the Company, optimising customer order acquisition and financial performance, and will also fortify the Offeror's presence in crucial markets, including Singapore, Vietnam, Thailand, and Malaysia. Strategic focus areas will include railway dedicated networks (RDN), IoT + 5G smart manufacturing solutions, artificial intelligence technology applications, and environmental, social and governance (ESG) initiatives.

By aligning efforts in "products, applications, platforms and markets", the Offeror and the Company will strengthen core competencies and expand their market footprint. This will enhance customer engagement, broaden the customer base, and create a range of new business opportunities. The Offeror is confident in the potential of this acquisition and is dedicated to accelerating business integration and achieving new milestones together with the Company.

5.2 Compliance With The Code

The Offeror is making the Offer for all the Offer Shares in compliance with Rule 14 of the Code.

5.3 Future Intentions For The Company

Save in the ordinary course of business or as a result of any internal reorganisation or restructuring within the Company which may be implemented, there is presently no intention by the Offeror to:

(a) introduce any major changes to the business of the Company (including any redeployment of the fixed assets of the Company); and/or

> (b) *discontinue the employment of the employees of the Company and its subsidiaries (the "**Group**").*
>
> *However, the Directors retain and reserve the right at any time to consider any options in relation to the Group which may present themselves and which it may regard to be in the interest of the Group.*"

8. THE OFFEROR'S INTENTIONS REGARDING LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror's intentions regarding the listing status and compulsory acquisition of the Company has been extracted from paragraph 7 of the Offer Document and reproduced in *italics* below. Capitalised 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.**

> "*7.* ***LISTING STATUS AND COMPULSORY ACQUISITION***
>
> ***7.1 Listing status***
>
> *Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares (excluding any Shares held in treasury) is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.*
>
> *Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*
>
> *Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.*

> ***7.2 Compulsory acquisition***
>
> *Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held, or treated as held, by the Offeror as at the date of the Offer and excluding any Shares held in treasury), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.*
>
> *In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held in treasury and Shares held, or treated as held, by it, comprise 90% or more of the total number of Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*
>
> ***7.3 Offeror's intentions***
>
> *It is the current intention of the Offeror to maintain the listing status of the Company on the SGT-ST following the Offer and the Offeror does not intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the Free Float Requirement under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.*"

9. DIRECTORS' INTERESTS

Details of the Directors including, amongst other things, the Directors' direct and deemed interests in the Offeror Securities and the Company Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

10. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

10.1 **IFA.** Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as contained in the IFA Letter and the Recommendation as set out in Section 11.1 of this Circular before deciding on whether to accept or reject the Offer. The IFA Letter setting out the advice of the IFA to the Independent Directors in respect of the Offer is set out in Appendix A to this Circular.

10.2 **Evaluation of the Offer by the IFA.** The key considerations taken into account and reviewed by the IFA in arriving at its advice to the Independent Directors in respect of the Offer are set out in paragraph 8 of the IFA Letter. **Shareholders should read and carefully consider the key considerations taken into account and reviewed by the IFA in arriving at its advice to the Independent Directors as set out in paragraph 8 of the IFA Letter in conjunction with, and in the context of, the IFA Letter in its entirety as set out in Appendix A to this Circular.**

10.3 **Advice of the IFA to the Independent Directors on the Offer.** Taking into consideration the key considerations set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has given its advice to the Independent Directors as set out in paragraph 8.3 of the IFA Letter, an extract of which is reproduced in *italics* below. **Shareholders should read the extract in conjunction with, and in the context of, the IFA Letter in its entirety as set out in Appendix A to this Circular.**

> "***8.3 Our opinion on the Offer***
>
> *In conclusion, we are of the opinion that, on balance, the financial terms of the Offer are **not fair and not reasonable**. Accordingly, we advise the Independent Directors to recommend Shareholders to **reject** the Offer.*
>
> *In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.*
>
> *Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Offer. The recommendation to be made by them to the Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the purpose of the Offer.*"

11. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the IFA's assessment of the Offer and its advice thereon. Accordingly, the Independent Directors recommend that Shareholders **REJECT** the Offer.

Mr. Wong Chee-Yann and Mr. Tommy Teo Zhi Zhuang are, respectively, an employee and a former employee of Northstar Advisors Pte. Ltd., a holder of a capital markets services licence (fund management) issued by the Monetary Authority of Singapore. A private equity fund managed by Northstar Advisors Pte. Ltd. is an investor of Asia Systems Ltd.. Mr. Wong Chee-Yann and Mr. Tommy Teo Zhi Zhuang wish to highlight that Asia Systems Ltd.'s sale of 193,173,439 Shares to the Offeror, which resulted in the Offer, was carried out pursuant to Asia Systems Ltd.'s own investment objectives and commercial considerations, including the opportunity to sell all of the Shares held by Asia Systems Ltd. in a single transaction, which may differ from the objectives and considerations of the Shareholders. Their Recommendation to Shareholders in respect of the Offer are made in their respective capacities as Independent Directors, and should be viewed separately from Asia Systems Ltd.'s decision to sell its 193,173,439 Shares to the Offeror.

SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS SHOULD NOTE THAT THE IFA'S OPINION SHOULD NOT BE RELIED UPON BY ANY SHAREHOLDER AS THE SOLE BASIS FOR DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.

The IFA and the Independent Directors, in giving their advice and making their Recommendation respectively, have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any individual Shareholder who may require specific advice in respect of his investment objectives or portfolio should consult his stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

Shareholders should also note that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares may not be indicative of the future price performance levels of the Shares.

12. ELECTRONIC DISSEMINATION OF THIS CIRCULAR

12.1 Pursuant to the SIC's Public Statement on the Further Extension of the Temporary Measure to Allow for Electronic Despatch of Take-over Documents under the Singapore Code on Take-overs and Mergers on 29 June 2021, the Company has opted to electronically disseminate this Circular. Accordingly, please note that no printed copies of this Circular will be despatched to Shareholders.

12.2 Instead, this Circular has been electronically disseminated to Shareholders through publication on the Company's announcement page on SGXNET at www.sgx.com and the Company's website at www.nera.net/investors/announcements-and-financial-results/. In connection with the electronic dissemination of this Circular, the Company has today despatched a Notice to Shareholders regarding the electronic dissemination of this Circular containing instructions for the electronic retrieval of this Circular.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

13.1 **Shareholders who REJECT and DO NOT WISH TO ACCEPT the Offer.** Shareholders who reject and do not wish to accept the Offer should take no further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

13.2 **Shareholders who WISH TO ACCEPT the Offer.** Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix V to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, for and 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 5.30 p.m. (Singapore time) on the Closing Date.

14. OVERSEAS PERSONS AND COPIES OF THE NOTICE AND/OR ANY RELATED DOCUMENTS

14.1 **Overseas Persons.** The full text of the information relating to Overseas Persons has been extracted from paragraph 9 of the Offer Document and reproduced in *italics* below. Capitalised terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***9. OVERSEAS PERSONS***

*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Person should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents to any overseas jurisdictions, the Offeror, DBS and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document, the Notification Letter, the Acceptance Forms and/or any related documents have not been, or may not be, sent.***

*Copies of this Offer Document, the Notification Letter, the Acceptance Forms and/or 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, means, 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 facility.

Overseas Persons may, nonetheless, obtain copies of the Notification Letter, the Acceptance Forms and/or any related documents, during normal business hours and up to the Closing Date, from the Offeror through: (a) its receiving agent, CDP (if he is a depositor) by submitting a request to CDP via phone (+65 6535 7511) during their operating hours or email services (asksgx@sgx.com) to request for the Notification Letter, the Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk; or (b) the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (if he is a scripholder) in person at its office located at 1 Harbourfront Avenue, #14-07, Keppel Bay Tower, Singapore 098632.

Alternatively, an Overseas Person may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Share Registrar (if he is a scripholder) at its office address listed above, to request for the Notification Letter, the Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk.

It is the responsibility of any Overseas Person who wishes to (i) request for the Notification Letter, the Acceptance Forms and/or any related documents; or (ii) 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 Person 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 DBS) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including DBS) may be required to pay. In (A) requesting for the Notification Letter, the Acceptance Forms and/or any related documents; and/or (B) accepting the Offer, the Overseas Person represents and warrants to the Offeror and DBS 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 Person who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and DBS each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Persons) by announcement or notice to the SGX-ST and if necessary by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Person) to receive or see such announcement, notice or advertisement."

14.2 **Copies of the Notice and/or any related documents.** Where there are potential restrictions on sending the Notice and/or any related documents to any overseas jurisdictions, the Company reserves the right not to send these documents to Overseas Persons in such overseas jurisdictions. Any affected Overseas Persons may, nevertheless (subject to compliance with applicable laws), download copies of the Notice and/or any related documents from the Company's announcement page on SGXNET at www.sgx.com and on the Company's website at www.nera.net/investors/announcements-and-financial-results/.

By downloading copies of the Notice and/or any related documents, an Overseas Person represents and warrants to the Company that they are in full observance of the laws of the relevant jurisdiction in that connection, and that they are in full compliance with all necessary formalities or legal requirements.

15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

The full texts relating to information pertaining to CPFIS Investors and SRS Investors have been extracted from paragraphs 12.3 and 12.4 of the Offer Document and reproduced in *italics* below. Capitalised terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***12.3 Information pertaining to CPFIS Investors***

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 validly accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

12.4 Information pertaining to SRS Investors

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

16. DIRECTORS' RESPONSIBILITY STATEMENT

16.1 The Directors (including any who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care and made all reasonable inquiries to ensure that the facts stated in this Circular are fair and accurate, and, to the best of their knowledge, all opinions expressed in this Circular (other than the information in the Offer Document, the IFA Letter and any information relating to or opinions expressed by the Offeror and the IFA) have been arrived at after due and careful consideration and are fair and accurate, and no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading. The Directors jointly and severally accept full responsibility accordingly.

16.2 Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and any other announcements made by, or for and on behalf of, the Offeror), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, reproduced in this Circular.

16.3 In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

17. CONSENTS

17.1 The IFA, SAC Capital Private Limited, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter setting out its advice to the Independent Directors set out in Appendix A to this Circular, and all references thereto, in the form and context in which they appear in this Circular.

17.2 The Company's auditors, Ernst & Young LLP, have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their name, the independent auditor's report in relation to the FY2023 Results (as set out in the Company's annual report for FY2023 and as reproduced in Appendix D to this Circular), and all references thereto, in the form and context in which they appear in this Circular.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 19 Tai Seng Avenue, #06-01, Singapore 534054 during normal business hours from the date of this Circular up to and including the Closing Date:

(a) the Constitution;

(b) the annual reports of the Company for FY2021, FY2022 and FY2023;

(c) the IFA Letter as set out in Appendix A to this Circular;

(d) the FY2023 Results as set out in Appendix D to this Circular;

(e) the 1H FY2024 Results as set out in Appendix E to this Circular; and

(f) the letters of consent from the IFA and the Company's auditors referred to in Section 17 of this Circular.

19. ADDITIONAL INFORMATION

The attention of Shareholders is also drawn to the Appendices to this Circular which form part of this Circular.

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

Mr. Basil Chan
Chairman, Independent Director

SAC CAPITAL PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200401542N)

9 October 2024

To: The directors of Nera Telecommunications Ltd who are considered independent for the purposes of making recommendation to the Shareholders in respect of the Offer

Mr. Basil Chan	(Chairman and Independent Director)
Mr. Chong Hoi Ming	(Executive Director and Chief Executive Officer)
Ms. Kay Pang Ker-Wei	(Independent Director)
Mr. Tommy Teo Zhi Zhuang	(Non-executive Director)
Mr. Wong Chee-Yann	(Non-executive Director)

Dear Sirs/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY DBS BANK LTD., FOR AND ON BEHALF OF ENNOCONN CORPORATION (THE "OFFEROR") TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE SHARE CAPITAL OF NERA TELECOMMUNICATIONS LTD (THE "COMPANY"), OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED DIRECTLY OR INDIRECTLY, BY THE OFFEROR AND THE PERSONS ACTING IN CONCERT WITH THE OFFEROR

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular to shareholders of the Company dated 9 October 2024 (the "**Circular**") shall have the same meanings herein.*

1. INTRODUCTION

On 4 September 2024 (the "**Offer Announcement Date**"), DBS Bank Ltd. ("**DBS**") announced, for and on behalf of Ennoconn Corporation (the "**Offeror**") that the Offeror has entered into a share purchase agreement with Asia Systems Ltd. in relation to the sale and purchase of an aggregate of 193,173,439 issued and paid-up ordinary shares in the capital of Nera Telecommunications Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") held by Asia Systems Ltd., representing approximately 53.38% of the total number of the issued and paid-up ordinary shares in the capital of the Company (the "**Shares**"), at a price of S$0.075 per Share (the "**Acquisition**"). Pursuant to the completion of the Acquisition, the Shares acquired pursuant to the Acquisition were held by Ennoconn Solutions Singapore Pte. Ltd. ("**ESS**"), a wholly-owned subsidiary of the Offeror. In accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), the Offeror will make a mandatory unconditional cash offer (the "**Offer**") for all the remaining Shares in the capital of the Company, other than those Shares already owned, controlled or agreed to be acquired, directly or indirectly, by the Offeror and the persons acting in concert with the Offeror.

In connection with the Offer, the Company has appointed SAC Capital Private Limited ("**SAC Capital**") as the independent financial adviser (the "**IFA**") to the directors of the Company who are considered independent for the purposes of making recommendation to the shareholders of the Company (the "**Shareholders**") in respect of the Offer (the "**Independent Directors**") to provide an assessment on the financial terms of the Offer. This letter, which sets out, *inter alia*, our evaluation and advice, has been prepared for the use of the Independent Directors in connection with their consideration of the Offer and their recommendation to Shareholders arising thereof.

2. OUR TERMS OF REFERENCE

We have been appointed as the IFA to the Independent Directors to provide an assessment of the financial terms of the Offer in order to advise the Independent Directors in respect of their recommendation to Shareholders on the Offer.

We are not and were not involved in any aspect of the negotiations entered into by the Group in relation to the Offer or in the deliberations leading up to the decision by the Offeror to undertake the Offer. Accordingly, we do not, by this letter warrant the merits of the Offer, other than to advise the Independent Directors on the terms of the Offer from a financial point of view.

We have not conducted a comprehensive independent review of the business, operations or financial condition of the Group or the Offeror. We have not been provided with, nor do we have access to, any business plans or financial projections of the future performance of the Group and/or the Offeror. Our evaluation is confined to the financial terms of the Offer and it is not within the terms of reference to evaluate the strategic, legal or commercial merits or risks of the Offer or the future growth prospects or earnings potential of the Group after the completion of the Offer. Accordingly, we do not express any view as to the future prices at which the Shares may trade or on the future financial performance of the Group or the Offeror after the completion of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares. It is also not within our terms of reference to compare the relative merits of the Offer *vis-à-vis* any alternative transaction that the Company may consider in the future, or any alternative offer that might otherwise be available in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the directors and the management of the Company (the "**Directors**" and "**Management**" respectively) and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information contained in the Circular. The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge: (a) all material information available to them in connection with the Offer has been disclosed in the Circular; (b) such information (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror and the Offer) is fair and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts stated in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information or representations. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on in our evaluation.

Save as disclosed, all information relating to the Group that we have relied upon in arriving at our opinion and advice has been obtained from the Circular, publicly available information, the Directors and/or the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group at any time or as at 25 September 2024 (the "**Latest Practicable Date**"). We have also not made any independent evaluation or appraisal of the assets and liabilities of the Group and have not been furnished with any such evaluation or appraisals.

Our opinion and advice, as set out in this letter, are based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion and advice in the light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

Our opinion and advice in relation to the Offer should be considered in the context of the entirety of this letter and the Circular.

The Group 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 provided 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, expressed or implied, on the contents of the Circular (other than this letter).

3. THE OFFER

3.1 Offer and Offer Shares

Subject to the terms and conditions set out in the offer document dated 25 September 2024 issued by DBS, for and on behalf of the Offeror (the "**Offer Document**"), the Offer is made for all the Offer Shares on the principal terms set out in paragraph 2 of the Offer Document and reproduced in paragraph 2 of the Circular. Shareholders are advised to refer to the Offer Document and the Circular for further details on the Offer and read the information carefully.

The key terms of the Offer and the related matters are set out below.

3.2 Consideration

For each Offer Share: S$0.075 in cash (the "**Offer Price**").

The Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation.

3.3 No Encumbrances

The Offer Shares will be acquired (a) fully paid-up; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**Encumbrances**"); and (c) 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, rights, 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). In the event that any dividends, rights, other distributions or return of capital is declared, made or paid on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividends, rights, distributions or return of capital.

3.4 Unconditional Offer

The Offer is unconditional in all respects.

3.5 Holder of Offer Shares

The Offeror has nominated ESS to hold the Offer Shares.

3.6 Warranty

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, (a) fully paid-up; (b) free from Encumbrances; and (c) 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, rights, 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)

3.7 Closing Date

Except insofar as the Offer may be withdrawn with the consent of the Securities Industry Council of Singapore and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 23 October 2024. Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date, save that such notice shall not be capable of being enforced in a competitive situation.

3.8 Further Details of the Offer

Appendix IV to the Offer Document sets out further details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer.

4. INFORMATION ON THE COMPANY

The Company was incorporated in the Republic of Singapore on 19 October 1978 and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 1 July 1999.

The principal activities of the Group is to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunications systems and products in transmission networks and information technology networks.

Additional information on the Company is set out in Appendix B to the Circular.

5. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated under the laws of Taiwan on 12 July 1999 and its stocks were listed at the Taiwan Stock Exchange Corporation on 28 March 2014. The main businesses of the Offeror and its subsidiaries are manufacturing and sale of data storage, processing equipment and industrial motherboards.

As at the Latest Practicable Date:

(a) the Offeror has an issued and paid-in capital of approximately NT$1,370,771,030, consisting of 137,077,103 ordinary shares; and

(b) the Directors are Mr. Fu-Chuan Chu, Ms. Mei-Huei Hong, Mr. Chuan-Wang Chang, Ms. Yu-Hui Su, Ms. Hsin-I Chan, Ms. Miao-Hsin Wen and Mr. Hwang-Hsu Tu.

Additional information on the Offeror is set out in Appendix I to the Offer Document.

6. RATIONALE FOR THE OFFER AND THE OFFEROR'S FUTURE INTENTIONS FOR THE COMPANY

The rationale for the Offer and the Offeror's future intentions for the Company are set out in paragraph 5 of the Offer Document and reproduced in paragraph 7 of the Circular. Shareholders are advised to refer to the Offer Document and the Circular for further details on the Offer and read the information carefully.

7. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment[1]:

(i) market quotation and trading liquidity of the Shares;

(ii) historical financial performance of the Group;

(iii) net asset value ("**NAV**") and net tangible assets ("**NTA**") of the Group;

(iv) comparison of valuation statistics of companies broadly comparable to the Group;

(v) comparison with recent non-privatisation mandatory general offer transactions for companies listed on the SGX-ST;

(vi) estimated range of value of the Shares; and

(vii) other relevant considerations.

7.1 Market Quotation and Trading Liquidity of the Shares

7.1.1 <u>Share price performance and trading liquidity of the Shares</u>

Prior to the Offer Announcement, the Shares were last transacted on 4 September 2024, being the last market day on which the Shares traded immediately prior to the Offer Announcement (the "**Last Trading Day**").

For the purpose of our analysis of the trading performance of the Shares in respect of the Offer, we have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the 12-month period prior to the Offer Announcement Date (i.e. from 5 September 2023 to the Last Trading Day), and up to the Latest Practicable Date (the "**Period Under Review**").

[1] In this letter, certain amounts and percentage figures are rounded to the nearest specified decimal places and as such, any discrepancies in the figures and computations included in this letter are due to rounding.

7.1.2 <u>Share price chart and trading liquidity during the Period Under Review</u>

A graphical representation of the daily closing prices and volume traded of the Shares for the Period Under Review is set out as follows:

Source: Bloomberg L.P.

A summary of the salient announcements and key events relating to the Group's business operations and the Offer during the Period Under Review is as follows:

Date	Event
14 November 2023	Announcement on the Group's business update for the third quarter ended 30 September 2023, which reported a revenue increase of 19.8% year-on-year to S$108.3 million mainly due to improved performance of network infrastructure segment in Singapore, Indonesia and Malaysia.
29 February 2024	Announcement on the unaudited financial results for the financial year ended 31 December 2023 ("**FY2023**"), which reported net profit of S$5.5 million for FY2023 as compared to a net loss of S$7.3 million for the financial year ended 31 December 2022 ("**FY2022**").
29 February 2024	Announcement on the declaration of the final dividend of S$0.005 per Share for FY2023.
11 April 2024	Release of the annual report for FY2023.
02 May 2024	Announcement on the Group's business update for the first quarter ended 31 March 2024, which reported a revenue decrease of 44.7% year-on-year to S$22.30 million mainly due to lower contributions from Service Provider ("**SP**") and Government, Transport and Utility ("**GTU**") segments.
06 August 2024	Announcement on the unaudited interim financial results for the 6-month financial period ended 30 June 2024 ("**1H2024**") of the Group, which reported a 80.9% decrease in net profit from S$7.1 million in the 6-month financial period ended 30 June 2023 ("**1H2023**") to S$1.4 million in 1H2024.
4 September 2024	Release of the Offer Announcement.
25 September 2024	Announcement on the despatch of Offer Document.

Source: Company's announcements on the SGX-ST

From the Share price chart above, we note that the Shares have mainly traded above the Offer Price for the 12-month period up to and including the Last Trading Day, with the daily closing prices of the Shares fluctuating between S$0.068 and S$0.085. Prior to the Offer Announcement Date, the Shares closed at S$0.080 on the Last Trading Day.

Additional information on the traded closing prices of the Shares, volume-weighted average prices ("**VWAP**") and average daily trading volumes ("**ADTV**") for the reference period(s) (a) prior to and including the Last Trading Day; and (b) from 5 September 2024 (being the Market Day after the Offer Announcement Date) up to the Latest Practicable Date are set out as follows:

	Highest closing price(1) (S$)	Lowest closing price(1) (S$)	VWAP(1) (S$)	Premium/ (Discount) of Offer Price over VWAP (%)	ADTV(2) (shares)	ADTV as percentage of free float(3) (%)
(a) Periods prior to and including the Last Trading Day						
Last 12 months	0.085	0.068	0.079	(5.06)	65,008	0.039
Last 6 months	0.084	0.074	0.080	(6.25)	70,883	0.042
Last 3 months	0.080	0.074	0.078	(3.85)	59,183	0.035
Last 1 month	0.080	0.076	0.079	(5.06)	31,991	0.019
Last Trading Day	0.080	0.080	0.080	(6.25)	100,000	0.059
(b) Period after the Offer Announcement Date up to the Latest Practicable Date						
Period between and including 5 September 2024 and up to the Latest Practicable Date	0.087	0.077	0.081	(7.41)	267,007	0.158
Latest Practicable Date	0.077	0.077	0.078	(3.85)	140,100	0.083

Sources: Bloomberg L.P. and SAC Capital's calculations

Notes:

(1) Based on data extracted from Bloomberg L.P. and with the figures rounded to the nearest three (3) decimal places.

(2) The ADTV of the Shares is calculated based on the total volume of the Shares traded divided by the number of Market Days during the relevant periods. "**Market Day**" refers to a day on which the SGX-ST is open for the trading of securities.

(3) For the purpose of computing the ADTV as a percentage of free float, we have used the free float of approximately 168,716,381 Shares based on the free float of 46.62 % as disclosed in the annual report of the Company for FY2023.

We note the following with regard to the Share prices and the ADTV of the Shares:

(a) Periods prior to and including the Last Trading Day

(i) during the 12-month period up to and including the Last Trading Day, the closing prices of the Shares ranged between a low of S$0.068 (on 22 December 2023) and a high of S$0.085 (on 1 March 2024). The Offer Price represents: (i) a premium of 10.29% over the lowest closing price of the Shares; and (ii) a discount of 11.76% over the highest closing price of the Shares, during the 12-month period up to and including the Last Trading Day;

(ii) the Offer Price represents a discount of 5.06%, 6.25%, 3.85% and 5.06% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively;

(iii) the Offer Price represents a discount of 6.25% over the closing price of the Shares of S$0.080 on the Last Trading Day;

(iv) in relation to the trading liquidity of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day, ADTV of the Shares were between approximately 0.019% and 0.059% of the free float of the Company; and

(v) during the 12-month period up to and including the Last Trading Day, the Shares were only traded on 192 Market Days out of 252 Market Days.

(b) <u>Period after the Offer Announcement Date up to the Latest Practicable Date</u>

(i) the traded prices of the Shares remained above the Offer Price after the Offer Announcement, and the Offer Price represents a discount of 7.41% over the VWAP of the Shares for the period from 5 September 2024 and up to the Latest Practicable Date;

(ii) the Offer Price represents a discount of 2.60% over the closing price of the Shares as at the Latest Practicable Date; and

(iii) the ADTV of the Shares as a percentage of the free float was approximately 0.158% for the period from 5 September 2024 and up to the Latest Practicable Date.

In evaluating the Offer, it is relevant to examine the trading volume of the Shares over a reasonable period, during which the market price of the Shares may reflect public investors' valuation of the Shares, based on publicly available information.

We note the following with regard to the trading liquidity of the Shares:

(a) the ADTV of the Shares for the 12-month period up to and including the Last Trading Day was approximately 65,000 Shares and represented 0.039% of the Company's free float; and

(b) the ADTV for the 6-, 3- and 1-month periods prior to and including the Last Trading Day were only approximately 71,000 Shares, 59,000 Shares and 32,000 Shares respectively.

Based on the above, we note that the trading of the Shares appears to be relatively illiquid for the aforementioned periods prior to and including the Last Trading Day. In addition, the ADTV for the aforementioned periods prior to the Last Trading Day represents less than 0.06% of the Company's free float.

Shareholders should note that there is no assurance that the closing price of the Shares would remain at the current level prevailing as at the Latest Practicable Date and after the completion of the Offer. Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication or a guarantee of its future trading performance, which will depend on, amongst other factors, the performance and prospects of the Company, prevailing economic conditions, economic outlook, stock market conditions and sentiment.

7.1.3 <u>Share price chart for the 3-year period prior to the Last Trading Day, and up to the Latest Practicable Date</u>

We have also considered the trading volume and the closing prices of the Shares for the 3-year period from 6 September 2021 and up to the Latest Practicable Date. We note that the Offer Price represents a discount of 18.48% over the VWAP for the 3-year period and the closing prices of the Shares are between a low of S$0.068 and a high of S$0.169. The Offer Price represents: (i) a premium of 10.29% over the lowest closing price of the Shares; and (ii) a discount of 55.62% over the highest closing price of the Shares, during the 3-year period. The ADTV of the Shares as a percentage of the free float was approximately 0.032% during the 3-year period.

A graphical representation of the daily closing prices and volume traded of the Shares for the 3-year period prior to the Last Trading Day, and up to the Latest Practicable Date is set out as follows:

Source: Bloomberg L.P.

7.2 Historical Financial Performance of the Group

The salient audited consolidated financial information of the Group for the financial year ended 31 December 2021 ("**FY2021**"), FY2022, FY2023 and the unaudited interim consolidated financial information of the Group for the 1H2023 and 1H2024 are set out in the table below. The following summary financial information should be read in conjunction with the full text of the annual reports and results announcements of the Group, in respect of the relevant financial periods including the notes thereto.

7.2.1 Consolidated Statement of Comprehensive Income

	------------------ Audited	------------------		------- Unaudited	------
(S$'000)	**FY2021**	**FY2022**	**FY2023**	**1H2023**	**1H2024**
Revenue	102,609	132,529	141,688	80,371	47,332
Cost of sales	(83,094)	(102,949)	(110,451)	(63,050)	(34,219)
Gross profit	19,515	29,580	31,237	17,321	13,113
Distribution and selling expenses	(22,747)	(18,311)	(16,537)	(8,814)	(7,162)
Administrative expenses	(9,686)	(11,865)	(13,820)	(5,882)	(5,348)
Other (expenses)/ income	(1,638)	(3,866)	3,695	6,017	524
(Loss)/ Profit from operating activities	(14,556)	(4,462)	4,575	8,642	1,127
Finance income	143	86	262	124	187
Finance expenses	(647)	(859)	(1,155)	(617)	(278)
(Loss)/ Profit before tax	(15,060)	(5,235)	3,682	8,149	1,036
Tax	(934)	(2,056)	1,989	(1,078)	315
(Loss)/ Profit after tax	(15,994)	(7,291)	5,671	7,071	1,351

Sources: Annual reports for FY2021, FY2022 and FY2023 of the Group and unaudited financial statements for 1H2023 and 1H2024 of the Group

The Group's principal business comprises (i) sales, marketing and distribution, design and engineering, project implementation, service and maintenance of transmission products and systems and wireless solutions; (ii) sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, network security solutions, IP networks, optical networks and broadcast infrastructure.

FY2021 vs FY2022

The Group's revenue increased by approximately S$29.9 million from S$102.6 million in FY2021 to S$132.5 million in FY2022 due to higher contributions from the SP and GTU segments. The increase was mainly driven by higher revenue contributions from Singapore, Indonesia, Malaysia and Europe, Middle East & Africa ("**EMEA**") markets.

Cost of sales increased by approximately S$19.8 million from S$83.1 million in FY2021 to S$102.9 million which is in line with the higher revenue recognised for FY2022.

Distribution and selling expenses decreased by approximately S$4.4 million from S$22.7 million in FY2021 to S$18.3 million in FY2022. The decrease was mainly due to lower provision for doubtful debts and lower legal fees in FY2022.

Administrative expenses increased by approximately S$2.2 million from S$9.7 million in FY2021 to S$11.9 million in FY2022, mainly due to higher staff related costs following an increase of business activities, relocation to new office premises in Singapore and additional tax liability payable to a subsidiary for FY2018 and FY2019.

Other expenses increased by approximately S$2.3 million from S$1.6 million in FY2021 to S$3.9 million in FY2022 mainly due to the increase in unrealised foreign exchange loss of S$4.7 million. The increase was partially offset by the write off of prepayment made to a supplier as the contract was subsequently discontinued, gain on sale of contract and reversal of cost provision accrued for a Philippines project.

Overall, the Group's loss position for the year improved from a loss of S$16.0 million in FY2021 to loss of S$7.3 million in FY2022.

FY2022 vs FY2023

The Group's revenue increased by approximately S$9.2 million from S$132.5 million in FY2022 to S$141.7 million in FY2023 mainly due to higher contributions from the GTU and Enterprise ("**ENT**") segments. The increase was mainly driven by higher revenue contributions from Singapore and Indonesia.

The cost of sales increased by approximately S$7.5 million from S$102.9 million in FY2022 to S$110.4 million in FY2023 which is in line with the higher revenue recognised for FY2023.

The distribution and selling expenses decreased by approximately S$1.8 million from S$18.3 million in FY2022 to S$16.5 million in FY2023. The decrease was mainly due to lower provision for doubtful debts from foreign subsidiaries, partially offset by higher staff-related costs.

The administrative expenses increased by approximately S$2.0 million from S$11.8 million in FY2022 to S$13.8 million in FY2023. The increase was mainly due to the increase in office rent expenses, higher depreciation resulting from the relocation of the Singapore office premises, partially offset by the reversal of excess provision on subsidiary sales and service tax booked in FY2022.

The Group recorded other income of S$3.7 million in FY2023, as compared to other expenses of S$3.9 million in FY2022. The Group had recorded other income in FY2023 was mainly due to the net gain of S$6.2 million from the sale of the Group's former headquarters at 109 Defu Lane 10, that was completed in January 2023.

Overall, the Group recorded profit after tax for the year of S$5.7 million in FY2023, as compared to loss of S$7.3 million in FY2022.

1H2023 vs 1H2024

The Group's revenue decreased by approximately S$33.1 million from S$80.4 million in 1H2023 to S$47.3 million in 1H2024 due to lower revenue from GTU and SP, partially offset by higher revenue from ENT. The decrease was due to the lower order intake from the previous year and order backlog brought forward into FY2024.

The cost of sales decreased by approximately S$28.8 million from S$63.0 million in 1H2023 to S$34.2 million in 1H2024 in line with the lower revenue recognised for the period.

The distribution and selling expenses decreased by approximately S$1.6 million from S$8.8 million in 1H2023 to S$7.2 million in 1H2024, mainly due to lower staff-related costs and no specific provision for doubtful debts.

The administrative expenses decreased by approximately S$0.6 million from S$5.9 million in 1H2023 to S$5.3 million in 1H2024, mainly due to lower staff-related costs and professional related expenses.

Other income decreased by approximately S$5.5 million from S$6.0 million in 1H2023 to S$0.5 million in 1H2024. The decrease was mainly due to the net gain of S$6.2 million from the sale of the Group's former headquarters at 109 Defu Lane 10 that was completed in January 2023 and recorded as other income in 1H2023. Positive foreign exchange movement recorded in 1H2024 of S$0.5 million partially offsets the impact.

Overall, the Group's profit for the period decreased by approximately S$5.7 million from S$7.1 million in 1H2023 to S$1.4 million in 1H2024.

Adjusted Net Profit After Tax and Adjusted EBITDA

We noted that the Company had a recorded a one-off, non-recurring income in 1H2023, being the net gain of S$6.2 million from the sale of the Group's former headquarters at 109 Defu Lane 10 that was completed in January 2023.

In this regard, after adjusting for the non-recurring income above for the respective periods, the retrospective effect on the net profit after tax attributable to equity holders ("**Adjusted NPAT**") and the EBITDA ("**Adjusted EBITDA**") for FY2023, 1H2023 and the trailing 12-month period ended 30 June 2024 ("**T12M**") would have been:

(S$'000)	**Audited FY2023**	**Unaudited 1H2023**	**Unaudited T12M**
(Loss)/ Profit after tax	5,671	7,071	(49)
Net gain on disposal of property	(6,191)	(6,191)	-
Adjusted NPAT	**(520)**	**880**	**(49)**
EBITDA	7,397	10,153	(224)
Net gain on disposal of property	(6,191)	(6,191)	-
Adjusted EBITDA	**1,206**	**3,962**	**(224)**

7.2.2 Consolidated Cash Flows Statement

(S$'000)	------------- Audited ------------- FY2021	FY2022	FY2023	----- Unaudited ----- 1H2023	1H2024
Net cash flows (used in)/ generated from operating activities	(514)	7,642	7,908	44	4,222
Net cash flows generated/(used in) from investing activities	898	(89)	5,139	5,111	(47)
Net cash flows generated/(used in) from financing activities	640	(12,109)	(9,966)	(6,739)	(9,871)
Net increase/(decrease) in cash and cash equivalents	1,024	(4,556)	3,081	(1,584)	(5,696)
Cash and cash equivalents at end of the year	23,403	18,086	20,503	16,343	15,054

Sources: Annual reports for FY2021, FY2022 and FY2023 of the Group and unaudited financial statements for 1H2023 and 1H2024 of the Group

The Group recorded a negative net cash flows from operation activities of S$0.5 million for FY2021 and generated positive net cash flows from operating activities of S$7.6 million, S$7.9 million, S$44,000 and S$4.2 million for FY2022, FY2023, 1H2023 and 1H2024 respectively.

Net cash generated from operating activities in 1H2024 was S$4.2 million, mainly due to positive cash flows before changes in working capital of S$2.6 million, net inflow of working capital of S$ 3.0 million, partially offset by net foreign exchange gain of S$0.9 million, income tax paid of S$ 0.4 million and interest paid of S$ 0.1 million. The net working capital inflows were due to (i) an increase in contract liabilities of S$9.7 million; (ii) a decrease in contract assets of S$4.6 million; and (iii) a decrease in stocks of S$0.8 million. This was partially offset by (i) a decrease in trade payables of S$7.5 million; (ii) an increase in other receivables, deposits and prepayments of S$2.5 million; (iii) an increase in trade receivables of S$1.6 million; (iv) a decrease in other payables and accruals of S$0.4 million; and (v) a decrease in provision for warranty of S$0.2 million.

Net cash used in investing activities in 1H2024 was S$47,000, mainly due to the purchase of property, plant and equipment of S$0.2 million. This was partially offset by the interest received of S$0.2 million, and the proceeds from disposal of property, plant and equipment of S$19,000.

Net cash used in financing activities in 1H2024 amounted to S$9.9 million, mainly due to (i) the repayment of bank loans of S$7.5 million; (ii) decrease in trade facilities of S$2.5 million; (iii) dividends paid to the shareholders of the Group of S$1.8 million; and (iv) repayment of lease liabilities of S$1.1 million. This was partially offset by the proceeds from bank loans of S$3.0 million.

Taking into account that the net cash and cash equivalents at the beginning of the year of 1H2024 of S$20.5 million, the net decrease in cash and cash equivalents of S$5.7 million, and the effect of exchange rates changes on cash and bank balances of S$0.3 million, the Group's cash and cash equivalents as at 30 June 2024 amounted to S$15.1 million.

7.3 NAV and NTA of the Group

7.3.1 Balance Sheets

A summary of the balance sheet of the Group as at 31 December 2023 and 30 June 2024 is set out as follows:

(S$'000)	Audited As at 31 December 2023	Unaudited As at 30 June 2024
Non-current assets		
Property, plant and equipment	4,777	4,469
Right-of-use assets	4,459	4,535
Intangible assets	568	481
Long term trade and other receivables	199	165
Deferred tax assets	4,044	4,007
Total non-current assets	**14,047**	**13,657**
Current assets		
Stocks	5,401	4,621
Contract assets	22,062	17,555
Trade receivables	42,979	44,951
Other receivables, deposits and prepayments	21,716	23,969
Fixed deposits	4,220	7,938
Cash and bank balances	16,402	7,237
Total current assets	**112,780**	**106,271**
Total assets	**126,827**	**119,928**
Current liabilities		
Trade payables	28,292	23,126
Other payables and accruals	6,911	4,451
Contract liabilities	25,080	34,623
Short-term borrowings	11,997	5,000
Lease liabilities	1,547	1,600
Provision for taxation	946	208
Provision for warranty	491	505
Total current liabilities	**75,264**	**69,513**
Non-current liabilities		
Lease liabilities	4,404	4,364
Defined benefit obligation	582	497
Total non-current liabilities	**4,986**	**4,861**
Total liabilities	**80,250**	**74,374**
Net assets	**46,577**	**45,554**
Equity attributable to equity holders of the Company		
Share capital	29,909	29,909
Revenue reserve	17,388	16,930
Translation reserve	(1,463)	(1,863)
Other reserves	743	578

(S$'000)	Audited As at 31 December 2023	Unaudited As at 30 June 2024
Total equity	**46,577**	**45,554**
NAV of the Group	**46,577**	**45,554**
NTA of the Group	**46,009**	**45,073**
Number of issued shares (excluding treasury shares)	361,897,000	361,897,000
NAV per Share (S$)	**0.13**	**0.13**
NTA per Share (S$)	**0.13**	**0.12**

Sources: Annual report for FY2023 of the Group and unaudited financial statements for 1H2024 of the Group

Assets

As at 30 June 2024, the Group has total assets of approximately S$120.0 million comprising current assets of approximately S$106.3 million (88.6% of total assets) and non-current assets of approximately S$13.7 million (11.4% of total assets).

The main current assets of the Group are (i) trade receivables of approximately S$45.0 million (42.3% of current assets); (ii) other receivables, deposits and prepayments of approximately S$24.0 million (22.6% of current assets); and (iii) contract assets of approximately S$17.6 million (16.5% of current assets) as at 30 June 2024.

The main non-current assets of the Group are (i) right-of-use assets of approximately S$4.5 million (32.8% of non-current assets); (ii) property, plant and equipment of approximately S$4.5 million (32.8% of non-current assets); and (iii) deferred tax assets of approximately S$4.0 million (29.2% of non-current assets) as at 30 June 2024.

Liabilities and equity

As at 30 June 2024, the Group has total liabilities of approximately S$74.4 million, comprising current liabilities of approximately S$69.5 million (93.4% of total liabilities) and non-current liabilities of approximately S$4.9 million (6.6% of total liabilities).

The main current liabilities of the Group are contract liabilities of approximately S$34.6 million (49.8% of current liabilities) and trade payables of approximately S$23.1 million (33.2% of current liabilities).

The non-current liabilities of the Group are lease liabilities of approximately S$4.4 million (89.8% of non-current liabilities) and defined benefit obligation of approximately S$0.5 million (10.2% of non-current liabilities).

Total equity and NAV of the Group was approximately S$45.6 million as at 30 June 2024. The intangible assets amounted to S$0.5 million as at 30 June 2024. Accordingly, the NTA of the Group is equivalent to S$45.1 million as at 30 June 2024.

7.3.2 <u>Book NAV/NTA of the Group</u>

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the Group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions. Furthermore, the NAV approach is more relevant in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

Book NAV of the Group

Based on the Group's latest unaudited financial statement as at 30 June 2024 and 361,897,000 Shares in issue as at 30 June 2024, the NAV of the Group amounted to approximately S$45.6 million or S$0.13 per Share. We note that the Offer Price represents a discount of approximately 42.3 % against the NAV per Share of S$0.13, and accordingly, the Price-to-NAV ("**P/NAV**") of the Group implied by the Offer Price would be approximately 0.60 times as at 30 June 2024.

Book NTA of the Group

Based on the Group's latest unaudited financial statement as at 30 June 2024 and 361,897,000 Shares in issue as at 30 June 2024, the NTA of the Group amounted to approximately S$45.1 million or S$0.12 per Share. We note that the Offer Price represents a discount of approximately 37.5 % against the NTA per Share of S$0.12 as at 30 June 2024, and accordingly, the Price-to-NTA ("**P/NTA**") of the Group implied by the Offer Price would be approximately 0.60 times as at 30 June 2024.

Based on the Group's latest unaudited financial statement as at 30 June 2024, there are no material differences between the computed P/NAV and P/NTA ratios of the Group implied by the Offer Price. Therefore, for the purposes of our analysis in this letter, we will focus on the P/NAV of the Group implied by the Offer Price where it relates to any asset-based valuation methodology and/or analysis, unless otherwise stated.

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which are recorded in the balance sheet of the Group as at 30 June 2024, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV of the Group as at 30 June 2024.

We also note that as disclosed in paragraph 5 of the Offer Document, save in the ordinary course of business or as a result of any internal reorganisation or restructuring within the Company which may be implemented, there is presently no intention by the Offeror to (i) introduce any major changes to the business of the Company (including any redeployment of the fixed assets of the Company); and/or (ii) discontinue the employment of the employees of the Group. However, the directors of the Offeror retains and reserves the right at any time to consider any options in relation to the Group which may present themselves and which it may regard to be in the interest of the Group.

The Management and Independent Directors have confirmed that, in relation to the period from 30 June 2024 (being the Group's latest available unaudited financial statements) up to the Latest Practicable Date, to the best of their knowledge and based on information made available to the Independent Directors, save as disclosed in publicly available information on the Company:

(a) they are not aware of any material difference between the estimated market value of the assets held by the Group *vis-à-vis* their respective book values recorded in the unaudited balance sheet of the Group as at 30 June 2024;

(b) they are not aware of any circumstances which may cause the NAV and NTA of the Group as at the Latest Practicable Date to be materially different from that recorded in the latest announced unaudited balance sheet of the Group as at 30 June 2024;

(c) there have been no material disposals or acquisitions of assets by the Group between 30 June 2024 and the Latest Practicable Date, and the Group does not have any plans for such impending material disposal or acquisition of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business;

(d) there are no contingent liabilities, bad or doubtful debts or impairment losses or material events at as the Latest Practicable Date which are likely to have a material impact on the NAV and NTA of the Group as at 30 June 2024;

(e) there are no litigation, claim or proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings as at the Latest Practicable Date which would have a material impact on the financial position of the Group as at 30 June 2024; and

(f) there are no intangible assets as at the Latest Practicable Date which ought to be disclosed in the balance sheet of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been disclosed that would have a material impact on the NAV and NTA of the Company as at 30 June 2024.

7.3.3 Historical Trailing P/NAV multiples of the Shares

A graphical representation of the historical trailing P/NAV multiple of the Shares for the 3-year period from 6 September 2021 up to the Latest Practicable Date, as compared to the P/NAV ratio of 0.60 times of the Group implied by the Offer Price is set out as follows:

Source: Bloomberg L.P.

From the chart above, we further note that the historical trailing P/NAV multiple of the Shares have been mainly traded above the implied P/NAV (Offer Price) multiple of the Shares of 0.60 times. The implied P/NAV (Offer Price) multiple of the Shares of 0.60 times was below the mean and median P/NAV of 0.71 times and 0.68 times respectively, for the 3-year period from 6 September 2021 up to the Latest Practicable Date.

7.3.4 Ex-cash NAV per Share

The Group recorded cash and cash equivalents, and fixed deposits of S$15.2 million as at 30 June 2024. After deducting for current and non-current borrowings and lease liabilities, the Group would record a net cash position of S$4.2 million (or net cash of S$0.01 per Share). The ex-cash NAV as at 30 June 2024 is S$41.4 million. Based on the total number of 361,897,000 Shares in issue as at 30 June 2024, the ex-cash NAV per Share is S$0.11.

We calculate the P/NAV on an ex-cash basis as follows:

	As at 30 June 2024 (S$)
Net cash per Share	0.01
Ex-cash Offer Price	0.06
Ex-cash NAV per Share	0.11
Ex-cash P/NAV (times)	0.55

Based on the above, we note that the ex-cash Offer Price represents a discount of approximately 45.5% against the ex-cash NAV per Share of S$0.11 as at 30 June 2024. Accordingly, the ex-cash Price-to-NAV ("**Ex-cash P/NAV**") of the Group implied by the Offer Price would be approximately 0.55 times as at 30 June 2024.

7.4 Comparison of Valuation Statistics of Companies Broadly Comparable to the Group

In considering what may be regarded as a reasonable range of valuation for the purpose of assessing the financial terms of the Offer, we have referred to selected listed companies on the SGX-ST which business activities are broadly comparable with those of the Group to give an indication of the current market expectations with regard to the perceived valuation of these businesses.

The Company was incorporated in the Republic of Singapore on 19 October 1978 and was listed on the Mainboard of the SGX-ST on 1 July 1999. The principal activities of the Group is to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunications systems and products in transmission networks and information technology networks.

In light of the lack of direct comparable companies on the SGX-ST, we have, in consultation with the management, used the following companies listed on the SGX-ST, the Bursa Malaysia Securities Berhad and the Stock Exchange of Thailand whose operations are similar to the Group, and with market capitalisations of between S$10 million and S$130 million (the "**Comparable Companies**") to get an indication of the current market expectations with regard to the perceived valuation of the Group.

We wish to highlight that the Comparable Companies are not exhaustive and there is no listed company or group which may be considered identical to the Group in terms of, *inter alia*, business activities, market capitalisation, scale of operations, risk profile, geographical spread, operating and financial leverage, accounting policies, adherence to accounting standards, tax factors, track record and future prospects. In addition, each of the Comparable Companies may engage in other separate business activities which are not related to the principal business of the Group. As such, any comparison made herein is strictly limited in scope and merely serves as an illustrative guide to Shareholders.

Details on the Comparable Companies, including their business descriptions and selected key financial, are set out below:

(a) Loxley Public Company Limited;

(b) Theta Edge Berhad;

(c) TeleChoice International Limited;

(d) Divfex Berhad;

(e) Mesiniaga Berhad; and

(f) International Network System Public Company Limited.

In assessing the financial terms of the Offer, we have used the following valuation parameters in our analysis:

Valuation parameter	**Description**
Price-earnings ratio (“**PER**”) ratio	The historical PER, which illustrates the ratio of the market price of a company’s shares relative to its historical consolidated earnings per share, is commonly used for the purpose of illustrating the profitability, and hence valuation, of a company. We have considered the historical PERs of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and trailing 12 months earnings per share vis-à-vis the corresponding historical PER of the Group based on the Offer Price and the trailing 12 months earnings per share (if applicable).
P/NAV or P/NTA	A NAV/NTA-based approach is useful to illustrate the extent that the value of each share is backed by assets, and would be more relevant in the case where the group were to change the nature of its business or realise or convert the use of all or most of its assets. The NAV/NTA-based valuation approach may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV/NTA, with the balance to be distributed to its shareholders after the settlement of all the liabilities and obligations of the company or group. We have considered the historical P/NAV and P/NTA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and latest announced NAV and NTA per share as at the end of the relevant financial year/period (as adjusted for any corporate activities which were undertaken after the latest available balance sheet date that may affect the NAV and NTA per share, where relevant), *vis-à-vis* the corresponding historical P/NAV and P/NTA ratio of the Group based on the Offer Price and the latest announced NAV and NTA per Share of the Group as at the end of the relevant financial year/period (as adjusted for any corporate activities which were undertaken after the latest available balance sheet date that may affect the NAV and NTA per share, where relevant).

Valuation parameter	Description
Enterprise value to EBITDA ("**EV/EBITDA**") ratio	The historical 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, and provides an indication of current market valuation relative to operating performance. "EV" is the sum of a company's market capitalisation, preferred equity, minority interests, short- and long-term debts and lease liabilities less cash and cash equivalents and represents the actual cost to acquire the entire company. "EBITDA" refers to historical consolidated earnings before interest, tax, depreciation and amortisation expenses. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions. We have considered the historical EV/EBITDA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date, latest available balance sheet values (as adjusted for any corporate activities which were undertaken after the latest available balance sheet date that may affect the EV, where relevant) and trailing 12 months EBITDA *vis-à-vis* the corresponding historical EV/EBITDA ratio of the Group based on the Offer Price and the trailing 12 months EBITDA of the Group.

7.4.1 Comparative valuation statistics of the Comparable Companies *vis-à-vis* the Group

The following table sets out the comparative valuation statistics of the Comparable Companies *vis-à-vis* the Group as implied by the Offer Price:

Comparable Companies	Market Capitalisation (S$' millions)(1)	Historical PER (times)	Historical P/NAV ratio (times)	Historical P/NTA ratio (times)	Historical EV/EBITDA ratio (times)
Loxley Public Company Limited	125.51	11.68	0.53	0.54	7.11
Theta Edge Berhad	65.23	98.31(2)	2.83	2.89	38.92(2)
TeleChoice International Limited	33.17	n.m.(3)	1.09	1.10	n.m.(3)
Divfex Berhad	32.62	15.69	2.81	3.67	11.63
Mesiniaga Berhad	28.87	16.87	0.84	0.84	13.34
International Network System Public Company Limited	15.36	8.05	0.90	0.90	3.33
High		**98.31**	**2.83**	**3.67**	**38.92**
Mean		**13.07**	**1.50**	**1.66**	**8.85**
Median		**13.69**	**1.00**	**1.00**	**9.37**
Low		**8.05**	**0.53**	**0.54**	**3.33**
Company (Implied by the Offer Price)(4)	**27.1**	**n.m.(5)**	**0.60(6)** **0.56(7)**	**0.60**	**n.m.(5)**

Sources: Bloomberg L.P., annual reports and/or announcements of the respective Comparable Companies and SAC Capital's computations

Notes:

(1) Based on last traded prices of the respective companies and exchange rates as at the Latest Practicable Date.

(2) Being a statistical outlier, Theta Edge Berhad has been excluded from the computation of mean and median PER and EV/EBITDA ratios.

(3) n.m. denotes not meaningful as TeleChoice International Limited was loss making and recorded negative EBITDA in its trailing 12 months period.

(4) Based on 361,897,000 shares as at the Latest Practicable Date.

(5) n.m. denotes not meaningful as the Group was loss making and recorded negative EBITDA in its trailing 12 months period, as set out in paragraph 7.2.1 of this letter.

(6) Based on the NAV of the Group of approximately S$45.6 million as at 30 June 2024, as set out in paragraph 7.3.2 of this letter.

(7) Based on the ex-cash NAV of the Target Group Company of S$41.4 million as at 30 June 2024 respectively, as set out in paragraph 7.3.4 of this letter.

Historical PER and EV/EBITDA ratios comparison

As the Group was loss making and recorded negative EBITDA in the latest trailing 12 months period, any assessment of the valuation of the Group (implied by the Offer Price) based on the PER and EV/EBITDA approaches would not be meaningful.

Historical P/NAV ratio comparison

We note that the historical P/NAV ratio of 0.60 times of the Group as implied by the Offer Price is:

(a) within the range of historical P/NAV ratios of the Comparable Companies of between 0.53 times and 2.83 times; and

(b) below the corresponding mean and median historical P/NAV ratios of the Comparable Companies of between 1.50 times and 1.00 times respectively.

Historical Ex-cash P/NAV ratio comparison

We note that the historical Ex-cash P/NAV ratio of 0.56 times of the Group as implied by the Offer Price is:

(a) within the range of historical P/NAV ratios of the Comparable Companies of between 0.53 times and 2.83 times; and

(b) below the corresponding mean and median historical P/NAV ratios of the Comparable Companies of between 1.50 times and 1.00 times respectively.

Historical P/NTA ratio comparison

We note that the historical P/NTA ratio of 0.60 times of the Group as implied by the Offer Price is:

(a) within the range of historical P/NTA ratios of the Comparable Companies of between 0.54 times and 3.67 times; and

(b) below the corresponding mean and median historical P/NTA ratios of the Comparable Companies of between 1.66 times and 1.00 times respectively.

7.5 Comparison with Recent Non-privatisation Mandatory General Offer Transactions For Companies Listed on the SGX-ST

As set out in paragraph 7.3 of the Offer Document, we noted that the Offeror has stated its current intention to maintain the listing status of the Company on the SGX-ST and that it does not intend to exercise any right of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

In our assessment of the Offer, we have compared the financial terms of the Offer with selected recent completed mandatory general offers in cash for companies (excluding real estate investment trusts and business trusts) listed on the SGX-ST, that were announced since 1 January 2022 up to and including the Offer Announcement Date and completed as at the Latest Practicable Date, and wherein the offeror had indicated their intentions to preserve the listing status of the target companies (the "**Non-privatisation Take-over Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

(a) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Non-privatisation Take-over Transactions; and

(b) the premium or discount represented by each of the respective offer prices to the NAV or NTA of the respective target companies, where applicable. We note that certain Non-Privatisation Take-over Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their last announced book values, we have also, where relevant, compared the financial terms of such offer transactions with the revalued NAV (or RNTA where applicable) and/or adjusted NAV (or adjusted NTA where applicable) of the Non-privatisation Take-over Transactions, where available.

We wish to highlight that the Non-privatisation Take-over Transactions set out below are by no means exhaustive. In addition, as the Group is not directly comparable to the target companies involved in the Non-privatisation Take-over Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects, the comparison merely serves as a general guide to provide an indication of the premia/discounts paid in connection with non-privatisation take-over offers of companies listed on the SGX-ST. Each of the Non-privatisation Take-over Transactions must be judged on its own commercial and financial merits. Shareholders should also note that the premium (if any) to be paid by an offeror in a non-privatisation take-over transactions varies in different circumstances depending on, *inter alia*, the offeror's intentions with regard to the target company, the potential synergy that the offeror can gain from acquiring the target company, the attractiveness of the underlying business to be acquired, the trading liquidity of the target company's shares, existing and desired level of control in the target company, prevailing market expectations and the presence of competing bids. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

Company	Date of offer announcement	Offer price (S$)	Premium/(Discount) of offer price over Last transacted price	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP	Offer price-to-NAV / NTA ratio (times)[(1)]
			Prior to announcement of offer (%)					
Keong Hong Holdings Limited	21 January 2022	0.3840	3.8	7.9	11.1	11.0	12.8	0.50[(2)]
Procurri Corporation Limited	20 May 2022	0.4250	0.0	3.2	9.3	17.3	20.4	2.19[(3)]
Revez Corporation Ltd.	7 December 2022	0.0306	(66.0)	(65.6)	(67.0)	(69.7)	(75.1)	0.83[(4)]
Halcyon Agri Corporation Limited	3 February 2023	0.4130	42.4[(5)]	64.2[(5)]	68.6[(5)]	71.0[(5)]	69.8[(5)]	1.12[(6)]
Sunrise Shares Holdings Ltd.	10 July 2023	0.0218	(37.7)	(36.3)	(40.1)	(41.1)	(46.2)	1.20[(7)]
ICP Ltd.	11 July 2023	0.0070	(12.5)	(24.7)	(29.3)	(28.6)	(28.6)	0.90[(8)]
Datapulse Technology Limited	11 August 2023	0.0900	(2.2)	0.0	0.0	(1.1)	(5.3)	0.37[(9)]
No Signboard Holdings Ltd	28 March 2024	0.0021	-[(10)]	-[(10)]	-[(10)]	-[(10)]	-[(10)]	-[(11)]
		High	**42.4**	**64.2**	**68.6**	**71.0**	**69.8**	**2.19**
		Mean	**(10.3)**	**(7.3)**	**(6.8)**	**(5.9)**	**(7.5)**	**1.02**
		Median	**(2.2)**	**0.0**	**0.0**	**(1.1)**	**(5.3)**	**0.90**
		Low	**(66.0)**	**(65.6)**	**(67.0)**	**(69.7)**	**(75.1)**	**0.37**
Company (Implied by the Offer Price)	**4 September 2024**	**0.075**	**(6.3)**	**(5.1)**	**(3.9)**	**(6.3)**	**(5.1)**	**0.60[(12)]** **0.56[(13)]**

Sources: Announcements and circulars to shareholders in relation to the respective Non-privatisation Take-over Transactions and SAC Capital's computations.

Notes:

(1) Based on the NAV per share or revalued NAV per share or adjusted NAV per share or NTA per share or revalued NTA per share or adjusted revalued NTA per share, as the case may be, as extracted from the independent financial adviser's letters for the respective companies.

(2) Based on the revalued NAV per share of Keong Hong Holdings Limited as at 30 September 2021.

(3) Based on the NAV per share of Procurri Corporation Limited as at 31 December 2021. We noted from the independent financial adviser's letter that no adjustments to the NAV per share of Procurri Corporation Limited as at 31 December 2021 was required.

(4) Based on the NAV per share of Revez Corporation Ltd. as at 30 June 2022. We noted from the independent financial adviser's letter that no adjustments to the NAV per share of Revez Corporation Ltd. as at 30 June 2022 was required.

(5) Halycon Agri Corporation Limited's shares were last transacted on 11 November 2022 before the pre-conditional offer announcement that was announced on 16 November 2022.The market premia in the table above were computed based on the share prices for the period(s) prior to and including 11 November 2022, being the last Market Day on which the shares were traded immediately prior to the pre-conditional offer announcement.

(6) Based on the NAV per share of Halcyon Agri Corporation Limited as at 31 December 2022. We noted from the independent financial adviser's letter that the NAV per share and revalued NAV per share of Halcyon Agri Corporation Limited as at 31 December 2022 are the same.

(7) Based on the NAV per share of Sunrise Shares Holdings Ltd. as at 31 December 2022. We noted from the independent financial adviser's letter that no adjustments to the NAV per share of Sunrise Shares Holdings Ltd. as at 31 December 2022 was required.

(8) Based on the revalued NAV per share of ICP Ltd. as at 31 December 2022.

(9) Based on the adjusted revalued NAV per share of Datapulse Technology Limited as at 31 January 2023.

(10) We note that shares in No Signboard Holdings Ltd had been halted and suspended since 19 January 2022 and resumed trading from 15 March 2024. Since the shares in No Signboard Holdings Ltd were traded less than a month prior to the offer announcement date and prior to the offer announcement date, there were no public market for the shares in No Signboard Holdings Ltd for more than two (2) years, any comparison of the market premia to the historical share prices prior to the suspension will not be meaningful.

(11) Not meaningful given that No Signboard Holdings Ltd recorded unaudited net liabilities and adjusted net liabilities as at 30 September 2023.

(12) Based on the NAV of the Company of S$45.6 million or S$0.13 per Share as at 30 June 2024, as set out in paragraph 7.3.2 of this letter.

(13) Based on the ex-cash NAV of the Company of S$41.4 million or S$0.11 per Share as at 30 June 2024, as set out in paragraph 7.3.4 of this letter.

We note that in respect of the Non-privatisation Take-over Transactions:

(a) the discount of the Offer Price over the last transacted price of the Shares prior to the Offer Announcement Date of approximately 6.3% is:

   (i) within the range of the corresponding (discount)/premia of the Non-privatisation Take-over Transactions of between (66.0%) and 42.4%; and

   (ii) below the mean discount of 10.3% and above the median discount of 2.2% of the Non-privatisation Take-over Transactions;

(b) the discount of the Offer Price over the VWAP of the Shares for the 1-month period prior to the Offer Announcement Date of approximately 5.1% is:

   (i) within the range of the corresponding (discount)/premia of the Non-privatisation Take-over Transactions of between (65.6%) and 64.2%; and

   (ii) below the mean discount of 7.3% and above the median of 0.0% of the Non-privatisation Take-over Transactions;

(c) the discount of the Offer Price over the VWAP of the Shares for the 3-month period prior to the Offer Announcement Date of approximately 3.9% is:

   (i) within the range of the corresponding (discount)/premia of the Non-privatisation Take-over Transactions of between (67.0%) and 68.6%; and

   (ii) below the mean discount of 6.8% and above the median of 0.0% of the Non-privatisation Take-over Transactions;

(d) the discount of the Offer Price over the VWAP of the Shares for the 6-month period prior to the Offer Announcement Date of approximately 6.3% is:

   (i) within the range of the corresponding (discount)/premia of the Non-privatisation Take-over Transactions of between (69.7%) and 71.0%; and

   (ii) above the corresponding mean and median discount of 5.9% and 1.1% of the Non-privatisation Take-over Transactions;

(e) the discount of the Offer Price over the VWAP of the Shares for the 12-month period prior to the Offer Announcement Date of approximately 5.1% is:

   (i) within the range of corresponding (discount)/premia of the Non-privatisation Take-over Transactions of between (75.1%) and 69.8%; and

   (ii) below the corresponding mean and median discount of 7.5% and 5.3% of the Non-privatisation Take-over Transactions;

(f) the P/NAV ratio as implied by the Offer Price of 0.60 times is:

   (i) within the range of offer price-to-NAV or offer price-to-NTA ratios of the Non-privatisation Take-over Transactions of between 0.37 times and 2.19 times; and

   (ii) below the corresponding mean and median offer price-to-NAV or offer price-to-NTA ratios of 1.02 and 0.90 times of the Non-privatisation Take-over Transactions;

(g) the Ex-cash P/NAV ratio as implied by the Offer Price of 0.56 times is:

(i) within the range of offer price-to-NAV or offer price-to-NTA ratios of the Non-privatisation Take-over Transactions of between 0.37 times and 2.19 times; and

(ii) below the corresponding mean and median offer price-to-NAV or offer price-to-NTA ratios of 1.02 and 0.90 times of the Non-privatisation Take-over Transactions.

7.6 Estimated Range of Value of the Shares

In deriving a range of values for the Shares, we have analysed the market prices of the Shares for the period after the Offer Announcement Date up to the Latest Practicable Date, as well as the financial performance and position of the Group. We have derived a range of values for the Shares using the NAV per Share of the Group as at 30 June 2024, the P/NAV valuation multiples from the Comparable Companies and the Non-privatisation Take-over Transactions. We have not considered the earning multiples as the Group was loss making and recorded negative EBITDA in the latest trailing 12 months period, thus any assessment based on the PER and EV/EBITDA approaches would not be meaningful.

The key valuation parameters which we have considered in our analysis are as follows:

		Implied Valuation Range (S$' million)	
Valuation Parameter		**Low**	**High**
(a)	NAV as at 30 June 2024	45.6	45.6
(b)	P/NAV (mean and median)(1) of Comparable Companies	45.6	68.3
(c)	P/NAV (mean and median)(2) of Non-privatisation Take-over Transactions	41.0	46.5
(d)	VWAP for the period after the Offer Announcement Date up to the Latest Practicable Date(3)	29.3	29.3
Implied Valuation Range (S$' million)		**41.0**	**46.5**
Implied Share Price (S$)		**0.113**	**0.128**

Notes:

(1) Based on the mean and median historical P/NAV ratios of the Comparable Companies of between 1.50 times and 1.00 times, as set out in paragraph 7.4.1 of this letter.

(2) Based on the mean and median offer price-to-NAV ratios of the Non-privatisation Take-over Transactions of between 1.02 times and 0.90 times, as set out in paragraph 7.5 of this letter.

(3) In arriving at the overall range of derived theoretical valuations, we have excluded the implied valuation based on parameter (d) above, being the VWAP for the period after the Offer Announcement Date up to the Latest Practicable Date, as the Shares have been consistently traded below its NAV per Share. Please refer to paragraph 7.3.3 of this letter for our analysis on the historical trailing P/NAV multiples of the Shares.

Based on the above, the overall range of derived theoretical valuations is between approximately S$41.0 million and S$46.5 million, which translate to between S$0.113 and S$0.128 per Share. We note that the Offer Price of S$0.075 is below our estimated value range of the Shares.

7.7 Other Relevant Considerations

7.7.1 Historical dividend yields of the Company

We set out below an analysis of the dividends declared and the dividend payout ratio for the last five (5) financial years ended 31 December, and the implied dividend yield based on the average prices of the Shares for the respective period, and the implied dividend yield based on the Offer Price:

(S$)	FY2019	FY2020	FY2021	FY2022	FY2023
Interim tax-exempt one-tier dividend per Share (S$)	0.005	-	-	-	-
Final tax-exempt one-tier dividend per Share (S$)	0.005	0.005	-	-	0.005
Total dividend per Share (S$)	**0.010**	**0.005**	**-**	**-**	**0.005**
Average Share price[(1)]	0.28	0.19	-	-	0.09
Dividend yield (based on the average Share prices)(%)	**3.56**	**2.55**	**-**	**-**	**5.84**
Dividend yield (implied by the Offer Price)(%)	**13.33**	**6.67**	**-**	**-**	**6.67**

Sources: Bloomberg L.P., Company's announcements on the SGX-ST and SAC Capital's computations.

Note:

(1) Average daily closing price of the Shares for the respective financial year.

From the table above, we note that the Company's total annual dividend ranged from nil to S$0.010 per Share from FY2019 to FY2023. We understand from the Management that no dividend was declared for FY2021 and FY2022 mainly due to losses incurred in the respective financial year. The Company's dividend yield per annum (based on the average Share prices) for FY2019, FY2020 and FY2023 are 3.56%, 2.55% and 5.84% respectively, and the dividend yield per annum (implied by the Offer Price) for FY2019, FY2020 and FY2023 are 13.33%, 6.67% and 6.67% respectively.

As stated in the Company's annual report for FY2023, the Company does not set quantitative parameters for dividend payout. The quantum of dividends declared by the Company in any period would depend upon various factors including but not limited to the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Shareholders should note that past dividend payouts should not be in any way relied upon as an indication or promise of the Company's future dividend payouts. There is no assurance that the Company will continue to pay dividend in future and/or maintain the level of dividends paid in the past financial years, after the completion of the Offer.

7.7.2 Outlook of the Company

We note that the Company had, in its unaudited 1H2024 financial results announcement, included a commentary on 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 for the next reporting period and the next 12 months which is reproduced in italics below:

"In 1H 2024, the Group secured $76.8 million in order intake, an increase of 65.2% ($30.3 million) as compared to $46.5 million in 1H 2023, propelled by fresh orders secured across all three business segments – Service Provider, Enterprise and Government, Transport and Utilities.

The Group's NI business segment contributed $66.0 million, or 86.0% of the total 1H 2024 order intake, an increase of 124.5% ($36.6 million) as compared to $29.4 million recorded in 1H 2023. The Group's WIN business segment contributed the remaining $10.8 million in order intake, a decrease of 36.8% ($6.3 million) as compared to $17.1 million in 1H 2023.

The Group continues to focus its efforts on executing its corporate strategies, aimed at improving cash collection processes and shortening the Group's cash conversion cycle, while strengthening our value proposition to capture new business opportunities.

Recurring income stream is expected to be strengthened from the five-year managed services contract which includes implementing infrastructure across over 30 sites covering day-to-day management, operation and maintenance support as well as network performance monitoring services for the Group's strategic $10 million project secured in 1Q2024.

Recurring income is also expected from the Group's renewal of a $17.6 million contract for managed services with a service provider in Singapore for a further three-year term commencing in July 2024.

However, headwinds in the operating environment, such as higher interest rates, inflationary pressures, growing economic uncertainty and rising geopolitical tensions could impact the Group. The Group will continue to invest in growing its capabilities, while navigating the challenging landscape."

7.7.3 Previous take-over offers for the Company

In assessing the reasonableness of the Offer, we have also compared the financial terms of the Offer with the previous take-over offers made by other offerors for the Company pursuant to the requirements of the Code. In the regard, we noted offers have been made for the Company in 2012.

On 10 February 2012, the Company and Singapore Technologies Electronics Limited (the "**Acquiror**") jointly announced the proposed acquisition of all the Shares by the Acquiror by way of a scheme of arrangement (the "**2012 Scheme**") under Section 210 of the Companies Act, Chapter 50 of Singapore and in accordance with the Code. The scheme consideration under the 2012 Scheme was an aggregate cash amount of S$0.45 for each Share which comprised (a) S$0.06 per Share payable by the Company as a cash dividend (the "**Permitted Dividend**"), and (b) S$0.39 per Share (excluding the Permitted Dividend) payable by the Acquiror. On 6 July 2012, the board of directors of the Company announced that the requisite majority required to vote in favour of the 2012 Scheme was not obtained at the scheme meeting and the Company and Acquiror did not proceed with the 2012 Scheme.

On 20 November 2012, Standard Chartered Bank announced, for and on behalf of Asia Systems Ltd ("**Asia Systems**"), that Asia Systems had agreed to acquire from Eltek ASA pursuant to an off-market transaction an aggregate of 181,136,000 Shares, representing 50.05% of the total issued Shares at S$0.49 per Share in cash (the "**2012 Acquisition**"). As a result of the 2012 Acquisition, Asia Systems is required to make a mandatory unconditional cash offer for all the remaining Shares, other than those owned, controlled or agreed to be acquired by Asia Systems as at the date of the offer pursuant to Rule 14 of the Code (the "**2012 Offer**"). As at the close of the 2012 Offer, the total number of (a) shares owned, controlled or agreed by Asia Systems and parties acting in concert with it, and (b) valid acceptances to the 2012 Offer, amount to an aggregate of 193,173,439 Shares, representing approximately 53.38% of the total issued Shares.

Shareholders should note that the following comparison below is limited and has to be assessed in the context of the economic or general market conditions for the Shares or the prices for which the Shares were traded at the time then prevailing as well as the conditions for the current Offer may have been different from the 2012 Scheme and 2012 Offer. In addition, Shareholders should note that the businesses and operations of the Group then prevailing the 2012 Scheme and 2012 Offer would have been different from the current situation. For instance, after the 2012 Scheme and 2012 Offer, the Group had on 20 May 2016, entered into a conditional sale agreement with Ingenico Group S.A. to dispose its payment solutions business through the sale of shares in Nera Payment Solutions Pte Ltd and its subsidiaries, which was completed on 31 August 2016.

Hence, any comparison between the Offer, the 2012 Scheme and the 2012 Offer below is necessarily limited and meant for illustration purpose only.

Offer Type	Announcement Date	Scheme Consideration / Offer Price (S$)	PER (times)	P/NAV (times)	EV/EBITDA ratio (times)
2012 Scheme	10 February 2012	0.450 (cash)	8.4(1)	2.4(2)	3.9(1)
2012 Offer	20 November 2012	0.490 (cash)	7.0(3)	2.9(4)	4.2(3)
Offer	**4 September 2024**	**0.075 (cash)**	**n.m.(5)**	**0.60(6)** **0.56(7)**	**n.m.(4)**

Source: Company's announcements on the SGX-ST

Notes:

(1) As extracted from the independent financial adviser's letter dated 14 June 2012 on the 2012 Scheme ("**2012 IFA Letter**").

(2) Computed based on the NAV of the Group of approximately S$67.9 million as at 31 March 2012, as set out in the scheme document under the 2012 Scheme. It is to note that as stated in the independent financial adviser's letter for the 2012 Scheme, the value of the Company is derived predominantly from its ability to generate positive cash flows and streams of net earnings. Accordingly, the independent financial adviser had selected cash flows and earnings-based valuation ratios (such as EV/EBITDA and P/E) as the benchmarks for evaluation, and comparison of scheme consideration to asset-based measures is not relevant for their analysis of the scheme consideration.

(3) As extracted from the independent financial adviser's letter dated 18 December 2012 on the 2012 Offer.

(4) Computed based on the NAV of the Group of approximately S$62.3 million as at 30 September 2012, as set out in the circular under the 2012 Offer. It is to note that as stated in the independent financial adviser's letter for the 2012 Offer, the value of the Company is derived predominantly from its ability to generate positive cash flows and streams of net earnings. Accordingly, the independent financial adviser had selected cash flows and earnings-based valuation ratios (such as EV/EBITDA and P/E) as the benchmarks for evaluation, and comparison of scheme consideration to asset-based measures is not relevant for their analysis of the scheme consideration.

(5) n.m. denotes not meaningful as the Group was loss making and recorded negative EBITDA in its trailing 12 months period, as set out in paragraph 7.2.1 of this letter.

(6) Based on the NAV of the Group of approximately S$45.6 million as at 30 June 2024, as set out in paragraph 7.3.2 of this letter.

(7) Based on the ex-cash NAV of the Target Group Company of S$41.4 million as at 30 June 2024 respectively, as set out in paragraph 7.3.4 of this letter.

We note that in respect of the 2012 Scheme and the 2012 Offer:

(a) the scheme consideration of S$0.45 under the 2012 Scheme and the offer price of S$0.49 under the 2012 Offer, were higher than the offer price of S$0.075 under the Offer; and

(b) the implied P/NAV ratios as implied by the scheme consideration under the 2012 Scheme and by the offer price under the 2012 Offer, were higher than the implied P/NAV ratio under the Offer.

7.7.4 Absence of alternative or competing offers

As at the Latest Practicable Date, other than the Offer, there is no publicly available evidence of an alternative or competing offer for the Shares from any other party.

In addition, the Independent Directors have confirmed that as at the Latest Practicable Date, apart from the Offer, they have not received any alternative or competing offer for the Shares from any other party.

7.7.5 Statutory control over the Company by the Offeror Concert Party Group

Shareholders should note that, as at the Latest Practicable Date, the Offeror Concert Party Group holds 193,173,439 Shares, representing approximately 53.38% of the total number of Shares.

Accordingly, the Offeror Concert Party Group already has effective statutory control over the Company, which places the Offeror Concert Party Group in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary and/or special resolutions at the Company's general meetings on matters in which the Offeror Concert Party Group does not have any interest, save for situations where the Offeror is required by rules or authorities to abstain from voting.

7.7.6 Rationale for the Offer and the Offeror's intention for the Company

We note from paragraph 5 of the Offer Document that the Offer is made to comply with the Code arising from the Acquisition.

We note that the Offeror presently has no intention to (i) introduce any major changes to the business of the Company (including any redeployment of the fixed assets of the Company); or (ii) discontinue the employment of the employees of the Group. However, the Offeror retains and reserves the right at any time to consider any options in relation to the Group which may present themselves and which it may regard to be in the interest of the Group.

7.7.7 Offeror's intention relating to the listing status and compulsory acquisition

As set out in paragraph 7 of the Offer Document, it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer and the Offeror does not intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the free float requirement under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, *inter alia*, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

8. OUR OPINION AND ADVICE

8.1 Key Considerations of the Offer

In arriving at our opinion and advice in respect of the Offer, we have taken into account, and reviewed the following key considerations, which we consider to be pertinent in our assessment of the Offer. The following should be read in conjunction with, and in the context of, the full text of this letter:

(a) an assessment of the market quotation and trading liquidity of the Shares during the Period Under Review and 3-year period preceding the Latest Practicable Date, as set out in paragraph 7.1 of this letter;

(b) historical financial performance of the Group, as set out in paragraph 7.2 of this letter;

(c) the financial position of the Group, including the NAV of the Group, as set out in paragraph 7.3 of this letter;

(d) a comparison with the valuation statistics of the Comparable Companies, including the estimated range of value of the Shares, as set out in paragraph 7.4 of this letter;

(e) a comparison with recent non-privatisation mandatory general offer transactions for companies listed on the SGX-ST, as set out in paragraph 7.5 of this letter;

(f) estimated range of value of the Shares, as set out in paragraph 7.6 of this letter; and

(g) other relevant considerations as follows:

   (i) historical dividend yields of the Company, as set out in paragraph 7.7.1 of this letter;

   (ii) outlook of the Company, as set out in paragraph 7.7.2 of this letter;

   (iii) previous take-over offers for the Company, as set out in paragraph 7.7.3 of this letter;

   (iv) absence of alternative or competing offers, as set out in paragraph 7.7.4 of this letter;

   (v) statutory control over the Company by the Offeror Concert Party Group, as set out in paragraph 7.7.5 of this letter;

   (vi) rationale for the Offer and the Offeror's intention for the Company, as set out in paragraph 7.7.6 of this letter; and

   (vii) Offeror's intention relating to the listing status and compulsory acquisition, as set out in paragraph 7.7.7 of this letter.

8.2 Assessment of the Offer

For the purpose of evaluating the Offer, we have adopted the approach that the term "fair" and "reasonable" are regarded as two different concepts. The term "fair" relates to an opinion on the value of the offer price against the value of the securities subject to the offer (the "**Securities**"), and an offer is "fair" if the price offered is equal to or greater than the value of the Securities. In considering whether an offer is "reasonable", other matters as well as the value of the Securities are taken into consideration. Such other matters include, but are not limited to, existing voting rights in the company held by an offeror and its concert parties or the market liquidity of the relevant securities.

8.2.1 Assessment of Fairness of the Offer

In determining the fairness of the Offer, we have considered, *inter alia*, the following pertinent factors:

(a) based on the asset-based approach, which provides an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the Offer Price represents a discount of approximately 42.3% against the NAV per share of S$0.13 as at 30 June 2024. Accordingly, the P/NAV of the Group implied by the Offer Price would be approximately 0.60 times as at 30 June 2024;

(b) the historical trailing P/NAV multiple of the Shares for the 3-year period from 6 September 2021 up to the Latest Practicable Date, have been mainly traded above the implied P/NAV (Offer Price) multiple of the Shares of 0.60 times;

(c) the ex-cash Offer Price represents a discount of approximately 45.5% against the ex-cash NAV per Share of S$0.11 as at 30 June 2024. Accordingly, the Ex-cash P/NAV of the Group implied by the Offer Price would be approximately 0.55 times as at 30 June 2024;

(d) the historical P/NAV and Ex-cash P/NAV ratios as implied by the Offer Price are below the mean and median of those of the Comparable Companies. As the Group was loss making and recorded negative EBITDA in the latest trailing 12 months period, any assessment of the valuation of the Group (implied by the Offer Price) based on the PER and EV/EBITDA approaches would not be meaningful;

(e) the Offer Price of S$0.075 is below the estimated value range of the Shares of S$0.113 and S$0.128 per Share; and

(f) the P/NAV and Ex-cash P/NAV ratios as implied by the Offer Price of 0.60 times and 0.56 times respectively are below the corresponding mean and median price-to-NAV or price-to-NTA ratios for the Non-Privatisation Take-Over Transactions;

In view of the above, we are of the opinion that the Offer is **NOT FAIR**.

8.2.2 Assessment of Reasonableness of the Offer

In determining the reasonableness of the Offer, we have considered, *inter alia*, the following pertinent factors:

(a) the Offer Price represents a discount of 5.06%, 6.25%, 3.85% and 5.06% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively. The Offer Price also represents a discount of 6.25% over the closing price of the Shares of S$0.080 on the Last Trading Day, and a discount of 18.48% over the VWAP for the 3-year period prior to the Last Trading Day;

(b) the traded prices of the Shares remained above the Offer Price after the Offer Announcement, and the Offer Price represents a discount of 7.41% over the VWAP of the Shares for the period from 5 September 2024 and up to the Latest Practicable Date;

(c) the trading of the Shares appears to be relatively illiquid for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day. In addition, the ADTV for the aforementioned periods prior to the Last Trading Day represents less than 0.06% of the Company's free float;

(d) the Company's total annual dividend ranged from nil to S$0.010 per Share from FY2019 to FY2023, and the Company's dividend yield per annum (based on the average Share prices) for FY2019, FY2020 and FY2023 were 3.56%, 2.55% and 5.84% respectively;

(e) we note that in respect of the 2012 Scheme and the 2012 Offer, the scheme considerations and offer price and the P/NAV ratio implied under the 2012 Scheme and the 2012 Offer appears to be more favourable as compared to that of the Offer. However, as set out in paragraph 7.7.3 of this letter, Shareholders should note that any comparison between the Offer, the 2012 Scheme and the 2012 Offer is necessarily limited and meant for illustration purpose only, as the Group's businesses and operations, the economic or general market conditions then prevailing would have been different from the 2012 Scheme and 2012 Offer;

(f) we note that it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer and the Offeror does not intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act, and

(g) as at the Latest Practicable Date, apart from the Offer, the Independent Directors have confirmed that no alternative or competing offer has been received by the Group.

In view of the above, we are of the opinion that the Offer is **NOT REASONABLE**.

8.3 Our opinion on the Offer

In conclusion, we are of the opinion that, on balance, the financial terms of the Offer are **not fair and not reasonable**. Accordingly, we advise the Independent Directors to recommend Shareholders to **reject** the Offer.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Offer. The recommendation to be made by them to the Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the purpose of the Offer.

This letter is governed by and shall be construed in accordance with the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
SAC CAPITAL PRIVATE LIMITED

Tan Kian Tiong
Partner and Head, Capital Markets

Annex A

Company	Stock exchange	Business description (as extracted from Bloomberg L.P.)	Share price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (S$' million)(1)(2)	Trailing 12 Months: Financial year end	Trailing 12 Months: Revenue (S$' million)(1)(2)	Trailing 12 Months: Net profit/(loss) after tax attributable to shareholders (S$' million)(1)(2)
Loxley Public Company Limited	The Stock Exchange of Thailand	Loxley Public Company Limited provides integrated telecommunication and computer services such as satellite TV uplink, video conferencing, data network communication, and internet access services. The Company also distributes office automation equipment, construction materials, consumer products, and chemical products.	THB1.410	125.51	31 December	432.30	10.74
Theta Edge Berhad	Bursa Malaysia Securities Berhad	Theta Edge Berhad offers information and communications technology services. The Company sets up and runs wireless networks for telemetry, remote meter reading, and telecommunications; and offers systems integration and managed telecommunications services.	RM1.770	65.23	31 December	34.95	0.66
TeleChoice International Limited	SGX-ST	TeleChoice International Limited provides mobile network engineering services and solutions. The Company also imports, markets, and distributes telecommunication equipment and electronic products. TeleChoice provides after sales support, public mobile data and location tracking services, radio paging services, and international direct dial services.	S$0.073	33.17	31 December	298.61	(7.85)
Divfex Berhad	Bursa Malaysia Securities Berhad	Divfex Berhad offers computer hardware and software consulting services. The Company also provides telecommunication solutions.	RM0.140	32.62	30 June	17.19	2.08

Company	Stock exchange	Business description (as extracted from Bloomberg L.P.)	Share price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (S$' million)(1)(2)	------------------Trailing 12 Months ------------------------ Financial year end	Revenue (S$' million)(1)(2)	Net profit/(loss) after tax attributable to shareholders (S$' million)(1)(2)
Mesiniaga Berhad	Bursa Malaysia Securities Berhad	Mesiniaga Berhad sells and services information technology products. Through its subsidiaries, the Company sells networking cables and related products, provides management training and consulting services, and provides services in research and prototyping of application software.	RM1.530	28.87	31 December	73.72	1.71
International Network System Public Company Limited	The Stock Exchange of Thailand	International Network System Public Company Limited provides information technology solutions. The Company offers project management, system integration, maintenance support, and consulting services. ITNS serves clients worldwide.	THB1.870	15.36	31 December	23.91	1.91

Sources: Bloomberg L.P., annual reports and/or announcements of the respective companies

Notes:

(1) Based on exchange rate of S$1: RM3.2136 as at the Latest Practicable Date (source: Bloomberg L.P.).

(2) Based on exchange rate of S$1: THB25.4127 as at the Latest Practicable Date (source: Bloomberg L.P.).

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

1. DIRECTORS

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

Name	Address	Description
Mr. Basil Chan	c/o 19 Tai Seng Avenue #06-01 Singapore 534054	Chairman and independent director
Mr. Chong Hoi Ming	c/o 19 Tai Seng Avenue #06-01 Singapore 534054	Executive director and chief executive officer
Ms. Kay Pang Ker-Wei	c/o 19 Tai Seng Avenue #06-01 Singapore 534054	Independent director
Mr. Tommy Teo Zhi Zhuang	c/o 19 Tai Seng Avenue #06-01 Singapore 534054	Non-executive director
Mr. Wong Chee-Yann	c/o 19 Tai Seng Avenue #06-01 Singapore 534054	Non-executive director

2. PRINCIPAL ACTIVITIES

The Company was incorporated in the Republic of Singapore on 19 October 1978 and was listed on the Mainboard of the SGX-ST on 1 July 1999.

The principal activities of the Company, and its subsidiaries, are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunications systems and products in transmission networks and information technology networks.

3. SHARE CAPITAL

3.1 Issued Shares

The Company only has one (1) class of Shares, being ordinary shares. As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$29,909,152.00 comprising 361,897,000 Shares, and the Company does not have any treasury shares.

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2023, such date being the end of the previous financial year of the Company. The Shares carry equal ranking rights to dividends, voting at general meetings and return of capital.

The Shares are quoted and listed on the Mainboard of the SGX-ST.

3.2 Convertible Securities

As at the Latest Practicable Date, the Company has no outstanding Convertible Securities, Warrants, Options, and Derivatives in respect of the Shares or securities carrying voting rights in the Company.

3.3 Rights of Shareholders in respect of capital, dividends and voting rights

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution. For ease of reference, selected texts of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting rights have been reproduced in Appendix C to this Circular.

4. DISCLOSURE OF INTERESTS AND DEALINGS

4.1 Interests of the Company in Offeror Securities

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

4.2 Dealings in Offeror Securities by the Company

Neither the Company nor its subsidiaries has dealt in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of Directors in Offeror Securities

As at the Latest Practicable Date, based on the information available to the Company, none of the Directors has any direct or deemed interests in any Offeror Securities.

4.4 Dealings in Offeror Securities by Directors

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

4.5 Interests of Directors in Company Securities

As at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Company Securities.

4.6 Dealings in Company Securities by Directors

None of the Directors has dealt in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.7 **Interests of the IFA in Company Securities**

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

4.8 **Dealings in Company Securities by the IFA**

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

5. ARRANGEMENTS WITH DIRECTORS

5.1 **Directors' service contracts**

As at the Latest Practicable Date, there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation. In addition, there are no such service contracts entered into or amended between any Director or proposed director with the Company or any of its subsidiaries during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 **Arrangements affecting Directors**

As at the Latest Practicable Date:

(a) there are no payments or other benefits to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) 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; and

(c) there are no material contracts entered into by the Offeror in which any of the Directors has a material personal interest, whether direct or indirect.

5.3 **Resignation of Directors**

Paragraph 1.5 of Appendix III to the Offer Document, which has been extracted and reproduced in *italics* below, states, amongst other things, the following:

> "***1.5 No agreement in connection with or dependent on the Offer***
>
> *The Offeror has on 4 September 2024 entered into the SPA, in which the Offeror acknowledges that each of Wong Chee-Yann and Tommy Teo Zhi Zhuang will resign from his office as director of the Company, to take effect on or after the date of posting of the offeree board circular in respect of the Offer.*"

Mr. Wong Chee-Yann and Mr. Tommy Teo Zhi Zhuang wish to highlight that they intend to resign as Directors in due course.

6. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries has entered into any material contracts with interested persons[1] (other than those entered into in the ordinary course of business) during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

7. FINANCIAL INFORMATION

Set out in Sections 7.1 and 7.2 of this Appendix B are certain financial information extracted from the annual reports of the Company for FY2021, FY2022, FY2023, and the 1H FY2024 Results.

The financial information for FY2021, FY2022 and FY2023 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2021, FY2022 and FY2023 respectively. The financial information for 1H FY2024 should be read in conjunction with the 1H FY2024 Results and the accompanying notes as set out therein.

Copies of the annual reports of the Company for FY2021, FY2022 and FY2023 and the 1H FY2024 Results are available for inspection as set out in Section 18 of this Circular.

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1 As defined in the Note to Rule 24.6 of the Code read with the Note on Rule 23.12 of the Code, an interested person is:

(a) a director, chief executive officer, or substantial shareholder of the company;

(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

7.1 **Consolidated statement of comprehensive income**

	1H FY2024 (Unaudited) S$'000	FY2023 (Audited) S$'000	FY2022 (Audited) S$'000	FY2021 (Audited) S$'000
Revenue	47,332	141,688	132,529	102,609
Exceptional items	–	–	–	–
Net profit (loss) before tax	1,036	3,682	(5,235)	(15,060)
Net profit (loss) after tax	1,351	5,671	(7,291)	(15,994)
Minority interests	–	–	–	–
Net earnings per share				
– Basic (S$ cents)	0.37	1.57	(2.01)	(4.42)
– Diluted (S$ cents)	0.37	1.57	(2.01)	(4.42)
Net dividends per share (S$ cents)	–	0.5	–	–

7.2 **Consolidated balance sheet**

Set out below is a summary of the balance sheet of the Group as at FY2023 and 1H FY2024.

	1H FY2024 (Unaudited) S$'000	FY2023 (Audited) S$'000
Non-current assets		
Property, plant and equipment	4,469	4,777
Right-of-use assets	4,535	4,459
Intangible assets	481	568
Investment in subsidiaries	–	–
Long term trade and other receivables	165	199
Deferred tax assets	4,007	4,044
	13,657	14,047
Current assets		
Stocks	4,621	5,401
Contract assets	17,555	22,062
Trade receivables	44,951	42,979
Other receivables, deposits and prepayments	23,969	21,716
Amounts due from subsidiaries		
– trade	–	–
– non-trade	–	–
Fixed deposits	7,938	4,220
Cash and bank balances	7,237	16,402
	106,271	112,780

	1H FY2024 (Unaudited) S$'000	FY2023 (Audited) S$'000
Assets held for sale	–	–
	106,271	112,780
Current liabilities		
Trade payables	23,126	28,292
Other payables and accruals	4,451	6,911
Contract liabilities	34,623	25,080
Amounts due to subsidiaries		
– trade	–	–
– non-trade	–	–
Short-term borrowings	5,000	11,997
Lease liabilities	1,600	1,547
Provision for taxation	208	946
Provision for warranty	505	491
	69,513	75,264
Liabilities directly associated with the assets held for sale	–	–
	69,513	75,264
Net current assets	36,758	37,516
Non-current liabilities		
Lease liabilities	4,364	4,404
Defined benefit obligation	497	582
	4,861	4,986
Net assets	45,554	46,577
Equity attributable to owners of the Company		
Share capital	29,909	29,909
Revenue reserve	16,930	17,388
Translation reserve	(1,863)	(1,463)
Other reserve	578	743
	45,554	46,577

7.3 **Material changes in financial position**

As at the Latest Practicable Date, save as publicly disclosed, there have been no material changes to the financial position of the Group since 31 December 2023, being the date of the last audited accounts of the Group laid before Shareholders in general meeting.

7.4 **Material accounting policies**

The material accounting policies of the Group are disclosed in note 2 to the audited consolidated financial statements of the Group for FY2023 as set out in the annual report of the Company for FY2023 on pages 79 to 94 therein, and are reproduced in Appendix D to this Circular.

7.5 **Changes in significant accounting policies**

As at the Latest Practicable Date, save as publicly disclosed, there has been no change in the accounting policies of the Group which will cause the figures disclosed in this Circular to not be comparable to a material extent.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as publicly disclosed:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially affect the financial position of the Group taken as a whole; and

(b) 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 affect the financial position of the Group taken as a whole.

9. COSTS AND EXPENSES

All costs and expenses incurred by the Company in respect of the Offer will be borne by the Company.

APPENDIX C: RELEVANT REGULATIONS OF THE COMPANY'S CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution, the relevant regulations of which are set out below:

Please see the definitions in the Constitution for terms used in the reproduced extracts below.

1. The rights of Shareholders in respect of capital

"ISSUE OF SHARES

6. (A) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.

(B) The Company may issue shares for which no consideration is payable to the Company.

7. Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 11, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of article 11(A) with such adaptations as are necessary shall apply; and

(b) any other issue of shares, the aggregate of which would exceed the limits referred to in article 11(B), shall be subject to the approval of the Company in General Meeting.

8. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and 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 proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

VARIATION OF RIGHTS

9. Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least 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 and that every such holder shall on a poll have one vote for every share of the class held by him. Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

10. The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

11. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under 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 number 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, if not accepted, will be deemed to be declined, and, 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 the 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 under this article 11(A).

(B) *Notwithstanding article 11(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:*

(a) (i) *issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or*

(ii) *make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*

(b) *(notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

Provided always that:

(1) *the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;*

(2) *in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and this Constitution; and*

(3) *(unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*

(C) *Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Statutes and of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*

12. (A) *The Company may by Ordinary Resolution:*

(a) *consolidate and divide all or any of its shares;*

(b) *subdivide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes and this Constitution), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and*

(c) *subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.*

(B) *The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.*

13. (A) *The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.*

(B) *The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. 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. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*

(C) *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, or prescribed pursuant to, the Act.*

SHARES

14. *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 compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) 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.*

15. *Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution or, if required by the Statutes, by Special Resolution determine (or, in the absence of any such determination, but subject to the Statutes, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed.*

16. Subject to the provisions of this Constitution and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

17. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage 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.

18. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Stock Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

19. Every share certificate shall be issued in accordance with the requirements of the Act and be under the Seal or signed in the manner set out in the Act. No certificate shall be issued representing shares of more than one class.

20. (A) The Company shall not be bound to register more than three persons as the registered holders of a share except in the case of executors or administrators (or trustees) of the estate of a deceased member.

(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

21. Every person whose name is entered as a member in the Register of Members shall be entitled to receive, within ten Market Days (or such other period as may be approved by the Stock Exchange) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate, the old certificate shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay a maximum fee of S$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Stock Exchange.

22. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.

(B) *If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of S$2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Stock Exchange.*

(C) *In the case of shares registered jointly in the names of several persons any such request may be made by any one of the registered joint holders.*

23. *Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Stock Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S$1 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.*

CALLS ON SHARES

24. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.*

25. *Each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*

26. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.*

27. *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*

28. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*

29. *The Directors may if they think fit receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.*

FORFEITURE AND LIEN

30. *If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment. The provisions of these articles as to forfeiture shall also apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time as if the same had been payable by virtue of a call duly made and notified.*

31. *The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.*

32. *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.*

33. *A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.*

34. *A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.*

35. The Company shall have a first and paramount lien on every share (not being a fully paid share) and dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this article.

36. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

37. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, or as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

38. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

39. All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the Stock Exchange or in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided always that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

40. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine, Provided always that such Register shall not be closed for more than 30 days in any calendar year, Provided always that the Company shall give prior notice of such closure as may be required to the Stock Exchange, stating the period and purpose or purposes for which the closure is made.

41. (A) There shall be no restriction on the transfer of fully paid-up shares (except where required by law or the listing rules of, or bye-laws and rules governing, the Stock Exchange) but the Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within ten Market Days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:

(a) such fee not exceeding S$2 as the Directors may from time to time require, is paid to the Company in respect thereof;

(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) the instrument of transfer is in respect of only one class of shares.

42. If the Directors refuse to register a transfer of any shares, they shall within ten Market Days after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.

43. All instruments of transfer which are registered may be retained by the Company but any instrument of transfer which the Directors may refuse to register shall (except in the case of fraud) be returned to the party presenting the same.

44. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2 as the Directors may from time to time require or prescribe.

45. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this article; and

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

TRANSMISSION OF SHARES

46. (A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a member who is a Depositor, the survivors or survivor where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing in this article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

47. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of this Constitution *relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.*

48. Save as otherwise provided by or in accordance with this Constitution, a person becoming entitled to a share pursuant to article 46(A) or (B) or article 47 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share, and where two or more persons are jointly entitled to any share in consequence of the death of the registered holder they shall, for the purposes of these articles, be deemed to be joint holders of the share.

STOCK

49. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares. Such of the articles as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

50. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

51. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted."

2. The rights of Shareholders in respect of voting

"GENERAL MEETINGS

52. (A) Save as otherwise permitted under the Act, an Annual General Meeting shall be held in accordance with the provisions of the Act. All other General Meetings shall be called Extraordinary General Meetings.

(B) The time and place of any General Meeting shall be determined by the Directors.

53. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

NOTICE OF GENERAL MEETINGS

54. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company; Provided always that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting,

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. So long as the shares in the Company are listed on any Stock Exchange, at least 14 days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange. In the case of a meeting being called for the alteration of the Company's objects, the provisions of the Act regarding notices to debenture holders shall be complied with.

55. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

56. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

(a) declaring dividends;

(b) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) appointing or re-appointing the Auditor;

(e) fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; and

(f) fixing the remuneration of the Directors proposed to be paid in respect of their office as such under article 82 and/or article 83(A).

57. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

58. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within ten minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

59. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy. Provided always that (i) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (ii) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.

60. If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting any one or more members present in person or by proxy shall be a quorum.

61. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for 30 days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

62. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

63. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

64. (A) If required by the listing rules of the Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by the Stock Exchange).

(B) Subject to article 64(A), at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting; or

(b) not less than two members present in person or by proxy and entitled to vote at the meeting; or

(c) a member present in person or by proxy and representing not less than five per cent. of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member present in person or by proxy and holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent. of the total sum paid up on all the shares conferring that right.

A demand for a poll made pursuant to this article 64(B) may be withdrawn only with the approval of the chairman of the meeting, and any such demand shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution.

65. Where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The chairman of the meeting may (and, if required by the listing rules of the Stock Exchange or if so directed by the meeting, shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

66. A poll on the choice of a chairman or on a question of adjournment shall be taken immediately. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately.

67. *In the case of an equality of votes, whether on a poll or on a show of hands, the chairman of the meeting at which the poll or show of hands takes place shall be entitled to a casting vote.*

VOTES OF MEMBERS

68. *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to article 13(C), each member entitled to vote may vote in person or by proxy. Every member who is present in person or by proxy shall:*

(a) *on a poll, have one vote for every share which he holds or represents; and*

(b) *on a show of hands, have one vote, Provided always that:*

(i) *in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and*

(ii) *in the case of a member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*

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 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

69. *In the case of joint holders of a share 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.*

70. *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.*

71. *No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.*

72. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

73. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

74. (A) Save as otherwise provided in the Act:

(a) a member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and

(b) a member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(B) In any case where a member is a Depositor, the Company shall be entitled and bound:

(a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that 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 72 hours before the time of the relevant General Meeting as certified 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.

(C) 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.

(D) A proxy need not be a member of the Company.

75. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be:

(i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:

(I) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of articles 75(A)(a)(ii) and 75(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(B) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to article 76(A), failing which the instrument may be treated as invalid.

(C) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in articles 75(A)(a)(ii) and 75(A)(b)(ii) for application to such members or class of members as they may determine. Where the Directors do not so approve and designate in relation to a member (whether of a class or otherwise), article 75(A)(a)(i) and/or (as the case may be) article 75(A)(b)(i) shall apply.

76. (A) An instrument appointing a proxy:

(a) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office); or

(b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting,

and in either case, not less than 72 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided always that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered in accordance with this article 76 for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

(B) The Directors may, in their absolute discretion, and in relation to such members or class of members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in article 76(A)(b). Where the Directors do not so specify in relation to a member (whether of a class or otherwise), article 76(A)(a) shall apply.

77. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

78. A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided always that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

CORPORATIONS ACTING BY REPRESENTATIVES

79. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of this Constitution (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat."

3. The rights of Shareholders in respect of dividends

"RESERVES

123. 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 which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. 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 parts 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 (if any) of the Statutes.

DIVIDENDS

124. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

125. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

126. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

127. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

128. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

129. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

130. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

131. *The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable shall be forfeited and shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.*

132. *The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) 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 in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, 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.*

133. (A) *Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*

(a) *the basis of any such allotment shall be determined by the Directors;*

(b) *the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this article 133;*

(c) *the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, Provided always that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and*

(d) *the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect whereof the share election has been duly exercised (the "elected shares") and, in lieu and in satisfaction thereof, shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose and notwithstanding the provisions of article 138, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company's reserve accounts or any amount standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.*

(B) *The shares of the relevant class allotted pursuant to the provisions of article 133(A) shall rank pari passu in all respects with the shares of that class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

(C) *The Directors may, on any occasion when they resolve as provided in article 133(A), determine that rights of election under that article shall not be made available to the persons who are registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares, the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of article 133 shall be read and construed subject to such determination.*

(D) *The Directors may, on any occasion when they resolve as provided in article 133(A), further determine that no allotment of shares or rights of election for shares under article 133(A) shall be made available or made to members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.*

(E) Notwithstanding the foregoing provisions of this article, if at any time after the Directors' resolution to apply the provisions of article 133(A) in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their discretion and as they deem fit in the interest of the Company and without assigning any reason therefor, cancel the proposed application of article 133(A).

(F) The Directors may do all acts and things considered necessary or expedient to give effect to the provisions of article 133(A), with full power to make such provisions as they think fit in the case of shares of the relevant class becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).

134. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

135. Notwithstanding the provisions of article 134 and the provisions of article 137, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

136. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

137. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

138. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to article 11(B):

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to article 11(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under article 138(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

139. In addition and without prejudice to the powers provided for by article 138, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:

(a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or

(b) be held by or for the benefit of non-executive Directors as part of their remuneration under article 82 and/or article 83(A) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing."

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheets and statements of changes in equity of the Company for the financial year ended 31 December 2023.

1. Opinion of the Directors

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the balance sheets and statements of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due. The Directors have reviewed the cash flow forecast prepared by management and are of the view that the Group will have sufficient net positive cash flow to satisfy its working capital requirements and to meet its obligation as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are:

Chong Hoi Ming	
Basil Chan	(Chairman, appointed on 07 August 2023)
Tommy Teo Zhi Zhuang	
Wong Chee-Yann	
Kay Pang Ker-Wei	

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following Director, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under section 164 of the Singapore Companies Act 1967, an interest in shares and share options of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Nera (Philippines), Inc.				
Ordinary shares of Peso 100 each				
Chong Hoi Ming	1*	1*	–	–
Nera Telecommunications (Pakistan) Private Limited				
Ordinary shares of 100 Pakistan Rupees each				
Chong Hoi Ming	1*	1*	–	–
Nera (Thailand) Limited				
Preference shares of 100 Thai Baht each				
Chong Hoi Ming	1*	1*	–	–

* Shares are held in trust for the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and on 21 January 2024.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year or on 21 January 2024.

5. Share plan

At an Extraordinary General Meeting held on 29 April 2014, shareholders approved the Nera Telecommunications Performance Share Plan 2014 ("NeraTel PSP 2014") for the granting of fully-paid ordinary shares of the Company or their equivalent cash value or combinations thereof, upon the satisfaction of certain prescribed performance condition(s), to eligible Directors and other employees.

The NeraTel PSP 2014 is administered by the Remuneration Committee (the "Committee") comprising three Directors, Basil Chan, Wong Chee-Yann and Kay Pang Ker-Wei.

DIRECTORS' STATEMENT

5. Share plan (cont'd)

Since the commencement of the NeraTel PSP 2014 till the end of the financial year:

- No shares have been granted to the controlling shareholders of the Company and their associates
- No participant has received 5% or more of the total shares available under the plan
- No shares have been granted to Directors and employees of the holding company and its subsidiaries
- No shares that entitle the holder to participate, by virtue of the plan, in any share issue of any other corporation have been granted
- No shares have been granted at a discount

There were no shares granted under the NeraTel PSP 2014 during the financial year.

6. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditor
- Met with the external and internal auditors, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

Further details regarding the ARMC are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

7. Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Basil Chan
Director

Chong Hoi Ming
Director

Singapore
9 April 2024

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2023, 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 notes to the financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheets and the statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) SFRS(I) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Key audit matters (cont'd)

Revenue recognition

The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation. These assessments required management to apply significant judgment and make assumptions and estimates in measuring costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion. The subjectivity and complexity involved in these assessments can significantly impact the results of the Group. Accordingly, we have determined this to be a key audit matter.

Our audit procedures included, amongst others:

- Evaluated the design and tested the effectiveness of selected internal controls with respect to project management, project cost estimation and budgeting process, and accounting for revenue from contracts.

- Evaluated the Group's procedures and processes for recognising revenue from contracts with customers. We assessed the basis for the identification of performance obligations and whether they are satisfied over time or at a point in time. Our assessment includes examining project documents and reviewing, on a sample basis, contractual terms and conditions and discussed with management on the performance obligations identified.

- Assessed contract revenues recognised and project costs incurred, on a sample basis, by comparing against the relevant contracts and supporting documents such as sales invoices, customer acceptance and supplier invoices.

- Evaluated the key inputs used by management in their estimation of the total cost to complete, on a sample basis, by comparing to supporting documentation such as supplier quotations.

- Assessed the arithmetic accuracy of the revenue and profit recognised based on the stage of completion calculations made for individually significant projects.

- Discussed with management, finance or project heads the progress of significant outstanding projects to understand if there is any known disputes, variation order claims, technical issues or other significant developments and events that could impact the estimated costs to complete the projects.

- Assessed whether the estimates showed any evidence of management bias based on our assessment of the historical accuracy of management's estimates in previous periods, identification and analysis of changes in assumptions from prior periods, and assessed the consistency of assumptions across projects.

- Evaluated the presentation and assessed the adequacy of the disclosure of material accounting policies for revenue from contracts with customers, judgment and methods used in estimating revenue, contract assets, contract liabilities, capitalised contract costs, and transaction price allocated to remaining performance obligation.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Key audit matters (cont'd)

Recoverability of trade receivables and contract assets

Trade receivables and contract asset balances were significant to the Group and the Company as they represent 51% and 26% of the total assets of the balance sheets of the Group and the Company respectively. The Group's trade receivables and contract assets amounted to $42,979,000 and $22,062,000 respectively as at 31 December 2023, against which an allowance for expected credit loss ("ECL") and impairment of $2,750,000 and $3,728,000 had been made respectively. As at 31 December 2023, 17% of the trade receivables are aged more than 90 days. The Company's trade receivables and contract assets amounted to $12,408,000 and $9,760,000 respectively as at 31 December 2023, against which an allowance for ECL and impairment of $38,000 and $2,083,000 had been made respectively. As at 31 December 2023, 19% of the trade receivables are aged more than 90 days.

The collectability of trade receivables is a key element of the Group's working capital management. Managed on an ongoing basis by local management under the oversight of Group management, the terms of the Group's contracts with customers are complex and could lead to disputes with customers, resulting in long overdue trade receivables.

The Group determines ECL and impairment of trade receivables and contract assets by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors and economic environment. Management has considered various factors such as past due balances, recent historical payment patterns and credit loss patterns over a period, debtors' financial ability to repay, existence of disputes, economic environment and forecast of future macro-economic conditions where the debtors operate, and any other available information concerning the creditworthiness of debtors. These assessments required management to apply significant judgment and accordingly, we determined that this is a key audit matter.

Our audit procedures included, amongst others:

- Assessed the Group's processes and controls relating to the monitoring of aged trade receivables and contract assets to identify collection risks.
- Evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed the data and information that management has used to make forward-looking adjustments.
- Requested for confirmations and checked for evidence of receipts subsequent to the year end from selected customers.
- We assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, through analyses of ageing of receivables to identify collection risk, reviewing historical payment patterns and correspondences with customers on expected settlement dates, taking into consideration of their specific profiles and risks.
- Checked the arithmetic accuracy of management's computation of ECL and impairment.
- Assessed the adequacy of the disclosures on the trade receivables, contract assets, expected credit losses and the related risks such as credit risk and liquidity risk in Note 10 Trade receivables and Note 34 Financial risk management objectives and policies.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The engagement partner on the audit resulting in this independent auditor's report is Ong Beng Lee, Ken.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
9 April 2024

BALANCE SHEETS

AS AT 31 DECEMBER 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Non-current assets					
Property, plant and equipment	5	4,777	5,197	1,741	1,003
Right-of-use assets	17	4,459	5,229	3,964	4,713
Intangible assets	6	568	734	548	683
Investments in subsidiaries	7	–	–	7,754	2,218
Long term trade and other receivables	11	199	312	–	–
Deferred tax assets	25	4,044	484	2,128	208
		14,047	11,956	16,135	8,825
Current assets					
Stocks	8	5,401	11,662	5,096	7,136
Contract assets	9	22,062	36,227	9,760	11,609
Trade receivables	10	42,979	48,884	12,408	7,990
Other receivables, deposits and prepayments	11	21,716	22,737	20,085	17,547
Amounts due from subsidiaries					
– trade	12	–	–	3,988	7,957
– non-trade	12	–	–	6,682	10,350
Fixed deposits	28	4,220	–	4,220	–
Cash and bank balances	28	16,402	18,200	7,909	6,337
		112,780	137,710	70,148	68,926
Assets held for sale	4	–	2,744	–	2,744
		112,780	140,454	70,148	71,670
Current liabilities					
Trade payables	13	28,292	39,112	10,527	7,537
Other payables and accruals	14	6,911	10,052	3,479	5,045
Contract liabilities	9	25,080	30,845	19,407	20,054
Amounts due to subsidiaries	12				
– trade		–	–	17	23
– non-trade	12	–	–	446	677
Short-term borrowings	16	11,997	21,000	11,997	21,000
Lease liabilities		1,547	539	1,129	169
Provision for taxation		946	572	–	106
Provision for warranty	15	491	479	417	304
		75,264	102,599	47,419	54,915
Liabilities directly associated with the assets held for sale		–	2,797	–	2,797
		75,264	105,396	47,419	57,712
Net current assets		37,516	35,058	22,729	13,958
Non-current liabilities					
Lease liabilities	17	4,404	5,399	4,267	5,211
Defined benefit obligation	38	582	550	–	–
		4,986	5,949	4,267	5,211
Net assets		46,577	41,065	34,597	17,572
Equity attributable to owners of the Company					
Share capital	18	29,909	29,909	29,909	29,909
Revenue reserve		17,388	11,717	4,688	(12,337)
Translation reserve	19	(1,463)	(1,044)	–	–
Other reserve		743	483	–	–
		46,577	41,065	34,597	17,572

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 2023

	Note	2023 $'000	2022 $'000
Revenue	9	141,688	132,529
Cost of sales		(110,451)	(102,949)
Gross profit		31,237	29,580
Distribution and selling expenses		(16,537)	(18,311)
Administrative expenses		(13,820)	(11,865)
Other income/(expenses)	20	3,695	(3,866)
Profit/(loss) from operating activities	21	4,575	(4,462)
Finance income	23	262	86
Finance expenses	24	(1,155)	(859)
Profit/(loss) before tax		3,682	(5,235)
Tax	25	1,989	(2,056)
Profit/(loss) after tax		5,671	(7,291)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of financial statements of foreign operations		(419)	1,822
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		260	(7)
Other comprehensive (loss)/income for the year, net of tax		(159)	1,815
Total comprehensive income/(loss) for the year attributable to owners of the Company		5,512	(5,476)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	26(a)	1.57	(2.01)
Diluted	26(a)	1.57	(2.01)

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 2023

	Attributable to owners of the Company				
	Share capital (Note 18) $'000	Revenue reserve $'000	Translation reserve (Note 19) $'000	Other reserve $'000	Total equity $'000
Group					
At 1 January 2023	29,909	11,717	(1,044)	483	41,065
Profit for the year	–	5,671	–	–	5,671
Other comprehensive (loss)/income for the year	–	–	(419)	260	(159)
Total comprehensive income/(loss) for the year	–	5,671	(419)	260	5,512
Total contributions by and distributions to owners	–	5,671	(419)	260	5,512
At 31 December 2023	29,909	17,388	(1,463)	743	46,577
At 1 January 2022	29,909	19,008	(2,866)	490	46,541
Loss for the year	–	(7,291)	–	–	(7,291)
Other comprehensive income/(loss) for the year	–	–	1,822	(7)	1,815
Total comprehensive (loss)/income for the year	–	(7,291)	1,822	(7)	(5,476)
Total contributions by and distributions to owners	–	(7,291)	1,822	(7)	(5,476)
At 31 December 2022	29,909	11,717	(1,044)	483	41,065

	Attributable to owners of the Company		
	Share capital $'000	Revenue reserve $'000	Total equity $'000
Company			
At 1 January 2023	29,909	(12,337)	17,572
Profit for the year	–	17,025	17,025
Total comprehensive income for the year	–	17,025	17,025
Total contributions by and distributions to owners	–	17,025	17,025
At 31 December 2023	29,909	4,688	34,597
At 1 January 2022	29,909	7,816	37,725
Loss for the year	–	(20,153)	(20,153)
Total comprehensive loss for the year	–	(20,153)	(20,153)
Total contributions by and distributions to owners	–	(20,153)	(20,153)
At 31 December 2022	29,909	(12,337)	17,572

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 2023

	Note	Group 2023 $'000	Group 2022 $'000
Cash flows from operating activities			
Profit/(loss) before tax		3,682	(5,235)
Adjustments for:			
Amortisation of intangible asset	6	240	238
Bad debts written off	21	24	21
Depreciation of property, plant and equipment	5	1,092	797
Depreciation of right-of-use assets	17	1,490	1,035
Interest expense	24	1,155	859
Interest income	23	(262)	(86)
Foreign exchange (gain)/loss, net – forward currency contracts	21	(54)	56
Net gain on disposal of property, plant and equipment	21	(5,754)	(21)
Net allowance for contract assets	9	327	993
Stocks write-down	8	–	78
Net allowance for doubtful trade debts	9	120	2,285
Net provision for warranty	15	517	234
Gain on sale of customer contracts		–	(631)
Pension cost		361	254
Operating cash flows before changes in working capital		2,938	877
Decrease/(increase) in:			
Stocks		6,545	(1,799)
Contract assets		13,385	(2,222)
Trade receivables		4,502	(8,109)
Other receivables, deposits and prepayments		628	(681)
Increase/(decrease) in:			
Trade payables		(10,620)	14,934
Other payables and accruals		(3,422)	1,898
Contract liabilities		(5,366)	314
Provision for warranty		(505)	(273)
Foreign exchange (gain)/loss, net – forward currency contracts		(54)	56
Unrealised foreign exchange loss, net		1,470	4,613
Cash generated from operations		9,501	9,608
Income tax paid		(920)	(1,256)
Interest paid		(602)	(618)
Benefits paid out from pension fund	38	(71)	(92)
Net cash flows generated from operating activities		7,908	7,642
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		6,370	22
Purchase of property, plant and equipment	5	(1,348)	(529)
Purchase of intangible assets	6	(75)	(6)
Proceeds from sale of customer contracts		–	338
Interest received		192	86
Net cash flows generated from/(used in) investing activities		5,139	(89)
Cash flows from financing activities			
Proceeds from bank loans		9,000	24,000
Increased in trade facilities		2,497	–
Repayment of bank loans		(20,500)	(35,000)
Repayment of lease liabilities		(963)	(1,109)
Net cash flows used in financing activities		(9,966)	(12,109)
Net increase/(decrease) in cash and cash equivalents		3,081	(4,556)
Effect of exchange rates changes on cash and bank balances		(664)	(761)
Cash and cash equivalents at beginning of the year		18,086	23,403
Cash and cash equivalents at end of the year	28	20,503	18,086

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 PGA Partners Ltd, acting solely in its capacity as general partner of Canopus Asia Systems, L.P.. The immediate holding company is Asia Systems Ltd, a wholly-owned subsidiary of Canopus Asia Systems, L.P.. Asia Systems Ltd, PGA Partners Ltd and Canopus Asia Systems, L.P. are domiciled in Cayman Islands.

The registered office and principal place of business of the Company is 19 Tai Seng Avenue #06-01, Singapore 534054.

The principal activities of the Company are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunications systems and products in transmission networks and satellite communications and information technology networks. The principal activities of the subsidiaries are shown in Note 7 to the financial statements.

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

2. Material accounting policies information

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 (International) (SFRS(I)).

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

The consolidated financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

The Group incurred a net profit of $5,671,000 for the financial year ended 31 December 2023 (net loss of $7,291,000 for the financial year ended 31 December 2022). Operating cash inflows was $7,908,000 for the year ended 31 December 2023 (cash inflows for the year ended 31 December 2022: $7,642,000). As of 31 December 2023, the Group had net assets of $46,577,000 (2022: $41,065,000) and net current assets of $37,516,000 (2022: $35,058,000).

The financial statements have been prepared on a going concern basis. The ability of the Group to continue as a going concern depends on the ability of the Group to renew or obtain short terms borrowings from the banks. Management has prepared a cash flow forecast and is of the view that the Group will have sufficient net positive cash flow to satisfy its working capital requirements and to meet its obligation as and when they fall due.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangements	1 January 2024
Amendments to SFRS(I) 1-21: Lack of Exchangeability	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation

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 control 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;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.4 Basis of consolidation (cont'd)

– 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.

2.5 Foreign currency

The consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. For each entity, the Group determines the 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 initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting 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 is 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 divestiture of the subsidiary.

(b) *Consolidated financial statements*

On consolidation, 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 divestiture 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.

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.7 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and right-of-use assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of 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 Company and the cost of the item can be measured reliably.

Subsequent to recognition, leasehold building, leasehold improvements, plant and other equipment, furniture and fittings, motor vehicles and equipment held for leasing are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	–	10 years
Plant and other equipment	–	3 to 7 years
Furniture and fittings	–	5 to 10 years
Motor vehicles	–	5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2. Material accounting policies information (cont'd)

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Brand

"NERA" brand name which was acquired, is capitalised and amortised on a straight-line basis over a useful life of 20 years. It is tested for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation period and method are reviewed at each financial year end.

Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over their useful lives of 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.10 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 of disposal 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.

Impairment losses of continuing operations are recognised in profit or loss, 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.

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 a revaluation increase.

2.11 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.11 Financial instruments (cont'd)

(a) ***Financial assets (cont'd)***

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) ***Amortised cost***

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

(ii) ***Fair value through profit or loss***

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(b) ***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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.11 Financial instruments (cont'd)

(b) ***Financial liabilities (cont'd)***

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value 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.

2.15 Provisions

General

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.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.16 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 and Malaysian companies in the Group make contributions to the Central Provident Fund and Employees Provident Fund schemes respectively, which are 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) ***Defined benefit plans***

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.16 Employee benefits (cont'd)

(b) ***Defined benefit plans (cont'd)***

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

– Service cost

– Net interest on the net defined benefit liability or asset

– Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) ***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.

2. Material accounting policies information (cont'd)

2.17 Leases

(a) ***As lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and other equipment – 1 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10.

(ii) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.17 Leases (cont'd)

(a) ***As lessee (cont'd)***

(iii) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) ***As lessor***

Leases in which the Group does not transfer 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 2.18(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Sale and installation of network equipment***

The Group supplies and installs network equipment. The sale of equipment and rendering of installation service are either sold separately or in a bundled contract. For bundled contracts, the Group accounts for the sale of equipment and installation service separately. The transaction price is allocated to the sale of equipment and installation service based on their relative stand-alone selling prices. See Note 2.18(b) for the revenue recognition relating to the installation services. For sale of equipment, revenue is recognised upon delivery of equipment and criteria for acceptance being satisfied.

(b) ***Rendering of services***

(i) ***Professional services***

The Group is in the business of providing design and engineering, installation and service of satellite infrastructure network and info-communications network infrastructure. Revenue from providing services is recognised over time, based on cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.18 Revenue (cont'd)

(b) ***Rendering of services (cont'd)***

(ii) ***Maintenance services***

The Group provides maintenance services for network system and solutions. Maintenance revenue is recognised over time on a straight line basis over the specified contract period. Maintenance revenue received in advance is recognised as contract liabilities and recognised as income over the life of the maintenance contracts.

(c) ***Turnkey project***

The Group is in the business of providing full suite of turnkey network and wireless solutions. The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified project milestones. A contract asset is recognised when the Group has performed under the contract but has yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognised the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

For the revenue streams stated above, in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that includes a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.19 Government grants

Government grants are recognised when 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 may be presented as a credit in profit or loss, either separately or under a general heading such as "Other Income". Alternatively, they are deducted in reporting the related expenses.

2.20 Income taxes

(a) ***Current income tax***

Current income 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 income taxes are recognised in profit or loss except to the extent that the tax relates to items 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 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 taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or 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, 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 tax assets are recognised for all deductible temporary differences, the 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:

- when the deferred 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.20 Income taxes (cont'd)

(b) ***Deferred tax (cont'd)***

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred 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.

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 re-assessed 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 end of each reporting period.

Deferred 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities 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:

– when 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

– when receivables and payables 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. Material accounting policies information (cont'd)

2.21 Derivative financial instruments

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.

2.22 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 manager 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 33, 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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of each reporting period. 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, which have the most significant effect on the amounts recognised in the consolidated 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 2023 are $946,000 (2022: $572,000) and $4,044,000 (2022: $484,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) ***Revenue from contracts***

The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation. These assessments required management to apply significant judgment and to make assumptions and estimates in measuring costs incurred for each performance obligation, total budgeted contract cost and remaining cost to completion.

The carrying amounts of the assets and liabilities from contracts arising at the end of each reporting period are disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(ii) ***Recoverability of trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 10.

The carrying amount of trade receivables and contract assets as at 31 December 2023 are $42,979,000 and $22,062,000 (2022: $48,884,000 and $36,227,000) respectively.

(iii) ***Provision for warranty***

The Group recognises provision for warranty when the product is sold or service is provided. Initial recognition is based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranty were based on current sales level and current information available about the expected warranty claims. The Group's provisions for warranty at 31 December 2023 was $491,000 (2022: $479,000). The warranty provision will be reversed if not utilised upon expiry of warranty period.

4. Assets held for sale

In previous year, the Group has classified leasehold building as held for sale. The carrying value of the assets held for sale was $2,744,000 mainly derived from leasehold building. With the conditions precedent for sale completion including approval from Jurong Town Corporation attained on 5 January 2023, the sale was completed on 31 January 2023. Sale proceeds of $6,300,000 was received from the purchaser on 31 January 2023 and a net gain of $6,219,000 on the sale of property was recorded during the year.

As at 31 December 2022, the leasehold 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 30 September 2042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. Property, plant and equipment

	Leasehold improvements $'000	Plant and other equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Group						
Cost						
At 1 January 2022	1,569	3,984	839	752	4,139	11,283
Additions	–	89	6	–	954	1,049
Disposals/written off	–	(762)	–	(152)	–	(914)
Transferred to plant and other equipment	–	1,013	–	–	(1,013)	–
Currency realignment	(67)	(190)	(41)	(49)	(379)	(726)
At 31 December 2022 and 1 January 2023	1,502	4,134	804	551	3,701	10,692
Additions	923	354	95	–	–	1,372
Disposals/written off	(773)	(941)	(283)	(162)	(549)	(2,708)
Reclassification	868	–	–	–	(868)	–
Currency realignment	(16)	(51)	(10)	(22)	(29)	(128)
At 31 December 2023	2,504	3,496	606	367	2,255	9,228

	Leasehold improvements $'000	Plant and other equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Group						
Accumulated depreciation						
At 1 January 2022	1,308	3,298	588	703	–	5,897
Charge for the year	126	567	78	26	–	797
Disposals/written off	–	(761)	–	(152)	–	(913)
Currency realignment	(53)	(157)	(27)	(49)	–	(286)
At 31 December 2022 and 1 January 2023	1,381	2,947	639	528	–	5,495
Charge for the year	423	574	87	8	–	1,092
Disposals/written off	(745)	(890)	(268)	(146)	–	(2,049)
Currency realignment	(17)	(36)	(11)	(23)	–	(87)
At 31 December 2023	1,042	2,595	447	367	–	4,451
Net carrying amount						
At 31 December 2022	121	1,187	165	23	3,701*	5,197
At 31 December 2023	1,462	901	159	–	2,255*	4,777

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,372,000 (2022: $1,049,000). The cash outflow on acquisition of property, plant and equipment amounted to $1,348,000 (2022: $529,000). The remaining amount of $24,000 (2022: $520,000) is unpaid as at year end and is recorded in other payables.

* During the year, the Group purchased equipment amounting to nil (2022: $86,000) which are held by Nera (Philippines), Inc. The equipment are currently classified in assets under construction and they were acquired for the purpose of a government project in the Philippines.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

	Leasehold improvements $'000	Plant and other equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Company						
Cost						
At 1 January 2022	773	1,056	295	311	–	2,435
Additions	–	–	–	–	868	868
Disposals/written off	–	(2)	–	(88)	–	(90)
At 31 December 2022 and 1 January 2023	773	1,054	295	223	868	3,213
Additions	923	279	79	–	–	1,281
Disposals/written off	(773)	(508)	(283)	(160)	–	(1,724)
Reclassification	868	–	–	–	(868)	–
At 31 December 2023	1,791	825	91	63	–	2,770
Accumulated depreciation						
At 1 January 2022	739	935	266	265	–	2,205
Charge for the year	6	56	10	23	–	95
Disposals/written off	–	(2)	–	(88)	–	(90)
At 31 December 2022 and 1 January 2023	745	989	276	200	–	2,210
Charge for the year	341	64	17	8	–	430
Disposals/written off	(745)	(456)	(265)	(145)	–	(1,611)
At 31 December 2023	341	597	28	63	–	1,029
Net carrying amount						
At 31 December 2022	28	65	19	23	868	1,003
At 31 December 2023	1,450	228	63	–	–	1,741

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. **Intangible assets**

	Brand $'000	Software $'000	Total $'000
Group			
Cost			
At 1 January 2022	1,289	564	1,853
Additions	–	6	6
Currency realignment	–	(16)	(16)
At 31 December 2022 and 1 January 2023	1,289	554	1,843
Additions	–	75	75
Currency realignment	–	(10)	(10)
At 31 December 2023	1,289	619	1,908
Accumulated amortisation			
At 1 January 2022	709	173	882
Amortisation	65	173	238
Currency realignment	–	(11)	(11)
At 31 December 2022 and 1 January 2023	774	335	1,109
Amortisation	65	175	240
Currency realignment	–	(9)	(9)
At 31 December 2023	839	501	1,340
Net carrying amount			
At 31 December 2022	515	219	734
At 31 December 2023	450	118	568

	Brand $'000	Software $'000	Total $'000
Company			
Cost			
At 1 January 2022	1,289	365	1,654
Additions	–	–	–
At 31 December 2022 and 1 January 2023	1,289	365	1,654
Additions	–	50	50
At 31 December 2023	1,289	415	1,704
Accumulated amortisation			
At 1 January 2022	709	76	785
Amortisation	65	121	186
At 31 December 2022 and 1 January 2023	774	197	971
Amortisation	65	120	185
At 31 December 2023	839	317	1,156
Net carrying amount			
At 31 December 2022	515	168	683
At 31 December 2023	450	98	548

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. Intangible assets (cont'd)

Brand relates to the 'NERA' brand and the useful life is estimated to be 20 years. The remaining amortisation period is 7 years.

Software relates to acquired computer software licences and the useful life is estimated to be 3 to 5 years.

Amortisation expense is recorded in 'Other expenses' line item in profit and loss.

7. Investments in subsidiaries

	Company	
	2023	**2022**
	$'000	**$'000**
Unquoted shares	5,869	5,869
Conversion of loan to unquoted shares	5,643	–
Loan to a subsidiary	21,784	2,000
Impairment loss	(25,542)	(5,651)
Carrying amount after impairment loss	7,754	2,218
Movement in impairment loss:		
At 1 January	5,651	4,245
Charge for the year	19,891	1,406
At 31 December	25,542	5,651

Loan to a subsidiary which form part of the Company's net investments in subsidiaries, is unsecured, bear interest rates of 6.99% (2022: 4.89%) and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiaries, they are stated at cost less impairment losses.

During the year, the company has converted the outstanding debt due from P.T. Nera Indonesia amounting to $5,643,000 into 3,890 shares in P.T. Nera Indonesia.

Impairment losses of $19,784,000 was recognised to write-down the loan to subsidiary during financial year 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. **Investments in subsidiaries (cont'd)**

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	
			2023 %	2022 %	2023 $'000	2022 $'000
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	100	1,000	1,000
Nera (Thailand) Limited (*) (ii)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Thailand	100	100	1,406	1,406
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
Nera Infocom (M) Sdn. Bhd. (*)	Sales, installation and maintenance of information technology equipment	Malaysia	100	100	225	225
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	5,990	347
Nera Telecommunications (Australia) Pty Ltd (#)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Australia	100	100	589	589

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. Investments in subsidiaries (cont'd)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2023	2022	2023	2022
			%	%	$'000	$'000
Nera Telecommunications (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
Nera (Malaysia) Sdn. Bhd. (*)	Sales, installation and maintenance of communications equipment	Malaysia	100	100	404	404
Nera Telecommunications (Myanmar) Company Limited (#)	Service, maintenance and leasing	Myanmar	100	100	133	133
Nera Telecommunications (Vietnam) Co., Ltd. (#)	Installation, maintenance, service and repair of info-communications and telecommunications equipment	Vietnam	100	100	67	67
					11,512	5,869
Held through Nera Networks (S) Pte Ltd						
Nera Telecommunications AS (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Norway	100	100	–	–
Nera Telecommunications Maroc S.A.R.L AU (**) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Morocco	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. Investments in subsidiaries (cont'd)

Name of company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2023	2022	2023	2022
			%	%	$'000	$'000
Held through Nera Networks (S) Pte Ltd (cont'd)						
Nera Telecommunications (Pakistan) (Private) Limited (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Pakistan	100	100	–	–
Nera Telecommunications FZ-LLC (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	United Arab Emirates	100	100	–	–
Nera Networks Nigeria Limited (#) (i)	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks, satellite communications and information technology networks	Nigeria	100	100	–	–
Nera Telecommunications Holding (Thailand) Co., Ltd. (#) (i) (iii)	Investment holding	Thailand	100	100	–	–

(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.

(**) No requirement for statutory audit.

(i) Cost of investment is not stated as the subsidiaries are not directly held by the Company (Nera Telecommunications Ltd).

(ii) The Company holds 49% of the ordinary shares in the subsidiary while the remaining 51% preference shares is held by its subsidiary, Nera Telecommunications Holdings (Thailand) Co. Ltd.

(iii) The Group holds 49% of the ordinary shares in the subsidiary while the remaining 51% is held by a preference shareholder. The preference shareholder is entitled to one vote per 30 shares held, fixed non-cumulative preferred dividend at a rate of 1% of paid-up value of the shares and has preferred right to receive such dividend and paid-up value prior to ordinary shares. Nera Telecommunications Holding (Thailand) Co., Ltd. is treated as a subsidiary of the Group as the Group has majority voting rights.

As required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Audit and Risk Management 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. Investments in subsidiaries (cont'd)

Impairment losses of $107,000 was recognised to write-down the investment in Nera Telecommunications (Australia) Pty Ltd during the year.

In previous year, impairment losses of $1,406,000 was recognised to write-down the investment in Nera (Thailand) Limited.

8. Stocks

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Network equipment	5,401	11,662	5,096	7,136

At 31 December 2023, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to $47,137,000 (2022: $36,398,000) inclusive of stocks net write-down of nil (2022: $78,000).

9. Revenue

(a) ***Disaggregation of revenue***

Segments	WIN		NI		Total revenue	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Primary geographical markets						
Singapore	3,093	1,521	58,286	49,506	61,379	51,027
Indonesia	3,611	2,530	27,139	23,412	30,750	25,942
Malaysia	2,941	2,354	20,284	22,563	23,225	24,917
Philippines	762	1,085	1,090	4,770	1,852	5,855
Thailand	1,180	892	1,501	707	2,681	1,599
EMEA countries	15,198	18,423	5,061	1,730	20,259	20,153
Others	1,530	2,644	12	392	1,542	3,036
	28,315	29,449	113,373	103,080	141,688	132,529
Major product or service lines						
Sale of equipment	7,105	9,171	49,873	31,881	56,978	41,052
Rendering of services	7,785	5,695	44,928	42,432	52,713	48,127
Turnkey project	13,425	14,583	18,572	28,767	31,997	43,350
	28,315	29,449	113,373	103,080	141,688	132,529
Timing of transfer of goods or services						
At a point in time	7,105	9,171	49,873	31,881	56,978	41,052
Over time	21,210	20,278	63,500	71,199	84,710	91,477
	28,315	29,449	113,373	103,080	141,688	132,529

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. **Revenue (cont'd)**

(b) ***Judgment and methods used in estimating revenue***

(i) Determining transaction price and amounts allocated to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services

For the bundled contracts, the Group allocates the transaction price to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services based on their relative stand-alone selling prices. The standalone selling prices are determined based on estimated cost plus margin.

(ii) Recognition of revenue from professional services and turnkey project over time

For rendering of professional services and turnkey projects where the Group satisfies its performance obligations over time, management has determined that cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relating to the total inputs expected to be incurred. The measurement of progress is based on the costs incurred to date as a proportion of the costs to be incurred to the satisfaction of the performance obligation.

The estimated total costs are based on contractual amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends for the amount incurred in its other similar services and projects.

(iii) Estimating variable consideration for turnkey projects

In estimating the variable consideration for liquidated damages, the Group uses the most likely amount method to predict the liquidated damages. Management relies on historical experiences with similar turnkey projects, customers and geographical areas. Management has exercised significant judgment in estimating the amount of consideration to which it expects to be entitled and of which the amount are included in the contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainties are resolved.

(c) ***Contract assets and contract liabilities***

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables (Note 10)	42,979	48,884	12,408	7,990
Contract assets	22,062	36,227	9,760	11,609
Contract liabilities	25,080	30,845	19,407	20,054

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. Revenue (cont'd)

(c) ***Contract assets and contract liabilities (cont'd)***

The Group has recognised a net impairment loss on receivables arising from contracts with customers amounting to $120,000 (2022: net impairment loss of $2,285,000). The Company has recognised a net writeback on receivables arising from contracts with customers amounting to nil (2022: $70,000).

The Group has recognised a net impairment loss on contract assets amounting to $327,000 (2022: net impairment loss on contract assets of $993,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group billed and received consideration ahead of the provision of services and delivering of goods.

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Contract assets reclassified to receivables	29,631	24,165	9,217	8,685

(ii) Significant changes in contract liabilities are explained as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	20,797	13,917	11,637	7,331

(d) ***Transaction price allocated to remaining performance obligations***

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2023 is $102,719,000 (2022: $154,546,000), which the Group expects to recognise as revenue in 2024 and 2025.

10. Trade receivables

	Group		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Trade receivables	45,729	59,380	12,446	8,367
Less: Allowance for impairment of trade receivables	(2,750)	(10,496)	(38)	(377)
Total trade receivables	42,979	48,884	12,408	7,990
Add:				
Other receivables and deposits (excluding staff advances, prepayments and tax recoverable) (Note 11)	2,227	4,060	2,272	809
Cash and bank balances (Note 28)	16,402	18,200	7,909	6,337
Fixed deposits (Note 28)	4,220	–	4,220	–
Amounts due from subsidiaries	–	–	10,670	18,307
Total financial assets carried at amortised cost	65,828	71,144	37,479	33,443

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.

At balance sheet date, retention sums relating to contracts included in trade receivables of the Group and the Company are $3,688,000 and nil (2022: $5,162,000 and nil) respectively.

At the balance sheet date, trade receivables for the Group arising from export sales amounting to $4,155,000 (2022: $5,071,000) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

As at 31 December, the following amounts denominated in a currency other than the respective subsidiaries functional currency are included in the trade receivables for the Group and the Company:

	Group		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
US dollar	4,995	10,725	572	1,567
Other currencies	69	320	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. Trade receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Movement in allowance accounts:				
At 1 January	10,496	9,268	377	447
Charge for the year	1,242	2,715	34	–
Written back	(1,122)	(430)	(34)	(70)
Written off	(7,733)	(124)	(339)	–
Currency realignment	(133)	(933)	–	–
At 31 December	2,750	10,496	38	377

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Movement in allowance accounts:				
At 1 January	3,296	3,873	2,083	2,083
Charge for the year	327	1,001	–	–
Written back	–	(8)	–	–
Written off	(13)	(1,389)	–	–
Currency realignment	118	(181)	–	–
At 31 December	3,728	3,296	2,083	2,083

11. Other receivables, deposits and prepayments

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Prepayments	18,549	17,650	17,783	16,738
Deposits	1,930	2,302	212	335
Staff advances	14	19	–	–
Tax recoverable	1,125	1,320	30	–
Other debtors	297	1,758	2,060	474
	21,915	23,049	20,085	17,547
Non-current	199	312	–	–
Current	21,716	22,737	20,085	17,547
	21,915	23,049	20,085	17,547

Staff advances and other debtors are unsecured and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. Amounts due from/(to) subsidiaries (trade and non-trade)

The trade balances are non-interest bearing and are generally on 30 days' terms.

The non-trade balances are unsecured, repayable on demand and are to be settled in cash. Included in non-trade balances are advances to subsidiaries of $6,112,000 (2022: $15,284,000) that bears interest from 3.500% to 7.400% per annum (2022: 3.225% to 9.265% per annum). Other balances due from/(to) subsidiaries do not bear any interest.

13. Trade payables

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

Included in trade payables are accrued project costs amounting to $8,489,000 (2022: $7,943,000) and a fair value gain on forward currency contracts amounting to $54,000 (2022: fair value loss on forward currency contracts amounting to $56,000) which has been recognised in profit or loss as at 31 December 2023.

As at 31 December, the following amounts denominated in a currency other than the respective subsidiaries functional currency are included in trade payables for the Group and the Company:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
US dollar	5,943	8,252	4,524	3,428
Euro	91	–	90	–
Norwegian krone	26	–	–	–
Other currencies	1,660	1,445	–	–

14. Other payables and accruals

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Accrued payroll and staff expenses	3,782	3,949	2,444	2,732
Other accrued operating expenses	1,654	2,833	373	401
Other creditors	1,232	2,959	662	1,912
Withholding tax payables	243	311	–	–
Total other payables and accruals	6,911	10,052	3,479	5,045
Add:				
Trade payables (Note 13)	28,292	39,112	10,527	7,537
Amounts due to subsidiaries (Note 12)	–	–	463	700
Borrowings (Note 16)	11,997	21,000	11,997	21,000
Less:				
Withholding tax payables	(243)	(311)	–	–
Total financial liabilities carried at amortised cost	46,957	69,853	26,466	34,282

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15. Provision for warranty

A provision is recognised for expected warranty claims on goods and services sold in the past 12 months (average warranty period) based on past experience of the level of repairs and returns. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

(a) there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to not be operational;

(b) the Group continues to work on projects and install equipment for customers in environments that are considerably more challenging;

(c) the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and

(d) there is a mismatch of the duration of the warranty coverage.

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At 1 January	479	531	304	390
Provision for the year	744	380	715	304
Write-back of provision	(227)	(146)	(98)	(124)
Utilised during the year	(505)	(273)	(504)	(266)
Currency realignment	–	(13)	–	–
At 31 December	491	479	417	304

The Group may from time to time in the ordinary course of business be subject to claims or settlement with customers and if the amounts arising do not fall within the provision for warranty, the charges will be taken to cost of sales, as appropriate.

16. Borrowings

	Effective %	Maturities	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Short-term borrowings (unsecured):						
Singapore dollar floating rate bank loans	5.27% to 5.53%	January 2024	9,500	–	9,500	–
Singapore dollar floating rate trade line	6.73% to 6.74%	January 2024	2,497	–	2,497	–
Singapore dollar floating rate bank loans	5.18% to 5.60%	January 2023, February 2023, March 2023	–	21,000	–	21,000
			11,997	21,000	11,997	21,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16. Borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2023 $'000	Cash flows $'000	New leases $'000	Foreign exchange movement $'000	Others $'000	31 December 2023 $'000
Short-term borrowings (unsecured):						
– current	21,000	(9,003)	–	–	–	11,997
Lease liabilities	5,938	(963)	749	(29)	256*	5,951

	1 January 2022 $'000	Cash flows $'000	New leases $'000	Foreign exchange movement $'000	Others $'000	31 December 2022 $'000
Short-term borrowings (unsecured):						
– current	32,000	(11,000)	–	–	–	21,000
Lease liabilities	1,223	(1,109)	5,557	(65)	332*	5,938

* Includes nil (2022: $91,000) lease liabilities directly associated with the assets held for sale.

17. Leases

The Group has lease contracts for various items of plant, machinery and other equipment used in its operations. Leasehold land and building generally have lease terms between 2 and 5 years. Leases of plant and other equipment generally have lease terms between 1 and 5 years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17. Leases (cont'd)

Group	Leasehold land and building $'000	Plant and other equipment $'000	Total $'000
Cost			
At 1 January 2022	2,545	207	2,752
Additions	5,125	84	5,209
Disposal	(289)	(20)	(309)
Currency realignment	(240)	(3)	(243)
At 31 December 2022	7,141	268	7,409
Additions	376	373	749
Disposal	(1,101)	(6)	(1,107)
Currency realignment	(155)	(4)	(159)
At 31 December 2023	6,261	631	6,892
Accumulated depreciation			
At 1 January 2022	1,582	54	1,636
Charge for the year	965	70	1,035
Disposal	(289)	(20)	(309)
Currency realignment	(181)	(1)	(182)
At 31 December 2022	2,077	103	2,180
Charge for the year	1,301	189	1,490
Disposal	(1,101)	(6)	(1,107)
Currency realignment	(127)	(3)	(130)
At 31 December 2023	2,150	283	2,433
Net carrying amount			
At 1 January 2022	963	153	1,116
At 31 December 2022	5,064	165	5,229
At 31 December 2023	4,111	348	4,459

Company	Leasehold land and building $'000	Plant and other equipment $'000	Total $'000
Cost			
At 1 January 2022	–	201	201
Additions	4,841	37	4,878
Disposal	–	(15)	(15)
At 31 December 2022 and 1 January 2023	4,841	223	5,064
Additions	–	200	200
Disposal	–	–	–
At 31 December 2023	4,841	423	5,264
Accumulated depreciation			
At 1 January 2022	–	46	46
Charge for the year	263	57	320
Disposal	–	(15)	(15)
At 31 December 2022 and 1 January 2023	263	88	351
Charge for the year	837	112	949
Disposal	–	–	–
At 31 December 2023	1,100	200	1,300
Net carrying amount			
At 31 December 2022	4,578	135	4,713
At 31 December 2023	3,741	223	3,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17. Leases (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At 1 January	5,938	1,223	5,380	156
Additions	749	5,557	200	5,225
Accretion of interest (Note 24)	256	241	219	173
Reclassification to assets held for sale	–	91	–	91
Payments	(963)	(1,109)	(403)	(265)
Currency realignment	(29)	(65)	–	–
At 31 December	5,951	5,938	5,396	5,380
Current	1,547	539	1,129	169
Non-current	4,404	5,399	4,267	5,211
Total lease liabilities	5,951	5,938	5,396	5,380

The maturity analyses of lease liabilities are disclosed in Note 34.

The following are the amounts recognised in profit or loss:

	Group	
	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	1,490	1,035
Interest expense on lease liabilities	256	241
Expense relating to leases of short term lease assets (included in administrative expenses)	255	4
Expense relating to leases of low-value assets (included in administrative expenses)	6	11
Total amount recognised in profit or loss	2,007	1,291

The Group has total cash outflows for leases of $963,000 in 2023 (2022: $1,109,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18. Share capital

	Group and Company			
	2023	2022	2023	2022
			Number of shares	
	$'000	$'000	'000	'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	29,909	29,909	361,897	361,897

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

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	
	2023	2022
	$'000	$'000
At 1 January	(1,044)	(2,866)
Current year translation	(419)	1,822
At 31 December	(1,463)	(1,044)
Net effect of exchange differences arises from:		
Translation of financial statements of foreign operations	(419)	1,822

20. Other income/(expenses)

	Group	
	2023	2022
	$'000	$'000
Amortisation of intangible asset	(240)	(238)
Foreign exchange gain/(loss), net – forward currency contracts	54	(56)
Realised foreign exchange loss, net	(649)	(213)
Unrealised foreign exchange loss, net	(1,470)	(4,613)
Government grants	237	53
Net gain on disposal of property, plant and equipment	5,754	21
Gain on sale of contract*	–	631
Others	9	549
	3,695	(3,866)

* Proceeds from disposal of property, plant and equipment, receivables and novation of operator's agreements to a purchaser in Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21. Profit/(loss) from operating activities

The following items have been included in arriving at profit/(loss) from operating activities:

	Group	
	2023	**2022**
	$'000	**$'000**
Audit fees to:		
Auditors of the Company	271	253
Audit fees paid to other member firms of EY Global	117	100
Other auditors	28	31
Bad debts written off	24	21
Non-audit fees to:		
Auditors of the Company	41	21
Non-audit fees paid to other member firms of EY Global	67	80
Other auditors	164	108
Write-back for doubtful trade receivables	(1,122)	(430)
Impairment loss on trade receivables	1,242	2,715
Net gain on disposal of property, plant and equipment	(5,754)	(21)
Legal fee	183	79

22. Personnel expenses and employee benefits

	Group	
	2023	**2022**
	$'000	**$'000**
Wages, salaries and bonuses	15,951	15,168
Pension contributions	2,334	1,979
Other personnel benefits	2,804	2,637
Termination benefits	73	27
	21,162	19,811

Personnel expenses include Directors and Executive Officers' remuneration as shown in Note 32.

23. Finance income

	Group	
	2023	**2022**
	$'000	**$'000**
Interest income from:		
Bank deposits	227	78
Long term trade receivables	35	8
	262	86

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24. Finance expenses

	Group	
	2023 **$'000**	**2022** **$'000**
Interest expense	899	618
Interest on lease liabilities	256	241
	1,155	859

25. Tax

Major components of income tax expense for the year ended 31 December are:

	Group	
	2023 **$'000**	**2022** **$'000**
Consolidated income statement:		
Current income tax:		
Current income taxation	1,136	1,662
Under/(over) provision in respect of prior years	708	(70)
Deferred income tax:		
Current year	(3,866)	417
Prior year	33	47
Income tax expense recognised in profit and loss	(1,989)	2,056

A reconciliation between the tax (credit)/expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

	Group	
	2023 **$'000**	**2022** **$'000**
Profit/(loss) before tax from continuing operations	3,682	(5,235)
Tax at 17%	626	(890)
Tax effect of expenses that are not deductible in determining taxable profit/(loss)	1,666	2,965
Under/(over) provision in respect of prior years	741	(23)
Difference in tax rates applicable to subsidiaries	(267)	(573)
Tax effect of income not subject to tax	(1,207)	(411)
Effect of change in tax rate	(18)	62
Tax exemption, incentives and rebates	(17)	(65)
Deferred tax asset recognised during the year	(3,866)	(67)
Utilisation of previously recognised deferred tax assests	124	205
Utilisation of previously unrecognised deferred tax assets	(183)	(282)
Deferred tax assets not recognised by subsidiaries	412	1,135
	(1,989)	2,056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. Tax (cont'd)

Deferred tax as at 31 December related to the following:

	Group		Consolidated income statement		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred tax liabilities:						
Differences in depreciation of property, plant and equipment for tax purposes	69	(15)	(84)	50	72	(23)
Difference in amortisation of intangible assets	(93)	(116)	(23)	(32)	(93)	(116)
Right-of-use assets	(674)	(792)	(118)	(101)	(674)	(801)
	(698)	(923)			(695)	(940)
Deferred tax assets:						
Interest income receivables	(207)	(227)	(20)	112	(167)	(202)
General provisions	1,761	672	(1,089)	(4)	434	412
Tax losses	2,177	–	(2,177)	463	1,633	–
Retirement benefit #	143	24	(119)	–	–	–
Lease liabilities	868	914	46	–	917	914
Others	–	24	24	(24)	6	24
Net deferred tax assets	4,044	484			2,128	208
Foreign exchange differences			(273)	–		
Net deferred tax expense/ (credit)			(3,833)	464		

Deferred tax on retirement benefit amounting to nil (2022: $31,000) is recorded in 'Other comprehensive income', under the equity section of the balance sheet.

Changes in corporate tax rate from financial year 2023 and 2022 are as follows:

– Morocco: from 0.5% to 0.25% (2022: 31% to 0.5%)

– Myanmar: from 25% to 22% (2022: 25%)

Effective 1 January 2022, the corporate tax rate for company incorporated in Morocco has changed to proportional tax rate from 10% to 31% depending on the taxable income. For a company with no taxable income, a minimum tax of 0.5% on the annual turnover is applied.

As at 31 December 2023, on the back of the improved performance and outlook the Group and the Company recognised deferred tax assets of $4,044,000 (2022: $484,000) and $2,128,000 (2022: $208,000) respectively. The deferred tax assets are mainly related to unused tax losses and deductible temporary differences arising from one of the subsidiaries of the Group and the Company. Deferred tax assets have been recognised to the extent it is probable that there will be future taxable profits available against which the deductible temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. Tax (cont'd)

Unrecognised tax losses

The Group has tax losses and unutilised capital allowances of approximately $18,318,000 (2022: $12,774,000) 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.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting year, no deferred tax liability (2022: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $4,261,000 (2022: $4,582,000). The deferred tax liability is estimated to be $226,000 (2022: $294,000).

Tax consequences of proposed dividends

There are no income tax consequences (2022: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

26. Earnings per share

(a) ***Continuing operations***

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).

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	
	2023	**2022**
Net profit/(loss) attributable to ordinary equity holders of the Company for basic and diluted earnings per share ($'000)	5,671	(7,291)
Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000)	361,897	361,897

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

26. Earnings per share (cont'd)

(b) ***Earnings per share computation***

The basic and diluted earnings per share are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for both basic and diluted earnings per share computation. The profit and share data are presented in Note 26(a) above.

27. Dividends

	Group and Company	
	2023	**2022**
	$'000	**$'000**
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares:		
– A final exempt (one-tier) dividend for the current financial year of 0.5 cent (2022: nil) per share	1,809	–

28. Cash and cash equivalents

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	4,220	–	4,220	–
Cash and bank balances	16,402	18,200	7,909	6,337
Deposits pledged	(119)	(114)	–	–
Cash and cash equivalents in the cashflow statement	20,503	18,086	12,129	6,337

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.003% to 3.75% (2022: 0.01% to 3.75%) per annum. Included in cash and cash equivalents are amounts totaling $119,000 (2022: $114,000) pledged in accordance to a contractual arrangement and for purpose of bankers' guarantees issued.

Fixed deposits of the Group and the Company were made for a period of 30 days 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 ranging from 2.75% to 5.19% (2022: nil) per annum.

Cash and deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
US dollar	6,574	3,118	5,896	757
AU dollar	4	9	4	9
Euro	157	108	18	31
Norwegian krone	67	173	–	–
Other currencies	20	57	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29. Employee share plan

In financial year 2014, Share plan under the Nera Telecommunications Performance Share Plan 2014 ("NeraTel PSP 2014") to eligible Directors and other employees of the Company was approved by the shareholders.

During the financial year, no shares (2022: Nil) were granted under the employee share plan.

30. Commitments

(a) ***Capital commitments***

At 31 December 2023, the Group and the Company had commitments of nil (2022: $1,290,000) relating to the purchase of new property, plant and equipment and renovation cost.

(b) ***Non-cancellable operating lease commitments – as lessor***

As at 31 December 2023 the Group has no commitments under operating leases for equipment.

31. Contingent liabilities

	Group and Company	
	2023	**2022**
	$'000	**$'000**
Guarantees		
Bankers' guarantees issued by banks on behalf of subsidiaries	590	1,916

32. Related party disclosures

Compensation of key management personnel

	Group	
	2023	**2022**
	$'000	**$'000**
Directors of the Company:		
Directors' fees	289	276
Directors' remuneration	858	1,093
Defined contribution benefits	17	35
Key management:		
Key management's remuneration	2,305	1,697
Defined contribution benefits	55	55

Key management personnel are the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

33. 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:

Wireless Infrastructure Networks ("WIN")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of satellite communications, transmission products and systems and wireless solutions.
Network Infrastructure ("NI")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, network security solutions, IP networks, optical networks and broadcast infrastructure.

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 turnover, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

	WIN $'000	NI $'000	Adjustments $'000	Notes	Total $'000
2023					
Revenue	28,314	113,374			141,688
Cost of sales	(23,360)	(87,091)			(110,451)
Gross profit	4,954	26,283			31,237
Distribution and selling expenses	(3,587)	(12,950)			(16,537)
Administrative expenses	(2,008)	(11,812)			(13,820)
Other (expenses)/income	(1,469)	5,164			3,695
(Loss)/profit from operating activities	(2,110)	6,685			4,575
Finance income					262
Finance expenses					(1,155)
Profit before tax					3,682
Tax					1,989
Net profit for the year					5,671
Other information					
Segment assets	26,928	53,318	46,581	A	126,827
Segment liabilities	10,892	48,922	20,436	B	80,250
Capital expenditure	61	1,311			1,372
Depreciation and amortisation	243	2,579			2,822
Other non-cash (income)/ expenses (*)	(633)	1,621			988

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. Segment information (cont'd)

Allocation basis and transfer pricing (cont'd)

	WIN $'000	NI $'000	Adjustments $'000	Notes	Total $'000
2022					
Revenue	29,449	103,080			132,529
Cost of sales	(23,590)	(79,359)			(102,949)
Gross profit	5,859	23,721			29,580
Distribution and selling expenses	(5,985)	(12,326)			(18,311)
Administrative expenses	(2,635)	(9,230)			(11,865)
Other expenses	(321)	(3,545)			(3,866)
Loss from operating activities	(3,082)	(1,380)			(4,462)
Finance income					86
Finance expenses					(859)
Loss before tax					(5,235)
Tax					(2,056)
Net loss for the year					(7,291)
Other information					
Segment assets	35,244	75,433	41,733	A	152,410
Segment liabilities	14,626	64,545	32,174	B	111,345
Capital expenditure	69	980			1,049
Depreciation and amortisation	334	1,736			2,070
Other non-cash (income)/ expenses (*)	962	2,018			2,980

(*) Other non-cash (income)/expenses include net provision for warranty, stocks written down, net allowance/(write-back) for doubtful trade debts and net allowance/(write-back) for contract assets, bad debts written off and gain on sale of customer contracts

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2023 $'000	2022 $'000
Deferred tax assets	4,044	484
Other receivables, deposits and prepayments	21,915	23,049
Cash and cash equivalents	16,402	18,200
Fixed deposits	4,220	–
	46,581	41,733

33. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd)

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2023 $'000	2022 $'000
Defined benefit obligation	582	550
Other payables and accruals	6,911	10,052
Borrowings	11,997	21,000
Provision for taxation	946	572
	20,436	32,174

Geographical segments

Revenue and non-current assets (excluding deferred tax assets) information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Singapore	61,379	51,027	6,253	6,399
Indonesia	30,750	25,942	409	485
Malaysia	23,225	24,917	215	159
Philippines	1,852	5,855	2,823	3,990
Thailand	2,681	1,599	268	349
Other EMEA countries	18,617	20,153	35	90
Others	3,184	3,036	–	–
	141,688	132,529	10,003	11,472

Non-current assets information presented above consist of intangible assets, property, plant and equipment, right-of-use assets, long term trade and other receivables.

Information about a major customer

Revenue from one major customer amounted to $23,222,000 (2022: $21,853,000), arising from revenue by the WIN and NI segments (2022: WIN and NI segments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit and risk management committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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 dollar and Euro. Approximately 14% (2022: 18%) of the Group's turnover and 65% (2022: 38%) 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 $6,822,000 (2022: $3,465,000) and $5,918,000 (2022: $797,000) 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 are in the same currency as the underlying exposure. It is the Group's policy not to enter into forward currency contracts until a firm commitment is in place and to negotiate the terms of forward currency contracts to match the terms of the underlying exposure.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, AU dollar and Euro exchange rates (against SGD), with all other variables held constant, of the Group's (loss)/profit before tax.

	Group	
	2023 **$'000**	**2022** **$'000**
US dollar		
– Strengthened 3% (2022: 3%)	223	226
– Weakened 3% (2022: 3%)	(223)	(226)
Euro		
– Strengthened 5% (2022: 5%)	5	8
– Weakened 5% (2022: 5%)	(5)	(8)

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 borrowings.

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's interest rate exposure is also disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

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 with all other variables held constant, of the Group's profit/(loss) before tax.

	Group	
	Increase/ (decrease) basis points	**Effect on profit/(loss) before tax $'000**
2023		
US dollar bank placements	(100)	(87)
AU dollar bank placements	(100)	–
Euro bank placements	(100)	(2)
Singapore dollar bank borrowings	(100)	(95)
US dollar bank borrowings	(100)	(25)
US dollar bank placements	100	87
AU dollar bank placements	100	–
Euro bank placements	100	2
Singapore dollar bank borrowings	100	95
US dollar bank borrowings	100	25
2022		
US dollar bank placements	(100)	(42)
AU dollar bank placements	(100)	–
Euro bank placements	(100)	(2)
Singapore dollar bank borrowings	(100)	(210)
US dollar bank placements	100	42
AU dollar bank placements	100	–
Euro bank placements	100	2
Singapore dollar bank borrowings	100	210

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

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 carrying amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	2023				2022			
	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	42,979	–	–	42,979	48,884	–	–	48,884
Other receivables and deposits (excluding staff advances, prepayments and tax recoverable)	2,028	199	–	2,227	3,748	312	–	4,060
Cash and cash equivalents	16,402	–	–	16,402	18,200	–	–	18,200
Fixed deposits	4,220	–	–	4,220	–	–	–	–
Derivative financial instruments – Forward currency contracts	2,636	–	–	2,636	3,626	–	–	3,626
Total undiscounted financial assets	68,265	199	–	68,464	74,458	312	–	74,770
Financial liabilities:								
Trade payables	28,292	–	–	28,292	39,112	–	–	39,112
Other payables and accruals (excluding withholding tax payables)	6,668	–	–	6,668	9,741	–	–	9,741
Borrowings	12,054	–	–	12,054	21,257	–	–	21,257
Lease liabilities	1,706	4,575	–	6,281	738	5,046	211	5,995
Derivative financial instruments – Forward currency contracts	2,677	–	–	2,677	3,720	–	–	3,720
Total undiscounted financial liabilities	51,397	4,575	–	55,972	74,568	5,046	211	79,825
Total net undiscounted financial assets/(liabilities)	16,868	(4,376)	–	12,492	(110)	(4,734)	(211)	(5,055)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2023				2022			
	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								
Financial assets:								
Trade receivables	12,408	–	–	12,408	7,990	–	–	7,990
Other receivables and deposits (excluding prepayments and tax recoverable)	2,272	–	–	2,272	809	–	–	809
Amounts due from subsidiaries	10,670	–	–	10,670	18,307	–	–	18,307
Cash and cash equivalents	7,909	–	–	7,909	6,337	–	–	6,337
Fixed deposits	4,220	–	–	4,220	–	–	–	–
Derivative financial instruments – Forward currency contracts	2,636	–	–	2,636	3,626	–	–	3,626
Total undiscounted financial assets	40,115	–	–	40,115	37,069	–	–	37,069
Financial liabilities:								
Trade payables	10,527	–	–	10,527	7,537	–	–	7,537
Other payables and accruals	3,479	–	–	3,479	5,045	–	–	5,045
Amounts due to subsidiaries	463	–	–	463	700	–	–	700
Borrowings	12,054	–	–	12,054	21,257	–	–	21,257
Lease liabilities	1,284	4,482	–	5,766	342	4,847	211	5,400
Derivative financial instruments – Forward currency contracts	2,677	–	–	2,677	3,720	–	–	3,720
Total undiscounted financial liabilities	30,484	4,482	–	34,966	38,601	4,847	211	43,659
Total net undiscounted financial assets/(liabilities)	9,631	(4,482)	–	5,149	(1,532)	(4,847)	(211)	(6,590)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities.

	2023				2022			
	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								
Financial guarantees in relation to contracts	2,137	1,762	–	3,899	2,270	4,162	–	6,432

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 Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating;

– External credit rating;

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– Actual or expected significant changes in the operating results of the customer;

– Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the debtor;

– A breach of contract, such as a default or past due event;

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments and in significant financial difficulties. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2023 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions and expected inflation rates.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geography:

(i) Singapore

		Trade receivables			
		Days past due			
	Contract Assets $'000	Current $'000	Less than 90 days $'000	More than 90 days $'000	Total $'000
31 December 2023					
Gross carrying amount	9,760	5,463	4,613	2,370	22,206
Loss allowance provision	25	–	–	38	63
31 December 2022					
Gross carrying amount	11,609	2,004	3,289	3,074	19,976
Loss allowance provision	25	–	–	377	402

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

(ii) Other geographical area

	Contract Assets $'000	Trade receivables Current $'000	Days past due Less than 90 days $'000	More than 90 days $'000	Total $'000
31 December 2023					
Gross carrying amount	16,030	17,624	10,091	5,568	49,313
Loss allowance provision	3,703	–	4	2,708	6,415
31 December 2022					
Gross carrying amount	27,914	23,345	7,631	20,037	78,927
Loss allowance provision	3,271	24	–	10,095	13,390

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 10.

During the year, the Group wrote-off $24,000 (2022: $21,000) of trade receivables as the Group does not expect to receive future cash flows and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the balance sheet date are as follows:

Customers' profile

By country

% of total trade receivables	Group 2023	Group 2022	Company 2023	Company 2022
≥ 25	Singapore	–	Singapore	Singapore
>10 and <25	Indonesia and Malaysia	Singapore, Indonesia, Malaysia and Morocco	–	–
≤ 10	Philippines, Pakistan, Morocco and others	Philippines, Pakistan, Thailand and others	Philippines and others	Philippines, Pakistan and others

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile (cont'd)

By industry

	Group				Company			
	2023		2022		2023		2022	
	$'000	% of total	$'000	% of total	$'000	% of total	$'000	% of total
Telecommunications	22,717	53	26,885	55	8,167	66	5,797	73
Government agencies	14,082	33	15,592	32	907	7	496	6
Media and broadcasting	614	1	1,528	3	614	5	784	10
Financial institutions	408	1	332	1	383	3	306	4
Multi-industry conglomerates	–	–	206	–	–	–	206	3
Hospitality	2,536	6	1,026	2	2,263	18	383	4
Others	2,622	6	3,315	7	74	1	18	–
	42,979	100	48,884	100	12,408	100	7,990	100

At the balance sheet date,

– 37% (2022: 55%) of the Group's trade receivables in Malaysia (2022: Malaysia) are due from a reputable telecommunications service provider; and

– 24% (2022: 30%) of the Group's trade receivables are due from 3 major customers in the telecommunications industry.

35. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	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 2023				
Financial liabilities				
Derivatives – Forward currency contracts	–	40	–	40
At 31 December 2022				
Financial liabilities				
Derivatives – Forward currency contracts	–	94	–	94

(c) ***Level 2 fair value measurements***

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

(d) ***Assets and liabilities not measured at fair value, for which fair value is disclosed***

There are no assets and liabilities not measured at fair value at 31 December 2023 and 2022 but for which fair value is disclosed.

(e) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Cash and cash equivalents (Note 28), trade receivables (Note 10), other receivables and deposits (Note 11), amount due from/(to) subsidiaries (Note 12), trade payables (Note 13), other payables and accruals (Note 14) and short-term borrowings (Note 16).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short-term in nature, market interest rate instruments.

(f) ***Fair value of financial instrument classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

There are no financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

36. Derivatives

	Group					
	2023 $'000			2022 $'000		
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Forward currency contracts	2,636	–	40	3,626	–	94

Forward currency contracts are mainly used to hedge the Group's sales and purchases denominated in US dollar (2022: US dollar), against SGD for which firm commitments existed at the balance sheet date, extending to May 2024 (2022: May 2023).

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 2023 and 31 December 2022.

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 less than 50%. The Group includes within net debt, only loans and borrowings, less cash and cash equivalents. Capital refers to equity attributable to the owners of the Company.

	Group	
	2023 $'000	2022 $'000
Borrowings (Note 16)	11,997	21,000
Less: Cash and cash equivalent (Note 28)	(20,503)	(18,086)
Net debts	(8,506)	2,914
Capital:		
Equity attributable to owners of the Company	46,577	41,065
Capital and net debt	38,071	43,979
Gearing ratio	(22%)	7%

38. Defined benefit obligation

Retirement plans

Nera (Thailand) Limited and P.T. Nera Indonesia have unfunded, non-contributory defined benefit retirement plans while Nera (Philippines), Inc. has funded, non-contributory defined benefit plans covering all their qualified employees. The provision for post-employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method, and is in pursuant of Republic Act 7641 in Philippines, Labor Law No. 13/2003 in Indonesia, and Legal Severance Pay Law in Thailand. The Group's latest actuarial valuation reports are dated 31 December 2023.

38. Defined benefit obligation (cont'd)

Retirement plans (cont'd)

The retirement plan for Nera (Philippines), Inc. requires contributions to be made to separately administered funds. The funds are administered by a local bank. Subject to the specific instructions provided by the company in writing, the company directs the local bank to hold, invest, and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain investments in unit investment trust fund.

Long service awards

Nera (Thailand) Limited and P.T. Nera Indonesia have an award in the form of cash award during active employment for employees who have completed certain years of services.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Present value of defined benefit obligation	103	123	75	45	581	635	759	803
Fair value of plan assets	(177)	(253)	–	–	–	–	(177)	(253)
Net (asset)/liability arising from defined benefit obligation	(74)	(130)	75	45	581	635	582	550

Changes in present value of the defined benefit obligation are as follows:

	Philippines plan		Thailand plan		Indonesia plan		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At 1 January	123	213	45	40	635	532	803	785
Interest cost	8	9	23	19	53	35	84	63
Current service cost	64	28	2	1	216	199	282	228
Remeasurement losses/ (gains):								
Actuarial changes arising from changes in financial assumptions	(5)	(30)	4	(5)	(126)	(12)	(127)	(47)
Actuarial changes due to experience adjustment	(1)	(8)	2	(7)	(139)	58	(138)	43
Recognition of actuarial loss	–	–	–	–	1	3	1	3
Effects of benefit changes	–	–	–	–	–	(86)	–	(86)
Benefit paid out	(85)	(73)	–	–	(60)	(19)	(145)	(92)
Exchange differences	(1)	(16)	(1)	(3)	1	(75)	(1)	(94)
At 31 December	103	123	75	45	581	635	759	803

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

38. Defined benefit obligation (cont'd)

Changes in fair value of plan assets are as follows:

	Philippines plan	
	2023	**2022**
	$'000	**$'000**
At 1 January	253	362
Benefits paid	(85)	(73)
Interest income	16	15
Remeasurement gains/(losses):		
Return on plan assets	(6)	(21)
Effect of asset ceiling	–	–
Exchange differences	(1)	(30)
At 31 December	177	253

The fair values of the plan assets by each class as at the end of the reporting period are as follows:

	2023	**2022**
	$'000	**$'000**
Investments in unit investment trust fund ("UITF") – Philippines plan	177	253

Investments in UITF are ready-made investments that allow the pooling of funds that are managed by a local bank.

The plan asset's carrying amount approximates its fair value since these are marked-to-market.

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2023	**2022**
Discount rates:		
Philippines plan	5.96%	6.43%
Thailand plan	3.12%	3.64%
Indonesia plan	6.80%	7.40%
Future salary increases:		
Philippines plan	5.00%	6.00%
Thailand plan	5.00%	5.00%
Indonesia plan	6.00%	8.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

38. **Defined benefit obligation (cont'd)**

	2023 %	2022 %
Mortality rate		
Philippines plan	1994 US Group Annuity Mortality (GAM) Table, Male and Female	1994 US Group Annuity Mortality (GAM) Table, Male and Female
Thailand plan	105% of Thai Mortality Ordinary Table 2017	105% of Thai Mortality Ordinary Table 2017
Indonesia plan	Mortality Table of Indonesia 2019	Mortality Table of Indonesia 2019

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		31 December 2023		
	Increase/ (decrease)	**Philippines plan**	**Thailand plan**	**Indonesia plan**
Discount rates	(Actual + 1.00%)	–	–	(59)
	(Actual – 1.00%)	–	–	68
	(Actual + 0.50%)	(5)	(9)	–
	(Actual – 0.50%)	5	–	–
Future salary increases	(Actual + 1.00%)	9	4	69
	(Actual – 1.00%)	(9)	(13)	(61)

		31 December 2022		
	Increase/ (decrease)	**Philippines plan**	**Thailand plan**	**Indonesia plan**
Discount rates	(Actual + 1.00%)	–	–	(61)
	(Actual – 1.00%)	–	–	71
	(Actual + 0.50%)	(6)	(6)	–
	(Actual – 0.50%)	6	1	–
Future salary increases	(Actual + 1.00%)	12	4	71
	(Actual – 1.00%)	(11)	(8)	(63)

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The average duration of the defined benefit obligation at the end of the reporting period is 12 years (2022: 12 years).

39. **Events occurring after balance sheet date**

On 5 December 2023, the Corporate Affairs Commission (CAC) of Nigeria issued a Notice that companies with foreign equity participation must increase paid up share capital to $150,000 within six months from the date that the Notice was issued. Failing which, the CAC shall commence proceedings for compulsory winding up of the company. The Group is in the midst of working with the local consultant on the matter.

40. **Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 9 April 2024.

Company Registration No. 197802690R

Nera Telecommunications Ltd
and its Subsidiaries

Condensed Interim Financial Statements (Unaudited)
For the six months ended 30 June 2024

Nera Telecommunications Ltd and its Subsidiaries

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Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Statements of Financial Position
As at 30 June 2024

		Group		Company	
	Note	30 June 2024 (unaudited) $'000	31 Dec 2023 (audited) $'000	30 June 2024 (unaudited) $'000	31 Dec 2023 (audited) $'000
Non-current assets					
Property, plant and equipment	5	4,469	4,777	1,531	1,741
Right-of-use assets		4,535	4,459	3,538	3,964
Intangible assets		481	568	465	548
Investments in subsidiaries		–	–	7,754	7,754
Long term trade and other receivables		165	199	–	–
Deferred tax assets		4,007	4,044	2,128	2,128
		13,657	14,047	15,416	16,135
Current assets					
Stocks	6	4,621	5,401	3,399	5,096
Contract assets		17,555	22,062	6,703	9,760
Trade receivables	8	44,951	42,979	13,564	12,408
Other receivables, deposits and prepayments		23,969	21,716	19,825	20,085
Amounts due from subsidiaries					
- trade		–	–	2,170	3,988
- non-trade		–	–	4,414	6,682
Fixed deposits		7,938	4,220	7,938	4,220
Cash and bank balances		7,237	16,402	2,708	7,909
		106,271	112,780	60,721	70,148
Current liabilities					
Trade payables		23,126	28,292	7,846	10,527
Other payables and accruals		4,451	6,911	1,680	3,479
Contract liabilities		34,623	25,080	21,458	19,407
Amounts due to subsidiaries					
- trade		–	–	144	17
- non- trade		–	–	1,258	446
Short-term borrowings	10	5,000	11,997	5,000	11,997
Lease liabilities		1,600	1,547	1,173	1,129
Provision for taxation		208	946	–	–
Provision for warranty	9	505	491	440	417
		69,513	75,264	38,999	47,419
Net current assets		36,758	37,516	21,722	22,729
Non-current liabilities					
Lease liabilities		4,364	4,404	3,743	4,267
Defined benefit obligation		497	582	–	–
		4,861	4,986	3,743	4,267
Net assets		45,554	46,577	33,395	34,597
Equity attributable to equity holders of the Company					
Share capital	11	29,909	29,909	29,909	29,909
Revenue reserve		16,930	17,388	3,486	4,688
Translation reserve		(1,863)	(1,463)	–	–
Other reserve		578	743	–	–
		45,554	46,577	33,395	34,597

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 6 months ended 30 June 2024

	Note	6 months ended 30 Jun 2024 (unaudited) $'000	6 months ended 30 Jun 2023 (unaudited) $'000	Increase/ (Decrease) %
Revenue	7	47,332	80,371	(41.1)
Cost of sales		(34,219)	(63,050)	45.7
Gross profit		13,113	17,321	(24.3)
Distribution and selling expenses		(7,162)	(8,814)	18.7
Administrative expenses		(5,348)	(5,882)	9.1
Other income	12	524	6,017	(91.3)
Profit from operating activities	13	1,127	8,642	(87.0)
Finance income	15	187	124	50.5
Finance expenses	16	(278)	(617)	55.0
Profit before tax		1,036	8,149	(87.3)
Tax	17	315	(1,078)	nm
Profit after tax		1,351	7,071	(80.9)
Other comprehensive loss :				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation of financial statements of foreign operations		(400)	(566)	29.3
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation		(165)	(10)	nm
Other comprehensive loss for the period / year, net of tax		(565)	(576)	1.9
Total comprehensive income for the period / year attributable to owners of the Company		786	6,495	(87.9)
Earnings per share attributable to owners of the Company (cents per share)				
Basic	18 (a)	0.37	1.95	nm
Diluted	18 (a)	0.37	1.95	nm

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2024

	Attributable to equity holders of the Company				
	Share capital $'000	**Revenue reserve** $'000	**Translation reserve** $'000	**Other reserve** $'000	**Total equity** $'000
Group					
At 1 January 2024	29,909	17,388	(1,463)	743	46,577
Profit for the period	–	1,351	–	–	1,351
Other comprehensive loss for the period	–	–	(400)	(165)	(565)
Total comprehensive income /(loss) for the period	–	1,351	(400)	(165)	786
Contributions by and distributions to owners					
Dividends (Note 19)	–	(1809)	–	–	(1809)
Total contributions by and distributions to owners	–	(1809)	–	–	(1809)
At 30 June 2024	29,909	16,930	(1,863)	578	45,554
At 1 January 2023	29,909	11,717	(1,044)	483	41,065
Profit for the period	–	7,071	–	–	7,071
Other comprehensive loss for the period	–	–	(566)	(10)	(576)
Total comprehensive income /(loss) for the period	–	7,071	(566)	(10)	6,495
Total contributions by and distributions to owners	–	7,071	(566)	(10)	6,495
At 30 June 2023	29,909	18,788	(1,610)	473	47,560

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Statements of Changes in Equity
For the 6 months ended 30 June 2024

	Attributable to equity holders of the Company		
	Share capital $'000	**Revenue reserve** $'000	**Total equity** $'000
Company			
At 1 January 2024	29,909	4,688	34,597
Profit for the period	–	607	607
Total comprehensive income for the period	–	607	607
Contributions by and distributions to owners			
Dividends (Note 19)	–	(1,809)	(1,809)
Total contributions by and distributions to owners	–	(1,809)	(1,809)
At 30 June 2024	29,909	3,486	33,395
At 1 January 2023	29,909	(12,337)	17,572
Profit for the period	–	6,118	6,118
Total comprehensive income for the period	–	6,118	6,118
Total contributions by and distributions to owners	–	6,118	6,118
At 30 June 2023	29,909	(6,219)	23,690

Nera Telecommunications Ltd and its Subsidiaries

Condensed Interim Consolidated Statement of Cash Flow
For the 6 months ended 30 June 2024

	Note	6 months ended 30 June 2024 (unaudited) $'000	2023 (unaudited) $'000
Cash flows from operating activities			
Profit before tax		1,036	8,149
Adjustments for:			
Amortisation of intangible asset	12	88	121
Depreciation of property, plant and equipment	13	465	570
Depreciation of right-of-use assets	13	852	820
Interest expense	16	278	617
Interest income	15	(187)	(124)
Foreign exchange gain, net – forward currency contracts	13	(40)	(126)
Net gain on disposal of property, plant and equipment	13	(6)	(6,301)
Net allowance for contract assets	7	–	268
Net allowance for doubtful trade debts	13	(53)	650
Net provision for warranty	9	201	190
Operating profit before working capital changes		2,634	4,834
Decrease/(increase) in:			
Stocks		770	8,333
Contract assets		4,613	(4,427)
Trade receivables		(1,550)	4,287
Other receivables, deposits and prepayments		(2,453)	1,177
Increase/(decrease) in:			
Trade payables		(7,473)	(7,323)
Other payables and accruals		(389)	(3,834)
Contract liabilities		9,703	(1,819)
Provision for warranty		(184)	(121)
Foreign exchange gain, net – forward currency contracts		(40)	(126)
Unrealised foreign exchange gain, net		(865)	(101)
Cash generated from operations		4,766	880
Income tax paid		(416)	(473)
Interest paid		(128)	(363)
Net cash flows generated from operating activities		4,222	44
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		19	6,367
Purchase of property, plant and equipment	5	(235)	(1,320)
Purchase of intangible assets		–	(22)
Interest received		169	86
Net cash flows(used in) / generated from investing activities		(47)	5,111
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(1,809)	–
Proceeds from bank loans		3,000	3,000
(Decreased)/increased in trade facilities		(2,497)	7,972
Repayment of bank loans		(7,500)	(17,000)
Repayment of lease liabilities		(1,065)	(711)
Net cash flows used in financing activities		(9,871)	(6,739)
Net decrease in cash and cash equivalents		(5,696)	(1,584)
Effect of exchange rates changes on cash and bank balances		247	(159)
Cash and cash equivalents at beginning of year		20,503	18,086
Cash and cash equivalents at end of year		15,054	16,343
Cash and cash equivalents comprise:			
Cash and bank balances		7,237	16,461
Fixed deposits		7,938	–
Deposits pledged		(121)	(118)
		15,054	16,343

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

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 PGA Partners Ltd, acting solely in its capacity as general partner of Canopus Asia Systems, L.P.. The immediate holding company is Asia Systems Ltd, a wholly-owned subsidiary of Canopus Asia Systems, L.P.. Asia Systems Ltd, PGA Partners Ltd and Canopus Asia Systems, L.P. are domiciled in Cayman Islands.

The registered office and principal place of business of the Company is 19 Tai Seng Avenue #06-01, Singapore 534054.

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.

There have been no significant changes in the nature of these activities during the current reporting period.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The condensed interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2023.

The condensed interim financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2024, where applicable. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

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

2.3 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Sale and installation of network equipment***

The Group supplies and installs network equipment. The sale of equipment and rendering of installation service are either sold separately or in a bundled contract. For bundled contract, the Group accounts for the sale of equipment and installation service separately. The transaction price is allocated to the sale of equipment and installation service based on their relative stand-alone selling prices. See Note 2.3(b) for the revenue recognition relating to the installation services. For sale of equipment, revenue is recognised upon delivery of equipment and criteria for acceptance being satisfied.

(b) ***Rendering of services***

(i) ***Professional services***

The Group is in the business of providing design and engineering, installation and service of satellite infrastructure network and info-communications network infrastructure. Revenue from providing services is recognised over time, based on cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

(ii) ***Maintenance services***

The Group provides maintenance services for network systems and solutions. Maintenance revenue is recognised over time on a straight-line basis over the specified contract period. Maintenance revenue received in advance is recognised as contract liabilities and recognised as income over the life of the maintenance contracts.

(c) ***Turnkey project***

The Group is in the business of providing full suite of turnkey network and wireless solutions. The Group recognises revenue from contracts by reference to the stage of completion of the respective contract activity (i.e., performance obligations) of its projects at the end of each reporting period. The stage of completion is measured by reference to the cost incurred to date relative to the total estimated cost to satisfy the performance obligation.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified project milestones. A contract asset is recognised when the Group has performed under the contract but has yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

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

2.3 ***Revenue (cont'd)***

(c) ***Turnkey project (cont'd)***

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognised the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relate less the costs that relate directly to providing the goods and that have not been recognised as expenses.

For the revenue streams stated above, in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that includes a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customers.

3. Significant accounting judgments and estimates

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of each reporting period. 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

4. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5. Property, plant and equipment

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with an aggregate cost of $33,000 (30 June 2023: $1,320,000).

6. Stocks

	Group		Company	
	30 Jun 2024	**31 Dec 2023**	**30 Jun 2024**	**31 Dec 2023**
	$'000	$'000	$'000	$'000
Network equipment	4,621	5,401	3,399	5,096

At 30 June 2024, stocks recognised as an expense in the consolidated statement of comprehensive income under line item "Cost of sales" for the Group amounted to $16,131,000 (30 June 2023: $34,910,000). There is no stocks write-down recognised (30 June 2023: nil).

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

7. Revenue

(a) ***Disaggregation of revenue***

Segments	WIN 6 months ended 30 Jun		NI 6 months ended 30 Jun		Total revenue 6 months ended 30 Jun	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets						
Singapore	467	612	26,548	32,241	27,015	32,853
Indonesia	1,604	1,204	3,732	20,597	5,336	21,801
Malaysia	1,536	805	7,055	11,932	8,591	12,737
Philippines	108	563	119	770	227	1,333
Thailand	622	590	536	484	1,158	1,074
EMEA countries	3,105	8,082	605	1,175	3,710	9,257
Others	1,295	1,305	–	11	1,295	1,316
	8,737	13,161	38,595	67,210	47,332	80,371
Major product or service lines						
Sale of equipment	2,312	6,448	16,602	30,549	18,914	36,997
Rendering of services	4,262	2,540	21,532	22,257	25,794	24,797
Turnkey project	2,163	4,173	461	14,404	2,624	18,577
	8,737	13,161	38,595	67,210	47,332	80,371
Timing of transfer of goods or services						
At a point in time	2,312	6,448	16,602	30,549	18,914	36,997
Over time	6,425	6,713	21,993	36,661	28,418	43,374
	8,737	13,161	38,595	67,210	47,332	80,371

(b) **Judgment and methods used in estimating revenue**

(i) Determining transaction price and amounts allocated to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services.

For the bundled contracts, the Group allocates the transaction price to sale of equipment with installation services, sale of equipment with maintenance services and turnkey project with maintenance services based on their relative stand-alone selling prices. The standalone selling prices are determined based on estimated cost plus margin.

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

7. Revenue (cont'd)

(b) **Judgment and methods used in estimating revenue**

(ii) Recognition of revenue from professional services and turnkey project over time

For rendering of professional services and turnkey projects where the Group satisfies its performance obligations over time, management has determined that cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relating to the total inputs expected to be incurred. The measurement of progress is based on the costs incurred to date as a proportion of the costs to be incurred to the satisfaction of the performance obligation.

The estimated total costs are based on contractual amounts and, in respect of amounts not contracted for, management relies on past experience and the knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends for the amount incurred in its other similar services and projects.

(iii) Estimating variable consideration for turnkey projects

In estimating the variable consideration for liquidated damages, the Group uses the most likely amount method to predict the liquidated damages. Management relies on historical experiences with similar turnkey projects, customers and geographical areas. Management has exercised significant judgment in estimating the amount of consideration to which it expects to be entitled and of which the amount is included in the contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainties are resolved.

(c) **Contract assets and contract liabilities**

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	30 Jun 2024	**31 Dec 2023**	**30 Jun 2024**	**31 Dec 2023**
	$'000	$'000	$'000	$'000
Trade receivables (Note 8)	44,951	42,979	13,564	12,408
Contract assets	17,555	22,062	6,703	9,760
Contract liabilities	34,623	25,080	21,458	19,407

During the six months ended 30 June 2024, the Group has recognised a net impairment losses written back on receivables arising from contracts with customers amounting to $53,000 (30 June 2023: net impairment losses of $650,000). The Group has recognised a net impairment loss on contract assets amounting to nil (30 June 2023: net impairment loss on contract assets of $268,000).

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

8. Trade receivables

	Group		Company	
	30 Jun 2024	**31 Dec 2023**	**30 Jun 2024**	**31 Dec 2023**
	$'000	$'000	$'000	$'000
Trade receivables	47,603	45,729	13,598	12,446
Less: Allowance for impairment of trade receivables	(2,652)	(2,750)	(34)	(38)
Total trade receivables	44,951	42,979	13,564	12,408

At 30 June 2024, retention sums relating to contracts included in trade receivables of the Group and the Company are $3,404,000 and nil (31 Dec 2023: $3,688,000 and nil) respectively.

9. Provision for warranty

A provision is recognised for expected warranty claims on goods and services sold in the past 12 months (average warranty period) based on past experience of the level of repairs and returns. The provision is classified as current liability as it is difficult to predict the timing of warranty utilisation due to the following reasons:

(a) there is unpredictability in the network system in which it is possible for a failed IT equipment to cause the whole network to not be operational;

(b) the Group continues to work on projects and install equipment for customers in environments that are considerably more challenging;

(c) the Group continues to use equipment from new vendors whose equipment may not be fully tested in different environments; and

(d) there is a mismatch of the duration of the warranty coverage.

Movements in provision for warranty during the period are as follows:

	Group 6 months ended 30 Jun		Company 6 months ended 30 Jun	
	2024	**2023**	**2024**	**2023**
	$'000	$'000	$'000	$'000
At 1 January	491	479	417	304
Provision for the year	222	210	206	185
Write-back of provision	(21)	(20)	–	–
Utilised during the year	(183)	(122)	(183)	(122)
Currency realignment	(4)	3	–	–
At 30 June	505	550	440	367

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

10. Borrowings

	The Group and the Company	
	30 Jun 2024	**31 Dec 2023**
	$'000	$'000
Amount repayable within one year or on demand		
Unsecured	5,000	9,500
Trade facilities	–	2,497
	5,000	11,997

11. Share capital

	Group and Company			
			Number of shares	
	30 Jun 2024	**31 Dec 2023**	**30 Jun 2024**	**31 Dec 2023**
	$'000	$'000	'000	'000
Issued and fully paid ordinary shares:	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.

12. Other income

	6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Amortisation of intangible asset	(88)	(121)
Realised foreign exchange loss, net	(375)	(523)
Unrealised foreign exchange gain, net	865	101
Foreign exchange gain, net – forward currency contracts	40	126
Government grants	27	27
Net gain on disposal of property, plant and equipment	6	6,301
Others	49	106
	524	6,017

13. Profit from operating activities

The following items have been included in arriving at profit from operating activities:

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Depreciation of property, plant and equipment	465	570
Depreciation of right-of-use assets	852	820
Write-back for doubtful trade receivables	(53)	(206)
Impairment loss on trade receivables	–	856

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

14. Personnel expenses and employee benefits

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Wages, salaries and bonuses	6,745	7,707
Pension contributions	1,023	962
Termination benefits	155	12
Other personnel benefits	1,230	1,313
	9,153	9,994

15. Finance income

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Interest income from:		
Bank deposits	187	111
Others	–	13
	187	124

16. Finance expenses

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Interest expense	135	488
Interest on lease liabilities	143	129
	278	617

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

17. Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Consolidated income statement:		
Current income tax:		
Current income taxation	259	1,036
(Over)/under provision in respect of previous years	(574)	27
Deferred income tax:		
Prior year	–	15
Income tax expense recognised in profit and loss	(315)	1,078

18. Earnings per share

(a) ***Continuing operations***

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 period.

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 period (adjusted for the effects of dilutive options).

The following tables reflect the income and share data used in the computation of basic and diluted earnings per share for the period ended 31 December:

	Group 6 months ended 30 Jun	
	2024	**2023**
	$'000	$'000
Net profit attributable to ordinary equity holders of the Company for basic and diluted earnings per share	1,351	7,071
Weighted average number of ordinary shares for basic and diluted earnings per share computation	361,897	361,897

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.

(b) ***Earnings per share computation***

The basic and diluted earnings per share are calculated by dividing the profit for the period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for both basic and diluted earnings per share computation. The profit and share data are presented in Note 18(a) above.

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

19. Dividends

	Group and Company	
	30 Jun 2024	**31 Dec 2023**
	$'000	$'000
Declared and paid during the financial period:		
Dividends on ordinary shares:		
- A final exempt (one-tier) dividend paid in respect of the previous financial period of 0.5 cent (2023: nil) per share	1,809	–
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares:		
- A final exempt (one-tier) dividend for the current financial year of nil (2023: 0.5 cent) per share	–	1,809

20. Net asset value

	Group		Company	
	30 Jun 2024	**31 Dec 2023**	**30 Jun 2024**	**31 Dec 2023**
	$	$	$	$
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents):	12.59	12.87	9.23	9.56

21. 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:

Wireless Infrastructure Networks ("WIN")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of transmission products and systems and wireless solutions.
Network Infrastructure ("NI")	–	Sales, marketing and distribution, design and engineering, project implementation, service and maintenance of info-communications network infrastructure, network security solutions, IP networks, optical networks and broadcast infrastructure.

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 turnover, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

21. Segment information (cont'd)

6 months ended 30 Jun 2024	**WIN**	**NI**	**Adjustments**		**Total**
	$'000	$'000	$'000		$'000
Revenue	8,737	38,595			47,332
Cost of sales	(6,596)	(27,623)			(34,219)
Gross profit	2,141	10,972			13,113
Distribution and selling expenses	(1,465)	(5,697)			(7,162)
Administrative expenses	(970)	(4,378)			(5,348)
Other expenses	259	265			524
Profit from operating activities	(35)	1,162			1,127
Finance income					187
Finance expenses					(278)
Profit before tax					1,036
Tax					315
Net profit for the period					1,351
Other information					
Segment assets	21,945	54,667	43,316	A	119,928
Segment liabilities	14,303	49,915	10,156	B	74,374
Capital expenditure	15	220			235
Depreciation and amortisation	111	1,294			1,405
Other non-cash (income)/expenses (*)	(50)	198			148

6 months ended 30 Jun 2023	**WIN**	**NI**	**Adjustments**		**Total**
	$'000	$'000	$'000		$'000
Revenue	13,161	67,210			80,371
Cost of sales	(10,232)	(52,818)			(63,050)
Gross profit	2,929	14,392			17,321
Distribution and selling expenses	(2,015)	(6,799)			(8,814)
Administrative expenses	(921)	(4,961)			(5,882)
Other income / (expenses)	(495)	6,512			6,017
Profit from operating activities	(502)	9,144			8,642
Finance income					124
Finance expenses					(617)
Profit before tax					8,149
Tax					(1,078)
Net profit for the year					7,071
Other information					
Segment assets	27,752	70,050	39,157	A	136,959
Segment liabilities	8,048	58,592	22,759	B	89,399
Capital expenditure	50	1,270			1,320
Depreciation and amortisation	131	1,380			1,511
Other non-cash (income)/expenses (*)	134	974			1,108

(*) Other non-cash (income) / expenses include net provision/(write-back) for warranty, net allowance for contract assets, and net allowance/(write-back) for doubtful trade debts.

Nera Telecommunications Ltd and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the 6 months ended 30 June 2024

21. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	30 Jun 2024 $'000	**30 Jun 2023** $'000
Deferred tax assets	4,007	457
Other receivables, deposits and prepayments	24,134	22,239
Cash and cash equivalents	7,237	16,461
Fixed deposits	7,938	–
	43,316	39,157

B The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	30 Jun 2024 $'000	**30 Jun 2023** $'000
Defined benefit obligation	497	536
Other payables and accruals	4,451	6,271
Borrowings	5,000	14,972
Provision for taxation	208	980
	10,156	22,759

Geographical segments

Revenue and non-current assets (excluding deferred tax assets) information based on the geographical location of customers and assets respectively are as follows:

	Revenue 6 months ended 30 Jun		**Non-current assets 6 months ended 30 Jun**	
	2024 $'000	**2023** $'000	**2024** $'000	**2023** $'000
Singapore	27,015	32,853	5,534	6,991
Indonesia	5,336	21,801	280	477
Malaysia	8,591	12,737	697	79
Philippines	227	1,333	2,580	3,731
Thailand	1,158	1,074	200	299
EMEA countries	3,710	9,257	359	60
Others	1,295	1,316	–	–
	47,332	80,371	9,650	11,637

Non-current assets information presented above consists of intangible assets, property, plant and equipment, right-of-use assets, long term trade and other receivables.

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Other Information Required by Listing Manual
For the 6 months ended 30 June 2024

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The Condensed Consolidated Statement of Financial Position of Nera Telecommunications Ltd and its subsidiaries as at 30 June 2024 and the related Condensed Consolidated Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the six-months period then ended and certain explanatory notes have not been audited or reviewed.

2. 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 revenue, 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.

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

a) **Revenue**

On a year-on-year ("YOY") basis, the Group's revenue for 1H 2024 decreased by 41.1% to $47.3 million from $80.4 million in 1H 2023, mainly due to lower revenue from Government, Transport and Utility ("GTU") and Service Provider ("SP"), partially offset by higher revenue from Enterprise ("ENT"). Lower order intake from the previous year and order backlog brought forward into FY2024 were the key contributing factors for the decline.

Network Infrastructure ("NI")

On a YOY basis, revenue for 1H 2024 decreased by 42.6% ($28.6 million) to $38.6 million from $67.2 million, mainly due to lower revenue contribution from Singapore, Indonesia, Malaysia, Philippines and EMEA countries.

Wireless Infrastructure Network ("WIN")

On a YOY basis, revenue for 1H 2024 decreased by 34.1% ($4.5 million) to $8.7 million from $13.2 million, mainly due to lower revenue contribution from the EMEA markets partially offset by the increase in revenue from Malaysia and Indonesia.

b) **Gross Profit**

Gross profit in 1H 2024 decreased by 24.3% ($4.2 million) to $13.1 million from $17.3 million in 1H 2023, in line with the lower revenue recognised for the period. On the other hand, the gross profit margin increased by 6.1% to 27.7% in 1H 2024 from 21.6% in 1H 2023 mainly contributed by stronger services margins and project closure adjustments.

c) **Other Income**

On a YOY basis, the Group's other income in 1H 2024 decreased by $5.5 million to $0.5 million from other income of $6.0 million in 1H 2023. The decrease was mainly due to the net gain on the sale of property at $6.2 million booked in 1H 2023. Positive forex movement recorded in 1H2024 of $0.5 million partially offset the impact.

Nera Telecommunications Ltd and its Subsidiaries

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For the 6 months ended 30 June 2024

d) Operating Expenses

On a YOY basis, total operating expenses for 1H 2024 decreased by 15.0% ($2.2 million) to $12.5 million mainly due to lower distribution and selling expenses and administrative expenses.

Distribution and selling expenses decreased by 18.7% ($1.6 million) for 1H 2024 mainly due to lower staff-related costs and no specific provision for doubtful debts.

On the other hand, administrative expenses decreased by 9.1% ($0.6 million) for 1H 2024 mainly due to lower staff-related costs and professional related expenses.

e) Finance income/(expense)

The decrease in interest expense in 1H 2024 is largely due to lower short-term borrowings. On the other hand, higher interest income in 1H 2024 is mainly contributed by higher placement of fixed deposits.

f) Profit Before Tax

The Group registered profit before tax of $1.03 million in 1H 2024, a decrease of $7.1 million as compared to the corresponding period last year. The decrease in profit before tax in 1H 2024 was mainly due to lower revenue; and the absence of net gain on the sale of property, which was recorded in 1H 2023.

g) Tax

Against the corresponding period last year, the decrease in income tax expense in 1H 2024 was mainly due to lower taxable profit and the reversal of over provision of income tax expenses from one of the foreign subsidiary.

h) Profit After Tax

Overall, the Group reported profit after tax of $1.4 million in 1H 2024, a decrease of $5.7 million as compared to 1H 2023 when profit after tax of $7.1 million was recorded.

Interim Statements of Financial Position

i) Non-current assets

The Group's non-current assets decreased by $0.3 million mainly due to the decrease in carrying amount of property, plant and equipment and intangible assets.

j) Current assets

The Group's current assets decreased by $6.5 million mainly due to the decrease in contract assets, stocks, and cash and bank balances and partially offset by the increase in trade and other receivables.

k) Current liabilities

The Group's current liabilities decreased by $5.8 million mainly due to the decrease in trade and other payables and short-term borrowings and partially offset by the increase in contract liabilities.

l) Non-current liabilities

The Group's non-current liabilities decreased marginally mainly due to payment on lease liabilities.

m) Cash flow

In 1H2024, the Group generated positive cash flows of $4.2 million from operating activities. However, this was partially offset by repayment of bank loans and trade facilities of $7.0 million, repayment of lease liabilities of $1.1 million and dividends paid to shareholders amounting to $1.8 million. As a result, the Group's cash and cash equivalents decreased by $5.7 million.

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

Not applicable.

4. 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.

In 1H 2024, the Group secured $76.8 million in order intake, an increase of 65.2% ($30.3 million) as compared to $46.5 million in 1H 2023, propelled by fresh orders secured across all three business segments – Service Provider, Enterprise and Government, Transport and Utilities.

The Group's NI business segment contributed $66.0 million, or 86.0% of the total 1H 2024 order intake, an increase of 124.5% ($36.6 million) as compared to $29.4 million recorded in 1H 2023. The Group's WIN business segment contributed the remaining $10.8 million in order intake, a decrease of 36.8% ($6.3 million) as compared to $17.1 million in 1H 2023.

The Group continues to focus its efforts on executing its corporate strategies, aimed at improving cash collection processes and shortening the Group's cash conversion cycle, while strengthening our value proposition to capture new business opportunities.

Recurring income stream is expected to be strengthened from the five-year managed services contract which includes implementing infrastructure across over 30 sites covering day-to-day management, operation and maintenance support as well as network performance monitoring services for the Group's strategic $10 million project secured in 1Q2024.

Recurring income is also expected from the Group's renewal of a $17.6 million contract for managed services with a service provider in Singapore for a further three-year term commencing in July 2024.

However, headwinds in the operating environment, such as higher interest rates, inflationary pressures, growing economic uncertainty and rising geopolitical tensions could impact the Group. The Group will continue to invest in growing its capabilities, while navigating the challenging landscape.

Nera Telecommunications Ltd and its Subsidiaries

Other Information Required by Listing Manual
For the 6 months ended 30 June 2024

5. 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.

6. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend is proposed.

7. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no IPT mandate obtained.

8. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured the revised undertakings from all directors and from executive officers in the format set out in Appendix 7.7 under Rule 720(1).

9. Disclosure of persons occupying managerial positions in the issuer or any of its principal subsidiaries who are relatives of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

The Company confirms that no person is occupying any managerial position in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

Nera Telecommunications Ltd and its Subsidiaries

Other Information Required by Listing Manual
For the 6 months ended 30 June 2024

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2024 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Basil Chan Chairman	Chong Hoi Ming Director

06 August 2024