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Full Year * Financial Statement And Dividend Announcement

* Asterisks denote mandatory information


| | |
|---|---------------------------------------|
| Name of Announcer * | NERATELECOMMUNICATIONS LTD |
| Company Registration No. | 197802690R |
| Announcement submitted on behalf of | NERATELECOMMUNICATIONS LTD |
| Announcement is submitted with respect to * | NERATELECOMMUNICATIONS LTD |
| Announcement is submitted by * | Tan Cher Liang and Julie Koh Ngin Joo |
| Designation * | Company Secretaries |
| Date & Time of Broadcast | 13-Feb-2007 18:33:27 |
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>> Announcement Details

The details of the announcement start here ...

| | |
|----------------------------------|------------|
| For the Financial Period Ended * | 31-12-2006 |
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NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Note | Group | | |
|--|------|-----------------|-------------------------------|------------------------------|
| | | 2006 S\$'000 | (Restated) 2005 S\$'000 | Increase/ (Decrease) % |
| <u>Continuing operations</u> | | | | |
| Turnover | | 140,343 | 166,291 | (15.6) |
| Cost of sales | | (109,965) | (133,657) | (17.7) |
| Gross profit | | 30,378 | 32,634 | (6.9) |
| Other operating income | | 723 | 590 | 22.5 |
| Distribution and selling expenses | | (13,987) | (14,064) | (0.5) |
| Administrative expenses | | (5,748) | (5,633) | 2.0 |
| Other operating expenses | | (1,030) | (393) | 162.1 |
| Profit from operations | | 10,336 | 13,134 | (21.3) |
| Financial expenses | | (173) | (286) | (39.5) |
| Financial income | | 2,052 | 1,204 | 70.4 |
| Exceptional item | (1) | 28,777 | - | N.M. |
| Profit after financial items | | 40,992 | 14,052 | 191.7 |
| Share of results of associated company | | (166) | (1,498) | (88.9) |
| Profit before taxation | | 40,826 | 12,554 | 225.2 |
| Taxation | | (3,059) | (3,247) | (5.8) |
| Profit for the year from continuing operations | | 37,767 | 9,307 | 305.8 |
| <u>Discontinued operation</u> | | | | |
| Profit for the year from a discontinued operation | (2) | 5,420 | 9,016 | (39.9) |
| Profit for the year | | 43,187 | 18,323 | 135.7 |
| Attributable to: | | | | |
| Equity holders of the Company | | 41,467 | 15,463 | 168.2 |
| Minority interests | | 1,720 | 2,860 | (39.9) |
| | | 43,187 | 18,323 | 135.7 |

| | Group | | |
|--|---------|--------------------|-------------------------|
| | 2006 | (Restated) 2005 | Increase/ (Decrease) |
| | S\$'000 | S\$'000 | % |
| <u>Continuing operations</u> | | | |
| Profit for the year is arrived at after crediting/ (charging) the following : | | | |
| Adjustments for over / (under) provision of tax in respect of prior years | 10 | (51) | N.M. |
| Depreciation | (1,426) | (1,783) | (20.0) |
| Gain / (loss) on disposal of fixed assets | 16 | (47) | N.M. |
| Interest income | 2,052 | 1,204 | 70.4 |
| Foreign exchange (loss) / gain | (79) | 232 | N.M. |
| Provision for doubtful debts | (40) | (240) | (83.3) |
| Provision for stock obsolescence | (299) | (597) | (49.9) |
| Provision for warranty | (1,425) | (1,694) | (15.9) |
| Gross profit as a percentage of turnover | 21.6% | 19.6% | 10.2 |
| Profit for the year as a percentage of turnover | 26.9% | 5.6% | 380.4 |
| <u>Discontinued operation (up to date of disposal)</u> | | | |
| Profit for the year is arrived at after crediting/ (charging) the following : | | | |
| Adjustments for over / (under) provision of tax in respect of prior years | - | 1,197 | (100.0) |
| Depreciation | (1,165) | (1,483) | (21.4) |
| Interest income | 340 | 374 | (9.1) |
| Foreign exchange gain / (loss) | 352 | (318) | N.M. |
| (Provision) / Writeback for doubtful debts | (548) | 93 | N.M. |
| Provision for stock obsolescence | (1,118) | (1,561) | (28.4) |
| Provision for warranty | (532) | (1,302) | (59.1) |
| Gross profit as a percentage of turnover | 17.8% | 18.8% | (5.3) |
| Profit for the year as a percentage of turnover | 7.7% | 9.6% | (19.8) |
| <u>Other information</u> | | | |
| Profit for the year attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of year | 62.0% | 16.1% | 285.1 |

N.M. Not meaningful

Note :

(1) Exceptional item

The exceptional item relates to the gain on disposal of a subsidiary company.

(2) Discontinued operation

On 14 September 2006, the Company completed the disposal of its 68.27% interest in a subsidiary company, Nera Electronics Ltd. The financial results of the discontinued operation up to date of disposal are as follows :

| | Group | | |
|---|-----------------|-------------------------------|------------------------------|
| | 2006 S\$'000 | (Restated) 2005 S\$'000 | Increase/ (Decrease) % |
| <u>Discontinued operation</u> | | | |
| Turnover | 70,696 | 94,310 | (25.0) |
| Cost of sales | (58,083) | (76,586) | (24.2) |
| Gross profit | 12,613 | 17,724 | (28.8) |
| Other operating income | 521 | 130 | 300.8 |
| Distribution and selling expenses | (4,143) | (4,190) | (1.1) |
| Administrative expenses | (2,229) | (3,533) | (36.9) |
| Other operating expenses | (141) | (563) | (75.0) |
| Profit from operations | 6,621 | 9,568 | (30.8) |
| Financial expenses | (55) | (88) | (37.5) |
| Financial income | 340 | 374 | (9.1) |
| Profit before taxation | 6,906 | 9,854 | (29.9) |
| Taxation | (1,486) | (838) | 77.3 |
| Profit for the period / year from discontinued operation | 5,420 | 9,016 | (39.9) |

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| Balance Sheet as at | | Group | | Company | |
|---|-----|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31/12/2006 S\$'000 | 31/12/2005 S\$'000 | 31/12/2006 S\$'000 | 31/12/2005 S\$'000 |
| Equity | | | | | |
| Share capital | (1) | 29,906 | 18,094 | 29,906 | 18,094 |
| Share premium | (1) | - | 11,812 | - | 11,812 |
| Capital reserve | | - | 4,951 | - | - |
| Share option reserve | | 1 | 2 | 1 | 2 |
| Revenue reserve | | 38,645 | 62,317 | 33,494 | 34,536 |
| Translation reserve | | (1,664) | (1,206) | - | - |
| | | 66,888 | 95,970 | 63,401 | 64,444 |
| Minority interest | (2) | - | 15,304 | - | - |
| | | 66,888 | 111,274 | 63,401 | 64,444 |
| Non current assets | | | | | |
| Fixed assets | (2) | 6,379 | 10,703 | 4,309 | 3,809 |
| Investment in subsidiaries | (2) | - | - | 4,316 | 9,580 |
| Investment in associated company | | 1,094 | 1,274 | 199 | 199 |
| Deferred tax assets | (2) | 875 | 2,612 | 175 | 682 |
| | | 8,348 | 14,589 | 8,999 | 14,270 |
| Current assets | | | | | |
| Stocks | (2) | 5,642 | 35,990 | 4,320 | 7,851 |
| Contracts-works-in-progress | | 18,627 | 11,444 | 16,794 | 11,444 |
| Trade debtors | (2) | 29,957 | 35,131 | 24,812 | 16,725 |
| Other debtors, deposits and prepayments | (2) | 1,863 | 3,663 | 569 | 373 |
| Due from associated company (trade) | | 7,231 | 11,066 | 6,303 | 10,861 |
| Due from associated company (non-trade) | | 1,263 | 1,263 | 1,263 | 1,263 |
| Due from related companies (trade) | (2) | 156 | 6,948 | 56 | 1,987 |
| Due from subsidiaries (trade) | | - | - | 4,497 | 3,474 |
| Due from subsidiaries (non-trade) | | - | - | - | 1,028 |
| Fixed deposits | | 12,896 | 18,026 | 12,896 | 18,026 |
| Cash and bank balances | | 12,935 | 37,063 | 10,088 | 9,819 |
| Total current assets | | 90,570 | 160,594 | 81,598 | 82,851 |
| Current liabilities | | | | | |
| Trade creditors | (2) | 16,393 | 30,445 | 14,716 | 12,608 |
| Other creditors and accruals | (2) | 9,706 | 17,080 | 7,662 | 6,181 |
| Provision for warranty | (2) | 3,044 | 4,249 | 1,403 | 1,682 |
| Due to subsidiaries (trade) | | - | - | 384 | 2,620 |
| Due to associated company (trade) | | 18 | 18 | - | - |
| Due to related companies (trade) | (2) | 374 | 6,136 | 327 | 6,069 |
| Provision for taxation | (2) | 2,495 | 5,981 | 2,704 | 3,517 |
| Total current liabilities | | 32,030 | 63,909 | 27,196 | 32,677 |
| Net current assets | | 58,540 | 96,685 | 54,402 | 50,174 |
| | | 66,888 | 111,274 | 63,401 | 64,444 |

Note :

- (1) As a result of the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current year.
- (2) Significant reductions in these balances as at 31 December were mainly due to the disposal of the Company's and Group's interest in a subsidiary company.

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

Amount repayable in one year or less, or on demand

| As at 31/12/2006 | | As at 31/12/2005 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| - | - | - | - |

Amount repayable after one year

| As at 31/12/2006 | | As at 31/12/2005 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| - | - | - | - |

Details of any collateral

Not applicable

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

| | Group | |
|--|--------------------------|----------------|
| | Year ended 31 Dec | |
| | 2006 | 2005 |
| | S\$'000 | S\$'000 |
| Cash flows from operating activities | | |
| Profit from continuing operations before taxation | 40,826 | 12,554 |
| Profit from discontinued operation before taxation | 6,906 | 9,854 |
| | <u>47,732</u> | <u>22,408</u> |
| Adjustments for : | | |
| Depreciation of fixed assets | 2,591 | 3,266 |
| (Gain) / loss from disposal of fixed assets | (16) | 47 |
| Gain from disposal of a subsidiary company, net | (28,777) | - |
| Share-based payment expense | (1) | 37 |
| Provision for stock obsolescence | 1,417 | 2,158 |
| Provision for doubtful debts | 588 | 147 |
| Provision for warranty | 1,957 | 2,996 |
| Interest expense | - | 14 |
| Interest income | (2,392) | (1,578) |
| Share of results of associated company | 166 | 1,498 |
| | <u>23,265</u> | <u>30,993</u> |
| Operating profit before working capital changes | | |
| Decrease / (increase) in : | | |
| Trade debtors | (15,371) | 3,400 |
| Other debtors, deposits and prepayments | (2,484) | 1,702 |
| Stocks | (6,789) | (5,921) |
| Contracts-work-in-progress | (7,183) | (813) |
| Changes in related parties/associate balances | (703) | (3,255) |
| Increase/(decrease) in : | | |
| Trade creditors | 12,360 | 1,648 |
| Other creditors and accruals | 1,723 | (498) |
| Provision for warranty | (1,287) | (2,492) |
| | <u>3,531</u> | <u>24,764</u> |
| Cash generated from operations | | |
| Income taxes paid | (4,385) | (4,589) |
| Interest paid | - | (14) |
| Net cash flows (used in)/generated from operating activities | <u>(854)</u> | <u>20,161</u> |
| Cash flows from Investing activities | | |
| Proceeds from disposal of fixed assets | 19 | 59 |
| Purchase of fixed assets | (3,929) | (3,994) |
| Interest received | 2,392 | 1,578 |
| Disposal of a subsidiary, net of cash disposed | (1) 39,508 | - |
| Net cash flows generated from/(used in) investing activities | <u>37,990</u> | <u>(2,357)</u> |
| Cash flows from financing activities | | |
| Repayment of lease obligations | - | (56) |
| Dividend paid to shareholders | (65,139) | (8,323) |
| Dividend paid to minority shareholders | (838) | (838) |
| Proceeds from issue of ordinary shares on exercise of employees' share options | - | 414 |
| Net cash flows used in financing activities | <u>(65,977)</u> | <u>(8,803)</u> |
| Net increase in cash and bank balances | (28,841) | 9,001 |
| Effect of exchange rate changes | (417) | 162 |
| Cash and bank balances at beginning of the year | 55,089 | 45,926 |
| Cash and bank balances at end of the year | <u>25,831</u> | <u>55,089</u> |

Note :

(1) The carrying value of assets and liabilities disposed were as follows :

| | <u>\$'000</u> |
|--|---------------|
| Fixed assets | 5,640 |
| Deferred tax assets | 1,295 |
| Trade and other receivables | 28,893 |
| Stocks | 35,720 |
| Cash and bank balances | 18,847 |
| Trade and other payables | (37,598) |
| Provision for taxation | (2,082) |
| | <u>50,715</u> |
| Minority interest | (16,186) |
| Attributable net assets disposed | <u>34,529</u> |
| Capital reserve released upon disposal of interest in subsidiary | (4,951) |
| Gain on disposal of subsidiary company | <u>28,777</u> |
| Net cash consideration received | 58,355 |
| Cash and bank balances of the subsidiary | (18,847) |
| Net cash inflow on disposal of a subsidiary | <u>39,508</u> |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| For the year ended 31 Dec | Attributable to equity holders of the Company | | | | | | Total | Minority Interests | Total Equity |
|--|---|---------------|-----------------|-----------------|----------------------|---------------------|---------------|--------------------|----------------|
| | Share Capital | Share Premium | Revenue Reserve | Capital Reserve | Share Option Reserve | Translation Reserve | | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| The Group | | | | | | | | | |
| Balance as at 1.1.2006 | 18,094 | 11,812 | 62,317 | 4,951 | 2 | (1,206) | 95,970 | 15,304 | 111,274 |
| Transfer of share premium reserve to share capital account | 11,812 | (11,812) | - | - | - | - | - | - | - |
| Foreign currency translation difference | - | - | - | - | - | (458) | (458) | - | (458) |
| Share option | - | - | - | - | (1) | - | (1) | - | (1) |
| Net profit for the year | - | - | 41,467 | - | - | - | 41,467 | 1,720 | 43,187 |
| Dividends paid | - | - | (65,139) | - | - | - | (65,139) | (838) | (65,977) |
| Disposal of a subsidiary company | - | - | - | (4,951) | - | - | (4,951) | (16,186) | (21,137) |
| Balance as at 31.12.2006 | 29,906 | - | 38,645 | - | 1 | (1,664) | 66,888 | - | 66,888 |
| Balance as at 1.1.2005 | 18,000 | 11,383 | 55,177 | 4,951 | 74 | (1,428) | 88,157 | 13,282 | 101,439 |
| Foreign currency translation difference | - | - | - | - | - | 222 | 222 | - | 222 |
| Share option | 94 | 429 | - | - | (72) | - | 451 | - | 451 |
| Net profit for the year | - | - | 15,463 | - | - | - | 15,463 | 2,860 | 18,323 |
| Dividends paid | - | - | (8,323) | - | - | - | (8,323) | (838) | (9,161) |
| Balance as at 31.12.2005 | 18,094 | 11,812 | 62,317 | 4,951 | 2 | (1,206) | 95,970 | 15,304 | 111,274 |
| The Company | | | | | | | | | |
| Balance as at 1.1.2006 | 18,094 | 11,812 | 34,536 | - | 2 | - | 64,444 | - | 64,444 |
| Transfer of share premium reserve to share capital account | 11,812 | (11,812) | - | - | - | - | - | - | - |
| Share option | - | - | - | - | (1) | - | (1) | - | (1) |
| Net profit for the year | - | - | 64,097 | - | - | - | 64,097 | - | 64,097 |
| Dividends paid | - | - | (65,139) | - | - | - | (65,139) | - | (65,139) |
| Balance as at 31.12.2006 | 29,906 | - | 33,494 | - | 1 | - | 63,401 | - | 63,401 |
| Balance as at 1.1.2005 | 18,000 | 11,383 | 30,414 | - | 74 | - | 59,871 | - | 59,871 |
| Share option | 94 | 429 | - | - | (72) | - | 451 | - | 451 |
| Net profit for the year | - | - | 12,445 | - | - | - | 12,445 | - | 12,445 |
| Dividends paid | - | - | (8,323) | - | - | - | (8,323) | - | (8,323) |
| Balance as at 31.12.2005 | 18,094 | 11,812 | 34,536 | - | 2 | - | 64,444 | - | 64,444 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There has been no change in the Company's share capital since 30 September 2006. As at 31 December 2006, there were 1,570,000 (1,547,000 @ S\$0.625 and 23,000 @ S\$0.22) unexercised share options granted (31 December 2005 : 2,042,000).

2. **Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard]**

The figures have not been audited or reviewed by the auditors.

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

Not applicable

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements except for the change in useful life for equipment held for leasing from 3 years to 5 years after a review of the useful life. The change is effective from 1 January 2006 and it resulted in a reduction in depreciation of \$482,000 for the year.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Please refer to Section 4 above.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| | Group | |
|--|-------------------------------|-------------|
| | Year ended 31 December | |
| | 2006 | 2005 |
| Earnings per Ordinary Share for the year based on net profit attributable to shareholders: | (cents) | (cents) |
| (i) basic - continuing operations | 10.44 | 2.58 |
| (ii) basic - discontinued operation | 1.02 | 1.70 |
| (iii) fully diluted - continuing operations | 10.44 | 2.58 |
| (iv) fully diluted - discontinued operation | 1.02 | 1.70 |

Basic earnings per ordinary share for the financial year ended 31 December 2006 was calculated based on the weighted average number of shares in issue of 361,883,000 {2005: 361,315,521} ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 December 2006 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,892,022 ordinary shares {2005 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,327,021 ordinary shares}.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | (cents) | (cents) | (cents) | (cents) |
| Net Asset Value per ordinary share based on issued share capital | 18.48 | 26.52 | 17.52 | 17.81 |

Net asset value per ordinary share as at 31 December 2006 and 31 December 2005 was calculated based on the number of shares in issue of 361,883,000 ordinary shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(i) Review of financial performance of continuing operations

(a) Turnover

Compared to FY2005, turnover decreased 15.6%, from S\$166.3 million to S\$140.3 million, due mainly to lower turnover from the Telecom business segment, partially offset by higher turnover from the Infocomm business segment.

Telecommunications (Telecom)

Turnover decreased by 27.1%, from S\$116.9 million to S\$85.2 million mainly due to lower sales of microwave radio equipment to certain customers and delays in projects and equipment deliveries from our supplier. Satellite sales were lower than 2005 due mainly to absence of sale of satellite terminals to a customer in Taiwan and Inmarsat Gateway to India.

Infocomm

Turnover increased by 11.6% from S\$49.4 million to S\$55.1 million. There were higher sales in fixed network infrastructure solutions to Telco customers but offset by lower sales in point-of-sale ("POS") terminals in Malaysia and DTT ("Digital Terrestrial TV") infrastructure equipment in Singapore.

(b) Gross Profit

Compared to FY2005, the Group's gross profit decreased by 6.9%, from S\$32.6 million to S\$30.4 million resulting mainly from the lower turnover. However, the gross margin % ("GM%") improved from 19.6% to 21.6% mainly due to higher GM% from Telecom business segment as a result of product / services sales mix and lower stock and warranty provisions.

(c) Operating Expenses

Compared to FY2005, the Group's total operating expenses increased by 3.4% (S\$0.7million) from S\$20.1 million to S\$20.8 million. Distribution and sales expenses remained fairly stable while the administrative expenses increased slightly by 2% (S\$0.1 million). Other operating expenses increased by S\$0.6 million mainly due to higher expenses in research and development and exchange loss in FY2006 compared to exchange gain in FY2005.

(d) Profit Before Taxation (PBT)

Compared to FY2005, PBT increased significantly by 225.2% mainly due to the exceptional gain of S\$28.8m. Excluding the exceptional gain, PBT reduced slightly by 4% from S\$12.5 million to S\$12.0 million resulting from the lower turnover in the Telecom business segment, partially offset by lower loss in the associated company. PBT% (excluding exceptional gain) improved from 7.5% to 8.6%, mainly due to higher GM% from the Telecom business segment, higher financial income and lower loss in the associated company.

(e) Cash flow

The significant decrease in cash and bank balances was mainly due to special dividends of 15 cents per share paid out in Q4 2006 from the proceeds from the disposal of the subsidiary, Nera Electronics Ltd.

(ii) Review of financial performance of discontinued operation (Contract Manufacturing)

The results of the discontinued operation was recognised up to August 2006. Accordingly, the turnover and profit recognised for FY2006 were lower than FY2005 mainly due to the four-month difference in the results recognition.

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

N.A.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Telecommunications (Telecom)

The Telecommunication Transmission business area remains active and demand for wireless transmission infrastructure equipment are driven by mobile operators' continued investments into increasing their coverage, capacity and capabilities such as high speed broadband and video services into their mobile infrastructure. There are also a number of new and existing operators rolling out 3G mobile networks.

With the introduction of Evolution, Nera's new SDH access radio products, the Group will have a complete range of SDH trunk and access radios, and low capacity Compact IV PDH radios for the mobile markets as well as in the non-Telcos markets such as Defence, Broadcasting and Enterprises.

The Group has benefited from these positive development and has recently announced approximately S\$44 million in orders for SDH and PDH radio transmission equipment to customers in Asia.

In the Satellite business area, the Group previously had a mutually exclusive Representation Agreement with Nera Satcom AS Norway for their various products, but in 4Q06 Nera Satcom AS was acquired by Thrane & Thrane Denmark. The Group has reached an in-principle agreement with Thrane & Thrane Denmark to continue to distribute their land and marine mobile satellite terminals on a non-exclusive basis.

The Group intend to continue to promote the complete range of mobile satellite terminals to customers in Asia in particular the Inmarsat BGAN land terminals to selected markets sectors.

On the satellite systems business, we will continue to address the enhancements, upgrading and maintenance opportunities of current Inmarsat gateway customers as well as seeking new opportunities in the VSAT and satellite broadband to the satellite operator, government, defence and the broadcasting sectors.

Although there are numerous opportunities in the telecommunication industry, the market remains highly competitive and there are still on-going consolidation, creating fewer but larger companies. Customers are also constantly demanding for higher performance, lower price and shorter delivery time. Competition is expected to continue to be intense as many operators are aggressively targeting at increasing their market share.

Infocomm (IC)

Growth from the Infocomm industry is largely driven by the increase in various internet services such as VoIP, video, gaming, entertainment, etc. and consumer demand for higher speed and capacity, and secured connections. Operators, service providers, enterprises, government, etc. are investing in higher performances broadband, multi-service and secured infrastructure networks to improve efficiencies and competitiveness.

The Group with its competence in fixed networks, payment solutions, broadcasting and wireless access has reorganised its resources to focus on five (5) key market segments, namely Service Providers, Enterprises, Financial Institutions and Retail, Media & Broadcasting, and Government, Transportation and Utilities.

In the Service Provider market segment, Telcos and ISP demand for carrier class core networking equipment is driven by the growth in broadband and data related services. The convergence of mobile and fixed networks, multi-service IP networks as well as high speed wireless broadband access mesh wifi and wimax networks will also offer numerous business opportunities. The Group has managed to secure repeat orders for IP network infrastructure equipment from Telco customers and believe these customers will continue to invest in their networks.

In the Enterprise market segment, the Group is focusing mainly on delivering web security gateway, security solutions and Internet appliances to various SME's.

In the Financial & Retail market segment, the Group will focus on providing different types of payment terminals eg. contactless, wireless, IP, bio-metrics, etc. over a single acceptance platform. The Group has continued to secure direct purchase orders, rental, leasing and maintenance from various banks and financial institutions for EMV-compliant point-of-sale ("POS") terminals and more banks and financial institutions are expected to gradually migrate to EMV POS terminals. The Group has recently managed to secure sales and maintenance business to new customers in Thailand, Indonesia and Taiwan.

In the Media & Broadcasting market segment, the Group believes that Broadcasters will gradually migrate their analogue TV systems to digital systems. The Group is focusing on promoting its turnkey Digital Terrestrial TV (DVB T/H/M) infrastructure networks capabilities to potential Broadcasters.

In the Government, Transport and Utilities market segment, the Group intends to offer integrated infocomm infrastructure products and solutions to the defence, education, healthcare, utilities and transportation industries.

Competition in the Infocomm industry is keen and the market is dominated by major industry players in their respective fields. The Group intends to position itself as a regional Infocommunications infrastructure provider by strengthening its product portfolio management and concentrate on developing key competence to serve the various customer segments.

Merger of Eltek ASA and Nera ASA Norway

The merger of the two companies was completed in Q4 2006 and Eltek ASA is now the new parent company of the Company.

11. Dividend

(a) Current Financial Period Reported On

The Directors are pleased to recommend a final dividend as follow :

| | |
|--------------------------------------|------------------|
| Name of Dividend | Final (one-tier) |
| Dividend Type | Cash |
| Dividend Amount per Share (in cents) | 3 cents |
| Tax Rate | Tax exempt |

(b) Corresponding Period of the Immediately Preceding Financial Year

Dividend declared for the corresponding period of the immediately preceding financial year were as follow :

| | | |
|--------------------------------------|-------------|------------------|
| Name of Dividend | Final | Final (one-tier) |
| Dividend Type | Cash | Cash |
| Dividend Amount per Share (in cents) | 1.225 cents | 2.02 cents |
| Dividend Rate (in %) | 24.5% | 40.4% |
| Par value of shares | \$0.05 | \$0.05 |
| Tax Rate | 20% | Tax exempt |

(c) Date payable

18 May 2007

(d) Books closure date

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on 9 May 2007 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 8 May 2007 will be registered to determine shareholders' entitlements to the said dividend.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

| | Continuing Operations | | | Total | Discontinued | Total |
|---------------------------------------|-----------------------|---------------|----------------|----------------|-----------------------------------|------------------|
| | Telecom | Infocomm | Elimination | | Operation | Operations |
| FY 2006 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | Contract Manufacturing S\$'000 | Total S\$'000 |
| Revenue | 85,238 | 55,105 | - | 140,343 | 70,696 | 211,039 |
| Inter-company sales | 4,286 | 2,645 | (6,931) | - | - | - |
| Total revenue | 89,524 | 57,750 | (6,931) | 140,343 | 70,696 | 211,039 |
| Cost of sales | (73,704) | (43,192) | 6,931 | (109,965) | (58,083) | (168,048) |
| Gross Profit | 15,820 | 14,558 | - | 30,378 | 12,613 | 42,991 |
| Other operating income | 682 | 41 | - | 723 | 521 | 1,244 |
| Distribution and selling expenses | (5,467) | (8,520) | - | (13,987) | (4,143) | (18,130) |
| Administrative expenses | (3,458) | (2,290) | - | (5,748) | (2,229) | (7,977) |
| Other operating expenses | (1,323) | 293 | - | (1,030) | (141) | (1,171) |
| Profits from operations | 6,254 | 4,082 | - | 10,336 | 6,621 | 16,957 |
| Interest income | | | | 2,052 | 340 | 2,392 |
| Financial expenses | | | | (173) | (55) | (228) |
| Exceptional item | | | | 28,777 | - | 28,777 |
| Profit after financial items | | | | 40,992 | 6,906 | 47,898 |
| Share of result of associated company | | | | (166) | - | (166) |
| Profit before taxation | | | | 40,826 | 6,906 | 47,732 |
| Taxation | | | | (3,059) | (1,486) | (4,545) |
| Profit after taxation | | | | 37,767 | 5,420 | 43,187 |
| Other Information | | | | | | |
| Segment assets | 47,444 | 21,811 | | 69,255 | - | 69,255 |
| Investment in associated company | | | | | | 1,094 |
| Unallocated assets | | | | | | 28,569 |
| Total assets | | | | | | 98,918 |
| Segment liabilities | 13,202 | 6,627 | | 19,829 | - | 19,829 |
| Tax Liabilities | | | | | | 2,495 |
| Unallocated liabilities | | | | | | 9,706 |
| Total liabilities | | | | | | 32,030 |
| Capital expenditure | 390 | 2,645 | | 3,035 | 894 | 3,929 |
| Depreciation | 434 | 992 | | 1,426 | 1,165 | 2,591 |

| FY 2005 | Continuing Operations | | | | Discontinued Operation | Total Operations |
|---------------------------------------|-----------------------|---------------|----------------|----------------|---------------------------|---------------------|
| | Telecom | Infocomm | Elimination | Total | Contract Manufacturing | Total |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Revenue | 116,932 | 49,359 | - | 166,291 | 94,310 | 260,601 |
| Inter-company sales | 8,119 | 1,640 | (9,759) | - | - | - |
| Total revenue | 125,051 | 50,999 | (9,759) | 166,291 | 94,310 | 260,601 |
| Cost of sales | (107,030) | (36,386) | 9,759 | (133,657) | (76,586) | (210,243) |
| Gross Profit | 18,021 | 14,613 | - | 32,634 | 17,724 | 50,358 |
| Other operating income | 308 | 282 | - | 590 | 130 | 720 |
| Distribution and selling expenses | (6,109) | (7,955) | - | (14,064) | (4,190) | (18,254) |
| Administrative expenses | (3,805) | (1,828) | - | (5,633) | (3,533) | (9,166) |
| Other operating expenses | (574) | 181 | - | (393) | (563) | (956) |
| Profits from operations | 7,841 | 5,293 | - | 13,134 | 9,568 | 22,702 |
| Interest expense | | | | (6) | (8) | (14) |
| Interest income | | | | 1,204 | 374 | 1,578 |
| Financial expenses | | | | (280) | (80) | (360) |
| Profit after financial items | | | | 14,052 | 9,854 | 23,906 |
| Share of result of associated company | | | | (1,498) | - | (1,498) |
| Profit before taxation | | | | 12,554 | 9,854 | 22,408 |
| Taxation | | | | (3,247) | (838) | (4,085) |
| Profit after taxation | | | | 9,307 | 9,016 | 18,323 |
| Other Information | | | | | | |
| Segment assets | 45,610 | 16,236 | | 61,846 | 45,422 | 107,268 |
| Investment in associated company | | | | | | 1,274 |
| Unallocated assets | | | | | | 66,641 |
| Total assets | | | | | | 175,183 |
| Segment liabilities | 17,679 | 4,945 | | 22,624 | 1,499 | 24,123 |
| Tax Liabilities | | | | | | 5,981 |
| Unallocated liabilities | | | | | | 33,805 |
| Total liabilities | | | | | | 63,909 |
| Capital expenditure | 216 | 678 | | 894 | 3,100 | 3,994 |
| Depreciation | 494 | 1,290 | | 1,784 | 1,482 | 3,266 |

Geographical Segment

Turnover is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

| | Singapore | | Other Asian | | Others | | Eliminations | | Total | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2006 S\$'000 | 2005 S\$'000 | 2006 S\$'000 | 2005 S\$'000 | 2006 S\$'000 | 2005 S\$'000 | 2006 S\$'000 | 2005 S\$'000 | 2006 S\$'000 | 2005 S\$'000 |
| Revenue | 58,822 | 60,322 | 83,027 | 107,577 | 69,190 | 92,702 | - | - | 211,039 | 260,601 |
| Inter-company sales | 1,173 | 157 | 5,758 | 9,602 | - | - | (6,931) | (9,759) | - | - |
| | 59,995 | 60,479 | 88,785 | 117,179 | 69,190 | 92,702 | (6,931) | (9,759) | 211,039 | 260,601 |
| Less: Revenue attributable to discontinued operation | (16,682) | (22,206) | (68) | (612) | (53,946) | (71,492) | - | - | (70,696) | (94,310) |
| Revenue from continuing operations | 43,313 | 38,273 | 88,717 | 116,567 | 15,244 | 21,210 | (6,931) | (9,759) | 140,343 | 166,291 |
| Assets | 81,585 | 159,016 | 17,333 | 16,167 | - | - | - | - | 98,918 | 175,183 |
| Capital expenditure | 2,334 | 3,756 | 1,595 | 238 | - | - | - | - | 3,929 | 3,994 |

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to item 8

15. A breakdown of sales

| | 2006 S\$'000 | 2005 S\$'000 | Increase / (Decrease) |
|--|-----------------|-----------------|--------------------------|
| (a) Sales reported for the first half year | | | |
| - Continuing operations | 73,929 | 84,466 | (12.5%) |
| - Discontinued operation | 52,517 | 48,118 | 9.1% |
| (b) Profit after tax before deducting minority interest for first half year | | | |
| - Continuing operations | 4,476 | 4,653 | (3.8%) |
| - Discontinued operation | 4,147 | 3,827 | 8.4% |
| (c) Sales reported for the second half year | | | |
| - Continuing operations | 66,414 | 81,825 | (18.8%) |
| - Discontinued operation | 18,179 | 46,192 | (60.6%) |
| (d) Profit after tax before deducting minority interest for second half year | | | |
| - Continuing operations | 33,291 | 4,654 | 615.3% |
| - Discontinued operation | 1,273 | 5,189 | (75.5%) |

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

| | Latest Full Year (S\$'000) | Previous Full Year (S\$'000) |
|------------|----------------------------|------------------------------|
| Ordinary | 65,139 | 8,323 |
| Preference | - | - |
| Total | 65,139 | 8,323 |

The above included an interim special dividend of 15 cents per ordinary share paid in 2006.

17. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the year ended 31 December 2006.

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the details of the aggregate value of interested person transactions conducted pursuant to a shareholders' general mandate are as follows:

| Name of Interested Person | Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|---------------------------------|--|
| | S\$'000 |
| Sales | |
| Nera Networks AS | 19,507 |
| Nera Networks, Inc. | 8,520 |
| Nera Satcom AS | 2,665 |
| Nera Broadband Satellite | 517 |
| Purchases | |
| Nera Networks AS | 21,310 |
| Nera Satcom AS | 9,496 |
| Nera Broadband Satellite | 420 |
| Other Operating Revenues | |
| Nera Networks AS | 569 |

Nera Satcom AS is no longer part of the Nera ASA group with effect from October 2006. Accordingly, disclosure of transactions with Nera Satcom AS is up to September 2006.

BY ORDER OF THE BOARD

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries

13 February 2007