

# ACCESS WITHOUT BOUNDARIES

**Nera Telecommunications Ltd** annual report 2003



**NERA**

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# ACCESS WITHOUT BOUNDARIES

Every day, every minute, across the globe the flow of communication brings people together in a swirling midst of a changing world. In this era, there are no boundaries of time and space and no limitations to one's ability to communicate seamlessly.

Where certain parts of the world do not have fixed lines or basic communications, we have the capability to apply our wireless technology to enable people to be in touch.

Our info-communication infrastructure networks thus provide the means to a borderless world of communications.

# CHAIRMAN'S STATEMENT

02

FY2003 was a difficult year in which many unfavourable events occurred. The SARS epidemics almost brought the Asian economic activities to a standstill for several months. Despite the difficult economic condition, the Group's turnover increased by about 1% from S\$166.6 million in FY2002 to S\$167.6 million. Profit before tax declined by 30.8% from S\$26.8 million in FY2002 to S\$18.5 million. Profit after tax declined by 34.9% from S\$22.2 million in FY2002 to S\$14.4 million. The difference was attributable mainly to the one-off gain of S\$15.3 million from the divestment of 31.8% interests in Nera Electronics recorded in FY2002, the write down of approximately S\$5.7 million in TV Mobile recorded in FY2002 and a one-time expense of approximately S\$1.3 million for the investment in Compact IV products recorded in FY2003. During the year, the Group registered a gain of S\$1.5 million from the disposal of its entire 20% shareholding in TV Mobile. The Group had ended the year with positive fixed deposit and bank balance of S\$65.7 million compared to S\$48.1 million in FY2002, representing an increase of 36.6%.

Earnings per share on a fully diluted basis were recorded at 3.65 cents compared to 5.90 cents in FY2002. Net asset value per ordinary share based on the issued capital of 360,000,000 ordinary shares of S\$0.05 each is 22.89 cents compared to 19.83 cents in FY2002, representing an increase of 15.4%.

The Board is pleased to recommend a final dividend of 17.5% and a special dividend of 40% or 0.875 cents and 2 cents per ordinary share less 20% tax respectively (FY2002: a special dividend of 80% and a final dividend of 15% or 4 cents and 0.75 cents respectively). The proposed dividends, if approved at the Annual General Meeting on 20 April 2004, will be paid on 13 May 2004.

I believe we had ended the difficult year stronger, leaner and in good stead for growth when the economy recovers. Further governmental initiatives to liberalise and deregulate the telecommunications and info-communication industries in the region will continue to offer good opportunities for the Group. Going forward, we will rely on our strong position in the telecommunications business area to expand into the new markets. We will continue to focus on strategic alliances and partnerships. To maintain our competitiveness, we will further improve operational efficiency and provide enhanced quality services to our customers. In addition, we will continue to upgrade the skills of our workforce to meet the increasingly challenging business environment.

On behalf of my fellow Directors, I would like to thank our shareholders, particularly Nera ASA, customers and business partners for their confidence and continued support. I would also like to express my appreciation to the management and staff for their dedication and commitment.



**S Chandra Das**  
Chairman

S Chandra Das, Chairman



# PRESIDENT AND CEO'S STATEMENT

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## BUSINESS REVIEW

The economic environment for FY2003 was a tough one. It was indeed a challenging year for the Group. We managed to grow our Telecommunications (Telecom) business segment but the performances of our Information Technology (IT) and Contract Manufacturing (CM) business segments were lower than the previous year. The overall turnover increased by about 1%, from \$166.6 million in FY2002 to S\$167.6 million.

Profit before tax declined by 30.8% from S\$26.8 million in FY2002 to S\$18.5 million. The difference was attributable mainly to the one-off gain of S\$15.3 million from the divestment of 31.8% interests in Nera Electronics recorded in FY2002. Operationally, excluding (a) the one-off gain of S\$15.3 million from the divestment of Nera Electronics recorded in FY2002; (b) the write-off of approximately S\$5.7 million in TV Mobile recorded in FY2002; (c) the one-off gain of S\$1.5 million from the divestment in TV Mobile recorded in FY2003; and (d) a one-time expense of approximately S\$1.3 million for the investment in Compact IV products recorded in FY2003, profit before tax would have been approximately S\$18.3 million or 6% better. Consequently, profit after tax declined from S\$22.2 million in FY2002 to S\$14.4 million, a decrease of 34.9%. Overall Group operating expenses were maintained as a result of continuous cost management efforts.

Owing to the profitable operations and efficient management of working capital, the Group generated approximately S\$17.6 million in cash during the year and registered a positive fixed deposit and bank balance of S\$65.7 million compared to S\$48.1 million in FY2002, representing an increase of 36.6%.

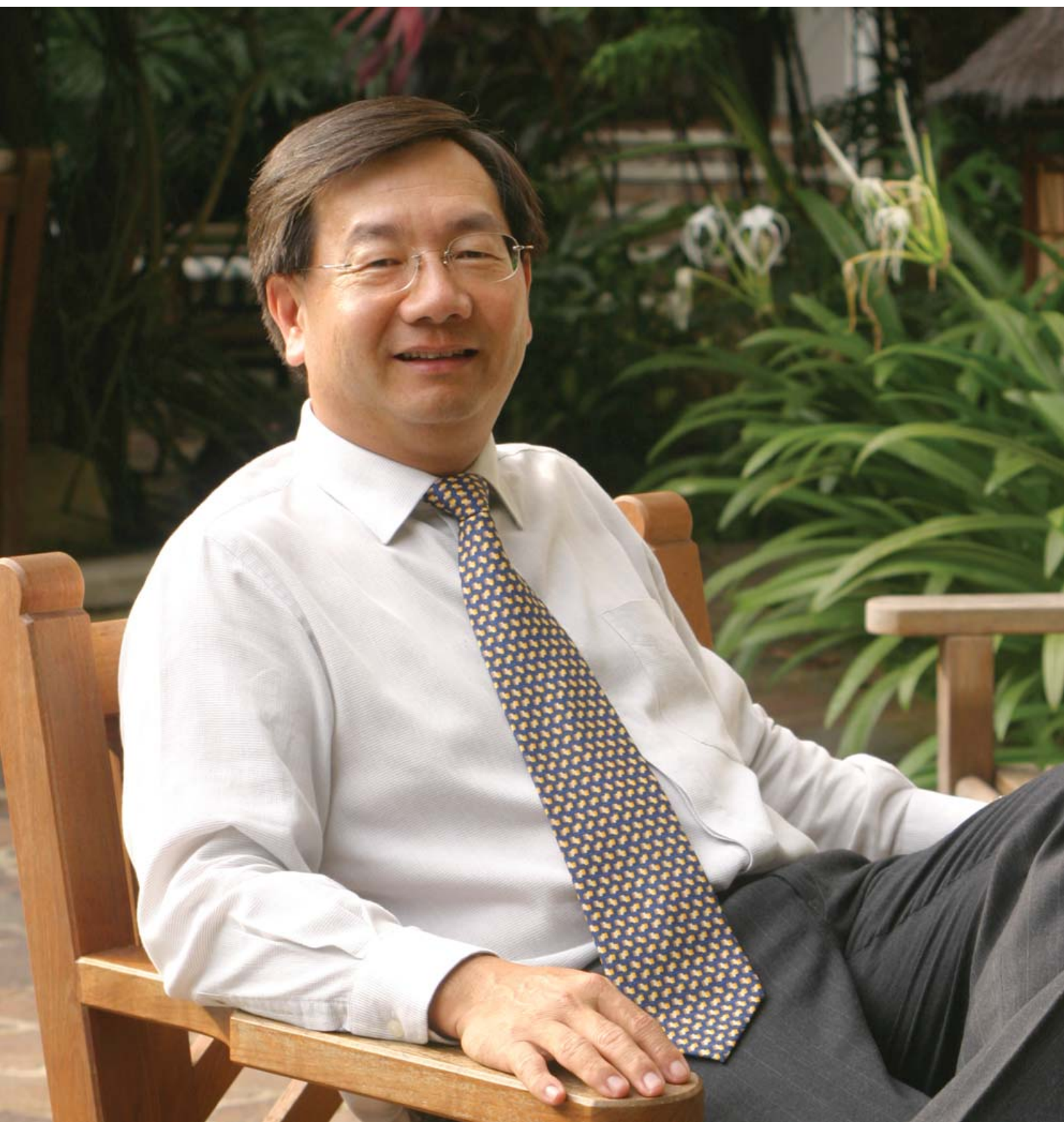
Our Telecom business segment recorded a growth of 19.5% in turnover from S\$73.2 million in FY2002 to S\$87.5 million. Profit from operations grew from S\$4.6 million in FY2002 to S\$6 million, reflecting an increase of 30.6%. This was due mainly to the delivery of microwave transmission equipment to customers in the Philippines, Malaysia, Indonesia, Thailand and Vietnam as well as to new markets in Australia and Sri Lanka. Sales of satellite equipment and gateway to a customer in Singapore and the increased sales of satellite terminals to various customers within the region also boosted the performance in this business segment.

The lower corporate IT spending had affected the performance of our IT business segment marginally. Despite a decline in the turnover of 0.7% from S\$40.2 million in FY2002 to S\$39.9 million, profit from operations increased by 35.5% from S\$3.1 million in FY2002 to S\$4.2 million. Sales were mainly from the delivery of IT network infrastructure equipment and solutions to existing customers in Singapore and Malaysia as well as the sales and leasing of point-of-sale terminals to customers in Singapore and to new customers in the Philippines.

The weak market condition had resulted in the decline of turnover in our CM business segment from S\$66.1 million in FY2002 to S\$51.5 million, a decrease of 22%. Profit from operations declined by 43.8% from S\$9.6 million in FY2002 to S\$5.4 million. The decline in the Telecommunications and Instrumentation (T&I) business was attributed mainly to the reduction of 4X2 Mbits microwave PDH radio equipment (NL18x model) production for the Nera World Group as the Nera Group no longer market this product and the cessation of production for an USA customer due to the end-of-life of the product. The decline in the Medical and Bioscience (M&B) business was caused by the weak and competitive market condition.



Ang Seong Kang Samuel, President and CEO



# PRESIDENT AND CEO'S STATEMENT

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## BUSINESS OUTLOOK

### Telecommunications (Telecom)

We believe that the continued trend of governmental liberalisation and deregulation of the telecommunications and info-communication industries in many Asian countries will offer growth opportunities for the Group. The microwave radio transmission business remains positive with active enquiries from many operators in Asia. Cellular operators are expected to continue to invest in their wireless infrastructure networks to improve the coverage and increase the transmission capacity in order to introduce new services and to increase their market share.

The acquisition of the Compact IV PDH radio will enable the Group to offer more competitive and complete PDH and SDH transmission networks to our existing and potential customers. Production of Compact IV PDH radio has started in the first quarter of 2004 and the products are being marketed by the Group to cellular operators, private network operators and system integrators in Asia. In Europe and the Americas, the Group distributes the product via Nera ASA's distribution channels and offices. With the regional presence of the Group and the extended distribution channels of Nera ASA, the Group will be able to market its PDH radios globally, thus opening up more business opportunities.

New maritime communication equipment – the Nera Fleet Inmarsat Satellite Terminals were launched in Taiwan in September 2003. We will continue to conduct roadshows within the region to promote and market the Nera Fleet Terminals. The targeted customers are the shipping, shipbuilding, fishery and yacht as well as replacement and new installation markets.

The DVB-RCS satellite broadband product has captured the interest of some satellite service providers in the region. We intend to pursue these business opportunities and position the Group as a leading DVB satellite broadband infrastructure provider. The incorporation of the Group's wholly-owned subsidiaries in India and Australia will also present more business opportunities for the Telecom business segment.

Competition in the Telecom business segment remains intense. However, with the strong regional presence and good track record, we believe the Group will be able to maintain a strong position in the selected telecommunications markets.

### Information Technology (IT)

The Group has seen an increase in enquiries from various Telcos for their regional and national IT/IP network infrastructure, particularly for the development and deployment of broadband services. We believe that with our strong track record and regional presence, we will be able to capitalise on these opportunities.

Although the corporate IT infrastructure spending remains weak, we believe that such spending will increase as organisations need to improve their IT network infrastructure to safeguard their networks against attacks and to have a more reliable and efficient network.



The Group has acquired the knowledge and skill in DVB digital terrestrial networks as well as DVB mobile set-up boxes (STB). We have developed a range of single and diversity receiver mobile DVB STB suitable for the DVB standard markets. The Group will in co-operation with Nera ASA distribute these products to the European markets, and via its subsidiaries and distributors to the Asian markets.

We will continue to grow our service and maintenance business as well as source for new products to complement our existing range of products. With the increasing regional presence, the Group will focus on delivering high performance IT infrastructure networks to its regional customers.

#### Contract Manufacturing (CM)

Our CM business segment is operated by a 68% owned subsidiary, Nera Electronics Ltd (NEL). NEL continues to operate under a very competitive environment. NEL is actively working with several T&I customers on new products such as new generation of wireless transmission networks equipment, digital mobile set-top boxes and the maritime satellite communication equipment. This will benefit the CM business when the T&I market improves.

The production of Compact IV PDH radio has started in the first quarter of 2004. The production volume will depend on the success of the Group in securing the business globally.

Although the M&B business is not expected to increase significantly in the first quarter of 2004, continuous effort is made to pursue existing customers and to secure new customers. Generally, the approval process from such customers take a longer period. Market sentiment for the T&I industry has shown signs of improvement, although the impact may not be felt in the short term. Marketing agents will be deployed for the European and Japanese markets to secure new business opportunities for both the T&I and M&B businesses.

The US subsidiary, Nera Electronics Inc. is now fully operational. We expect an increase in the sales and marketing activities for the USA market.

We believe that the trend for the outsourcing of OEM activities is on the rise and NEL is well-positioned to benefit from this positive trend.

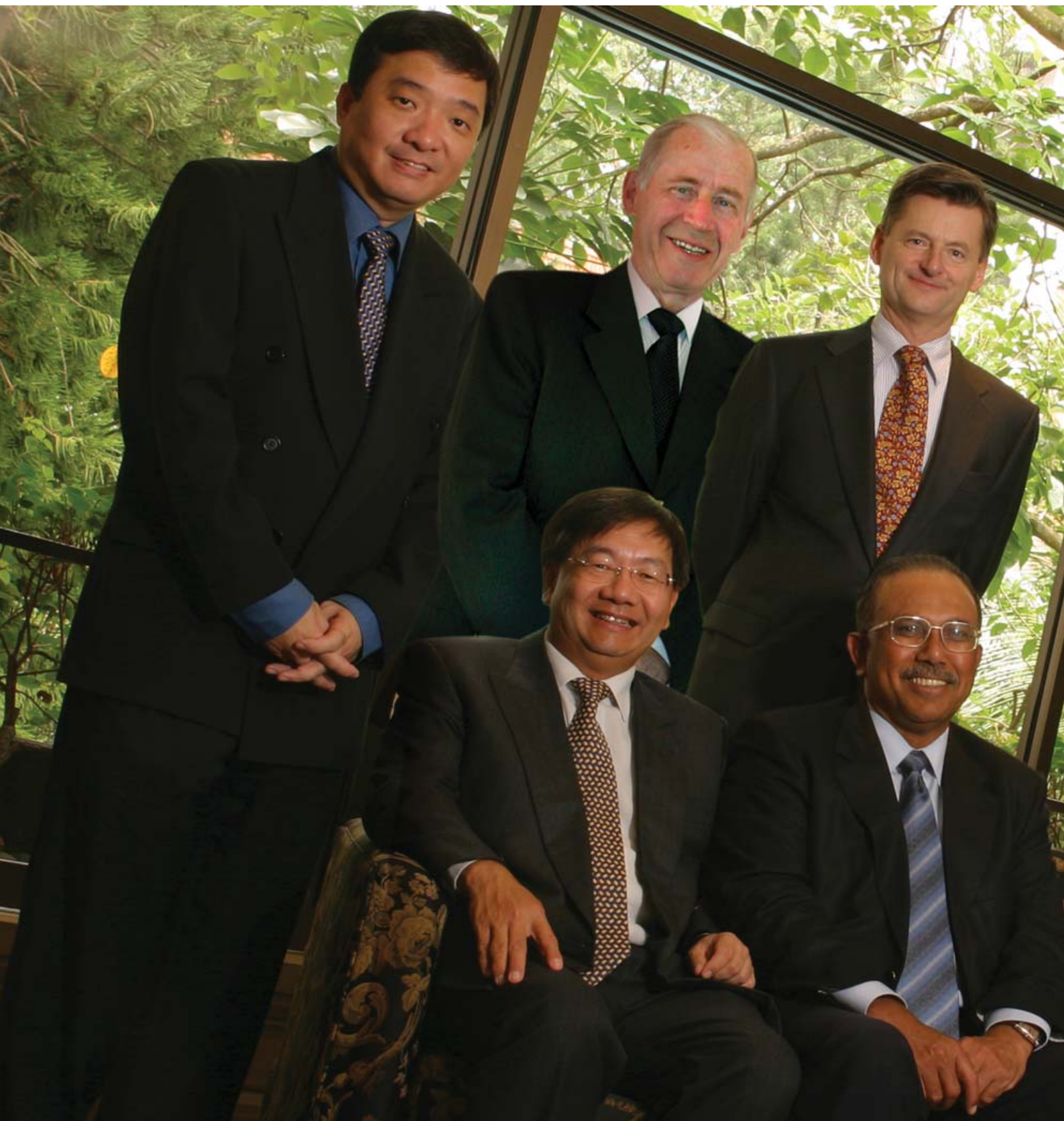
In closing, I would like to thank our customers, business partners and shareholders for their continuous support over the years. I would also like to extend my appreciation to my colleagues for their commitment and contributions.



**Ang Seong Kang Samuel**  
President and CEO

## BOARD OF DIRECTORS

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*Sitting from left to right*  
Ang Seong Kang Samuel  
S Chandra Das  
Bjorn Ove Skjeie

*Standing from left to right*  
Sitoh Yih Pin  
Sverre Ording Fjeld  
Johan Fredrik Od fjell  
Bjorn Olafsson  
Lau Ping Sum

## **Mr S Chandra Das**

Mr S Chandra Das is the non-executive Chairman of the Company. He was appointed to the Board on 15 January 1988. His last re-election to the Board was on 27 May 2003. Mr Das is currently the CEO of NUR Investment and Trading Pte Ltd. He is also the Chairman of NTUC Fairprice Co-operative Limited and Southern African Investments Pte Ltd, a subsidiary of Temasek Holdings Pte Ltd. In addition, he is a director of several listed and private companies involved in trading and manufacturing. A former Member of Parliament, Mr Das has been conferred numerous awards, the latest being the President's Medal by the Singapore Australian Business Council in 2000. He is an Economics honours graduate from the University of Singapore.

## **Mr Ang Seong Kang Samuel**

Mr Ang Seong Kang Samuel is our President & CEO. He was appointed to the Board on 2 October 1996. Currently, he is also a member of the Executive Committee of Nera Norway and is holding the position of Executive Vice President for Asia Region. He is responsible for the overall performance of the NeraTel Group in Asia. He has been with NeraTel since 1979 and previously served as its Managing Director, Vice President and General Manager. He serves on the Board of many NeraTel Group of Companies including its public listed subsidiary, Nera Electronics Ltd. He was a board member of the Norwegian Business Association of Singapore. Mr Ang holds a degree in Business Administration from the Oklahoma City University.

## **Mr Bjorn Ove Skjeie**

Mr Bjorn Ove Skjeie is a Non-Executive Director of the Company. He was appointed to the Board on 1 October 1998. His last re-election to the Board was on 24 May 2001. He is also a director of Nera Electronics Ltd, a public listed subsidiary of NeraTel. Mr Skjeie is presently the President & CEO of Nera Norway since April 1998. Prior to this, Mr Skjeie was head of the Satellite Communications Division of the Nera World Group, an appointment he assumed in April 1997. Prior to joining the Nera World Group, he held various management positions in Asea Brown Boveri AS, the Norwegian arm of the ABB Group. Key positions held included the CEO of ABB Offshore Technology AS and ABB Industri and Offshore. Mr Skjeie holds a degree from the Norwegian School of Economics and Business Administration.

## **Mr Johan Fredrik Odfjell**

Mr Johan Fredrik Odfjell is a Non-Executive Director of the Company. He was appointed to the Board on 20 April 1999. His last re-election to the Board was on 24 May 2001. He has extensive experience from leading appointments in Scandinavian businesses and serves on the Boards of various Norwegian and foreign companies. He is presently the non-executive chairman of Nera Norway, a public company listed on the Oslo Stock Exchange. In addition, he is a director of two public listed companies namely Orkla ASA and Amersham plc. Mr Odfjell holds a degree from the Norwegian University of Economics and Business Administration and a MBA from the Harvard University.

### **Mr Sverre Ording Fjeld**

Mr Sverre Ording Fjeld is an Independent Director of the Company. He was appointed to the Board on 16 June 1991. His last re-election to the Board was on 27 May 2003. He is also a director of Nera Electronics Ltd, a public listed subsidiary of NeraTel. Mr Fjeld worked in various capacities within the Nera World Group including research and development, systems, sales, project management and senior management. He was also the Regional Director of the Company from 1991 to 1996. Mr Fjeld holds a degree in Telecommunications from the Institute of Technology in Sweden.

### **Mr Bjorn Olafsson**

Mr Bjorn Olafsson is a Non-Executive Director of the Company. He was appointed to the Board on 28 January 2002. His last re-election to the Board was on 25 June 2002. He is also a director of Nera Electronics Ltd, a public listed subsidiary of NeraTel. Mr Olafsson is presently the Executive Vice President and Chief Financial Officer of Nera Norway. He has many years of experience in management through the various executive positions in banking and insurance he held with the Vesta Group. He was a bank manager and financial director in Bergen Bank and Vital Forsikring ASA. He was also a director of Finansbanken ASA, a public listed company in Norway. Mr Olafsson holds a MBA from the Norwegian School of Management.

### **Mr Lau Ping Sim**

Mr Lau Ping Sim is an Independent Director of the Company. He was appointed to the Board on 29 April 1999. His last re-election to the Board was on 25 June 2002. Mr Lau is the executive director of People's Action Party/ People's Action Party Community Foundation. He was responsible for the IT functions in two local financial institutions and a statutory board during different periods. He is also a director of several listed companies namely Huan Hsin Holdings Ltd, K LW Holdings Ltd and Cortina Holdings Ltd. He was a director of New Wave Technologies Ltd and a Member of Parliament from 1980 to 1996. Mr Lau holds a degree in Economics from the Australian National University and a Diploma in Business Administration from the National University of Singapore.

### **Mr Sitoh Yih Pin**

Mr Sitoh Yih Pin was appointed as an Independent Director of the Company on 29 April 1999. His last re-election to the Board was on 25 June 2002. Mr Sitoh is a Certified Public Accountant and a partner of a certified public accounting firm, Nexia Tan & Sitoh. Currently, Mr Sitoh is the Advisor to Potong Pasir Grassroots Organisations. He is also presently a director of several public listed companies comprising Allied Technologies Limited, Bio-Treat Technology Limited, CWT Distribution Limited, Cytech Software Limited, GKE International Limited, Hitchins Group Ltd, Labroy Marine Limited, Lian Beng Group Ltd, Meiban Group Ltd, PNE Micron Group Ltd, United Food Holdings Limited and WPG International Limited. Mr Sitoh was also the Director of two public listed companies in the preceding three years including Futuristic Image Builder Ltd from 2002 to June 2003 and KS Tech Ltd from 1999 to May 2002. Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is an Associate Member of the Institute of Chartered Accountants in Australia.



## KEY EXECUTIVES

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**Mr Tan Hong Pew** is the Chief Operating Officer of the Company and the Senior Vice President for Telecommunications - Satellite Communications, Region Asia. He is responsible for the Information Technology (IT) and Telecommunications (Telecom) businesses in Singapore. He also oversees the Operations Support Area (OSA) which covers the key areas such as customer care centre, inventory, procurement and logistics. In addition, he is responsible for the Satellite Communications business in Asia. Mr Tan had served the Ministry of Defence as part of his bond for an overseas scholarship and was the commanding officer of the 1st Signal Battalion, holding a military rank of Lieutenant-Colonel. He has many years of working experience in senior management position. Mr Tan holds a Bachelor of Science (Hons) degree from the University of New South Wales and a MSc (Industrial Engineering) from the National University of Singapore.

**Mr Chan Heng Chew Michael** is the Senior Vice President for Investment and Business Development and IT Retail Systems, Region Asia. He is responsible for project financing and legal matters of the NeraTel Group. He provides current insight, business growth projection, country potential analysis and product/customer trends. He also conducts business feasibility studies to assist top management in the financial planning process. In addition, Mr Chan is also responsible for the IT Retail Systems business in Asia. He has more than 14 years of experience in marketing, logistics, business and corporate development in various industries such as shipping, healthcare, leisure, printing and publishing. Mr Chan holds a degree in Business from the Indiana University and a MBA from the Monash University and is a student member of Institute of Certified Public Accountants of Singapore.

**Mr Tay Kheng Seng Alvin** is the Senior Vice President for North East Asia and Telecommunications - Microwave Networks, Region Asia. He is responsible for the overall performance of the Company's business in the North East Asia markets. In addition, he is responsible for the Microwave Networks business in Asia. Mr Tay has more than 23 years of experience in sales and marketing, financial services and senior management position. Mr Tay holds a MBA from the Brunel University and is a member of MENSA.

**Ms Chan Lai Yoke** is the Senior Vice President for Accounts, Administration and Human Resources. She is responsible for the financial accounting, treasury and taxation matters of the NeraTel Group. In addition, she oversees the personnel administration and Computer Services departments of the Company. She joined the Company in 1983 and has approximately 21 years of experience in the areas of accounting and personnel administration. Ms Chan holds a degree in Accountancy from the University of Singapore and is a member of Institute of Certified Public Accountants of Singapore.

**Ms Chiang Hock Chin Jessie** is the Vice President for Corporate Affairs, Region Asia. She is responsible for the corporate secretarial functions, corporate and marketing communications and investor relations of the NeraTel Group. Her responsibilities include crisis management, corporate identity and the strategic positioning of the Company and the NeraTel Group. Ms Chiang joined the Company in 1989 and she has more than 17 years of experience in the areas she is currently serving. Ms Chiang is a member of the Institute of Public Relations of Singapore.

**Ms Lucy Phua** is the Vice President for Accounts. Ms Phua is responsible for the accounting department and the smooth running of the routine accounting operation. She maintains appropriate funding to cater to the needs of the Company's operation so as to minimise risk and exposure to currency fluctuation. Her responsibilities include the preparation of the Company's yearly budget as well as the consolidated budgets for the NeraTel Group and

their implementation. Ms Phua joined the Company in 1979 and has more than 24 years of experience in accounting. She holds a degree in Commerce from the Deakin University.

**Mr Yap Chei Leong Albert** is the Vice President for Telecommunications - Microwave Networks, Client Management, Region Asia. His responsibilities include managing existing accounts and developing new business opportunities. He is responsible for the client management in Asia and is a member of the Microwave Networks regional business strategy team. He has approximately 8 years of experience within the Telecommunications industry. Mr Yap holds a degree in Engineering from the Nanyang Technological University.

**Mr Goh Yoke Lim** is the Vice President for Telecommunications - Satellite Communications. He is responsible for the regional business strategy of Satellite Communications. In addition, he oversees the Satellite Communications businesses in China. Mr Goh has more than 13 years of experience in the maintenance, design and planning of INMARSAT LES and the promotion of INMARSAT equipment, applications and services. He also has many years of experience in the field of system integration. Mr Goh holds a degree in Engineering from the National University of Singapore (NUS).

**Mr Png Keng Geok Albert** is the Vice President for Information Technology - Network Infrastructure. He is responsible for the Network Infrastructure business area comprising internet appliances, security solutions, network solutions and free space optics. He manages the existing accounts and develops new business opportunities. In addition, he is responsible for the IT Network Infrastructure regional client management and is a member of the IT Network Infrastructure regional business strategy team. Mr Png has more than 20 years of working experience in the Information Technology industry.

**Mr Koh Seng Chye Roy** is the Vice President for Information Technology, Optical Solutions. He is responsible for the Optical Networks and Cables business. His responsibilities include account management, developing new business opportunities, formulating and implementing business strategy. Mr Koh joined the Company in 1991 and has more than 20 years of working experience in the marine and ship repairing industries and about 6 years of working experience in the Telecommunications and Information Technology industries. Mr Koh holds a degree in Commerce from the Curtin University and is a member of the Marketing Institute of Singapore.

**Ms Phua Ai Geok Adeline** is the Vice President for Information Technology, Retail Systems. Ms Phua is responsible for the Retail Systems business, which includes the point-of-sale terminals, payment gateways and solutions and POS value added services such as electronic receipt capture. She manages existing accounts and develops new business opportunities. In addition, she is responsible for the IT Retail Systems regional client management, supply chain management and is a member of the IT Retail Systems regional business strategy team.

**Ms Moh Kah Ling Zoey** is the Vice President for Information Technology, Broadcasting. She is responsible for the Broadcasting business, which includes the mobile set-up boxes, digital/analogue TV network infrastructure and MATV/CATV/Pay TV and DVB systems. Her responsibilities include account management, developing new business opportunities and the formulation and implementation of business strategy of the IT broadcasting business. She joined the Company in 1993 and has more than 10 years of relevant experience. Ms Moh holds a degree in Business from the Monash University.

## Board Of Directors

S Chandra Das \*

*Chairman*

Ang Seong Kang Samuel \*\*

*President & CEO*

Bjorn Ove Skjeie \*\*\*

Bjorn Olafsson \*\*\*

Johan Fredrik Odfjell \*\*\*

Sverre Ording Fjeld \*

Lau Ping Sum \*

Sitoh Yih Pin \*

\* Independent Director

\*\* Executive Director

\*\*\* Non-Executive Director

## Nominating Committee

S Chandras Das, Chairman

Bjorn Ove Skjeie

Sverre Ording Fjeld

## Audit Committee

Lau Ping Sum, Chairman

Sitoh Yih Pin

Sverre Ording Fjeld

## Compensation Committee

S Chandra Das, Chairman

Bjorn Ove Skjeie

Sitoh Yih Pin

## Company Secretaries

Yvonne Choo, FCIS

Linda Law, FCIS

## Business Address

109 Defu Lane 10

Singapore 539225

Tel: (65) 6281 3388

Fax: (65) 6383 9566/  
(65) 6383 9577

## Registered Office

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

Tel: 6536 5355

Fax: 6536 1360

## Registrars And Share

### Transfer Office

*Lim Associates (Pte) Ltd*

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

Tel: 6536 5355

Fax: 6536 1360

## Auditors

*Ernst & Young*

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Partner-in-charge:

Max Loh Khum Whai

(since financial year ended  
31 December 2002)

## Principal Bankers

*The Development Bank  
of Singapore Ltd*

6 Shenton Way

DBS Building Tower One

Singapore 068809

*The Hongkong and Shanghai  
Banking Corporation Limited*

21 Collyer Quay #04-01

HSBC Building

Singapore 049320

*Skandinaviska Enskilda Banken (SEB)*

50 Raffles Place #36-01

Singapore Land Tower

Singapore 048623



### Subsidiaries And Associated Company

- Nera Electronics Ltd
- Nera Infocom Pte Ltd\*
- Nera (Malaysia) Sdn Bhd\*\*
- Nera Infocom (M) Sdn Bhd
- Nera (Thailand) Ltd
- P.T. Nera Indonesia
- Nera (Philippines), Inc.
- Nera Telecommunications (Taiwan) Co., Ltd
- Nera Telecommunications (India) Pvt Ltd
- Nera Telecommunications (Australia) Pty Ltd
- Nera Telecommunications Ltd, Vietnam Representative Office
- Nera Telecommunications Ltd, Beijing Representative Office

\* Dormant Company

\*\* Associated Company

# BUSINESS SEGMENT - TELECOMMUNICATIONS

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## Microwave Networks

Built on the state-of-the-art technology, Nera's wireless solutions rank among one of our most successful products. This is due not only to their cost competitiveness but also because they deliver the requisite capacity and interfaces, reliability, flexibility and scalability. In addition, they are easy to plan, install and implement.

Our three product lines namely InterLink, CityLink and CompactLink allow clients to choose from a spectrum of radio and microwave network solutions that ranges from low to high frequencies and capacities to meet their needs.

Key clients for this range include national carriers, cellular operators, regional operators and private networks operators. The PDH radio, CompactLink, is a cost-effective low-to-medium capacity transmission network for voice, data and video traffic. Equipped with innovative features that make it ideal for cellular base stations, it is an effective solution for cellular operators who need to roll out low or medium networks rapidly in a volatile business environment where the speed of coverage deployment versus cost is crucial. Coupled with our high capacity SDH products (Citylink and Interlink), we are able to provide a one-stop total wireless infrastructure networks to our customers.

## Wireless Broadband Access

Wireless Broadband Access (WBA) is another advancement in the evolution of communication services. With the high capacity, speed and reliability, it provides the robust support that the Internet, digital TV and interactive services require. In this area, we have emerged as one of the leading solution providers with our two key products namely NetLink and MultiLink.

NetLink allows our clients, primarily carriers and service providers, to offer their subscribers high-speed Internet and telephony access. MultiLink, on the other hand, facilitates backhauling in cellular networks, enabling network operators to meet the escalating demand for capacity amidst the increasing density of base stations.

## Satellite Communications

Our Satellite Communications portfolio boasts a complete range of communication networks and solutions deploying various technologies.

Among them, the state-of-the-art Nera SatLink System is fast gaining market acceptance worldwide with its exceptional ability to exploit available satellite capacity efficiently, allowing it to offer our customers bandwidth at a lower cost. This two-way broadband satellite network is based on the DVB-RCS standard. DVB-RCS (Digital Video Broadcasting - Return Channel via Satellite) is an open standard used by service providers to offer broadband access and multimedia services, content distribution and rural telephony and Internet services. This translates to low entry cost for end users and provides the operator with the opportunity and flexibility to offer the entire spectrum of services, from the typical low rate VSAT to true multi-megabit enterprise broadband.

The latest product offering in our portfolio is the NWC Voyager. This is a vehicular GAN (Global Area Network) satellite terminal that is ideal for establishments that require communication while on the move, such as the military and media. In addition, the complete range of Nera Fleet Terminals (F77, F55 and F33) - for vessels enables a diverse range of applications such as Internet, email and fax with MPDS (Mobile Packet Digital Service) capabilities to be used at sea.



1. CompactLink Outdoor Unit
2. Nera Fleet Terminals
3. CompactLink Indoor Unit



1. Diversity Set Top Box
2. Viewing Programmes in the car with NeraTel's Diversity Set Top Box



1



2

## Broadcasting

In the broadcasting business area, we provide complete digital mobile TV infrastructure network that made Singapore a lead user in Digital Video Broadcast (DVB) technology. Our DTT network infrastructure enables digital television programmes to be viewed in places like shopping centres, food courts, cars, buses and ferries. We will continue to develop the mobile DVB-T receivers (Set Top Boxes) with more value-added features and enhanced performance, with the aim of deployment in other transportation platforms such as trains, yachts and more.

Our broadcasting solutions also include the sales, installation, maintenance and servicing of Master Antenna TV Systems (MATV), Cable TV Systems (CATV) and Digital TV Networks for housing developers, government institutions, educational institutions, commercial enterprises, service providers and broadcasters. In addition, we also provide analogue TV and digital TV systems, broadcast-engineering solutions, digital set top boxes and video software management solutions.

## Retail Systems

With our comprehensive product offering, after-sales maintenance and service, we have become one of the market leaders in Point-of-Sale payment solutions. Our clients include major local and foreign banks, credit card companies, financial institutions and electronic fund transfer Point-of-Sale (EFTPOS) service providers. In addition to Payments Terminals, Electronic Receipt Capture facility and Loyalty applications, our IT Retail business arm also provides solutions such as Payment, Dynamic Currency Conversions, Instalment, EMV and Internet Payment Gateways to facilitate the various conduits of payments.

## Optical Solutions

Today's optical solutions must meet the twin challenges of increasing service convergence and the ever-escalating demand for bandwidth. Our integrated multi-service transmission for voice, private line, ATM, Frame Relay and Ethernet traffic management satisfy these demands. Based on the next-generation SONET/ SDH/ DWDM technology, our optical solutions provide a smooth evolution from TDM to data services.



1. IT Retail Systems Staff
2. Ice 5500 and T7 plus
3. Helpdesk Team



# BUSINESS SEGMENT - INFORMATION TECHNOLOGY

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1. Security Solutions
2. Network Infrastructure Lab



1



2

## Free Space Optics

NeraTel works with partners to deliver cost-effective high-speed Free Space Optics solutions to Carriers, Cellular Operators and Enterprises.

## Security Solutions

The growing security breach menace has made it increasingly critical for corporations to protect their systems by providing a high level of secured access. We integrate the best-of-breed products with highly skilled network expertise to offer our customers Security Solutions that help them protect their intellectual property, customer data and vital business systems.

## Internet Appliances

With businesses depending more and more on the Internet, our Internet Appliance arm provides a host of Traffic Management services such as Data Communication, Bandwidth Management, Internet Application Load Balancing, Web Server Directory and Site Redundancy.

## Networking Solutions

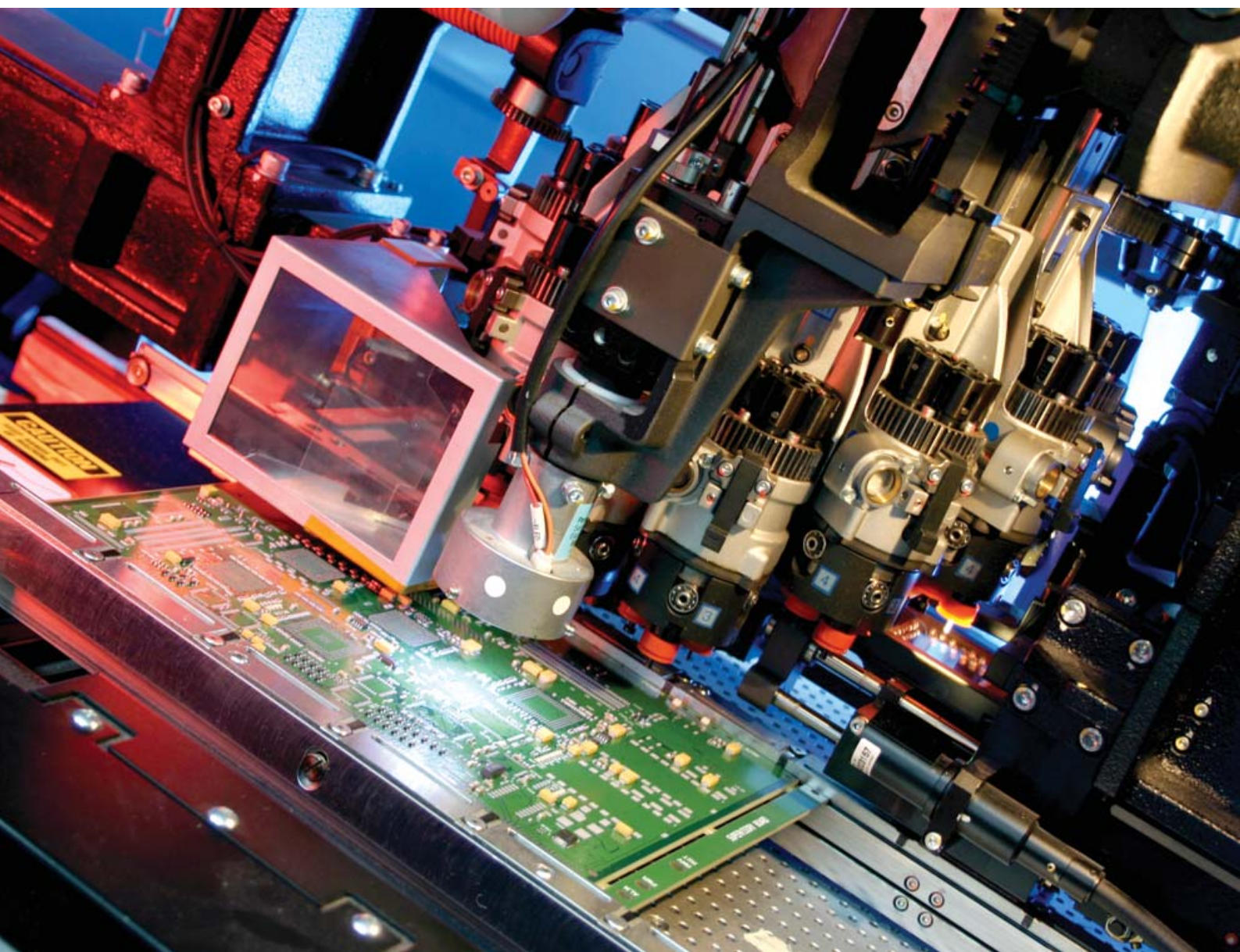
Our IT Network Infrastructure business provides high performance ATM/ Frame Relay/ IP Switches, Routers and Network Management Systems to Carrier, Enterprises and Government organisations. Our activities include network design, planning, project management and implementation to customers.



A high value-added player in the field of the Electronic Contract Manufacturing services (ECM), we target the Telecommunication and Instrumentation, and Medical and Biosciences market segment. Our subsidiary, Nera Electronics Ltd (NEL), is well-positioned to offer customers seeking end-to-end solutions with high value-added ECM services such as product development, prototyping and manufacturing. NEL also provides a flexible cost-effective manufacturing process that is able to assemble products

with high variation that are required in low to medium volume. We have built up valuable expertise in the understanding of our customers' sophisticated requirements and in the handling of high-end industrial products such as telecommunications infrastructure and medical devices. We are also known for our radio frequency engineering capabilities that we apply towards the contract manufacturing of digital microwave products and systems.

Production of Printed Circuit Board





## OUR PEOPLE

22

From left to right: Jane Neo, Rachelle Ang, Jesslin Chua and Pua Wah Jeng



We believe that our people are our greatest asset. For that reason, we continue to demonstrate our commitment to the development of our people.

Our training programmes answer the complexities of today's working environment, with different programmes organised to allow our different levels of employees to grow with the challenges that they face.

Training programmes are designed not just to upgrade the skills of our people so that they can perform better in their current roles but also to create new opportunities for them in terms of new roles within the company. This augurs well for their career development as well as

contribute to the company's succession planning. At the same time, the ready pool of trained employees allows the company to be competitive and responsive to new challenges.

Some of the events held this year include the teambuilding programmes, Staff Forums and Corporate Culture Day. Such activities see employees interacting across all levels, thus contributing to a conducive working environment. Through these programmes, we believe, relationship between staff has been strengthened, with the result that productivity and competitiveness has been boosted.

1. 25th Anniversary - *Signing of Plaque.*  
*Guest of Honour, His Excellency Mr Enok Nygaard*
2. 25th Anniversary - *Norwegian Performance of the Troll*
3. Launch of Nera Fleet Terminals in Taipei



## 28 January 2003

A Contract Signing Ceremony with Isaiah 65 Foundation for the supply, delivery and implementation of 1,000 Nera World Communicators was held in the Philippines.

## 17 April 2003

A wholly-owned subsidiary, Nera Telecommunications (India) Pvt Ltd, was incorporated.

## 23-27 June 2003

Participated in an Exhibition held in conjunction with the Regional Inmarsat Conference in Singapore.

## 11 July 2003

A wholly owned subsidiary, Nera Telecommunications (Australia) Pty Ltd, was incorporated.

## 21-25 July 2003

Participated in an Exhibition organised by the National Telecommunications Commission in the Philippines to mark their 24th Anniversary.

## 25 July 2003

A Press and Analyst Conference was held in relation to the acquisition of Compact IV products.

## 15 August 2003

Implementation of a Mass Email Campaign for Free Space Optical Solutions.

## 29 August 2003 - 3 September 2003

Participated in the IFA Messe Fair held in Berlin, Germany.

## 12-16 September 2003

Participated in the International Broadcasting Exhibition held in Amsterdam, Holland.

## 30 September 2003

Launch of the Nera Fleet Terminals in Taipei, Taiwan. A Press Conference in relation to the Launch was held simultaneously.

## 1-4 October 2003

Participated in the Oil & Gas Technology Exhibition in Jakarta, Indonesia

## 2 October 2003

The first regional roadshow on the Nera Fleet Terminals was kicked-off in Kaohsiung, Taiwan.

## 8-10 October 2003

Participated in the Safety and Security Exhibition held in Singapore.

## 18 October 2003

NeraTel celebrated its 25th Anniversary and was honoured to have His Excellency Mr Enok Nygaard, the Norwegian Ambassador to Singapore, to grace the occasion.

## 21 October 2003

A seminar on "Total Solution for EMV Migration and Payment System" was held in Malaysia.

## 23 October 2003

A seminar on "Total Solution for EMV Migration and Payment System" was held in the Philippines.

## 29 October 2003

A seminar on "Business Optimised Infrastructure" was held in Singapore.

# CORPORATE GOVERNANCE REPORT

Nera Telecommunications Ltd ("the Company") is committed to continue its efforts in maintaining a high standard of corporate governance. Various mechanisms have been put in place for the internal review and regulation of the Company's affairs.

This Report describes the Company's corporate governance processes with specific reference to the Code of Corporate Governance ("the Code") established by the committee on Corporate Governance in Singapore.

## BOARD OF DIRECTORS

### Principle 1 : Board's Conduct of its Affairs

The principal functions of the Board are:

- (a) approving the Group's key business strategies and financial objectives;
- (b) approving the annual budget, major investments and divestments, and funding proposals;
- (c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and
- (d) assuming responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through various Board committees.

The Board conducts regular scheduled meetings four times a year. Ad-hoc meetings are convened as and when required. The Company's Articles of Association allows a Board Meeting to be conducted by way of a tele-conference or any other electronic means of communications. The attendance of Directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is disclosed in this Report.

An orientation programme will be organised for new Directors to ensure that incoming Directors are familiar with the Company's key business and governance practices. Prior to their appointment, new Directors are also provided the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Directors may request further explanations, briefings and informal discussions on any aspects of the Company's operations or business issues.

### Principle 2 : Board Composition and Balance

The Board comprises eight Directors. More than one third of the Board are independent Directors. The composition of the Board is as follows:

#### Executive Director

Ang Seong Kang Samuel (President & CEO)

#### Non-Executive Directors

S Chandra Das, Chairman\*

Bjorn Ove Skjeie

Johan Fredrik Odfjell

Sverre Ording Fjeld\*

Bjorn Olafsson

Lau Ping Sum\*

Sitoh Yih Pin\*

\* Independent Directors

The independence of each Director is reviewed annually by the Nominating Committee which has determined that no individual or small group of individuals dominate the Board's decision making.

The Directors bring with them invaluable business, professional and commercial experience and whose core competencies, skills, qualifications and experience are extensive and complementary.

# CORPORATE GOVERNANCE REPORT

While there is no limit on the number of Directors that may be appointed under the Company's Articles of Associations, the Board is of the view that the current board size of eight Directors is appropriate, having regard to the impact of the number upon effectiveness and taking into account of the nature of the Company's operations. The current size of the Board allows free and uninhibited discussions and facilitates effective decision making.

## **Principle 3 : Role of Chairman and Chief Executive Officer**

The functions of Chairman and the President & CEO are assumed by two individuals. The Chairman, S Chandra Das is an independent Director, while the President & CEO, Samuel Ang is an executive Director.

The President & CEO is the most senior executive in the Company and assumes executive responsibility for the Company's business while the Chairman assumes responsibility for the management of the Board. The Chairman and the President & CEO are not related.

## **Principle 6 : Access To Information**

To ensure that the Board is able to fulfil its responsibilities, a quarterly report of the Company's financial results and activities is provided to the Board. In addition, the Board is updated on business matters on an on-going basis. The Directors have also been provided with the contact numbers and email particulars of the Company's senior management and the company secretary to facilitate access to any required information.

In carrying out their duties, the Directors, whether as a group or individually, have access to professional advice both inside and outside of the Company. If external independent professional advice is sought, such cost will be borne by the Company.

The company secretary attends all board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. The company secretary also attends the meetings of Board committees.

## **BOARD COMMITTEES**

### **Nominating Committee (NC)**

#### **Principle 4 : Board Membership**

The Nominating Committee comprises three members, a majority of whom are independent Directors. The composition of the NC is as follows:

S Chandra Das, Chairman \*  
Bjorn Ove Skjeie  
Sverre Ording Fjeld \*

\* *Independent Director*

The principal functions of the NC are to:

- (a) identify candidates, review nominations for both appointment and re-appointment of the Directors to the Board for its approval. For the appointment of new candidates to the Board, the proposed appointee's background, experience and other board memberships will be taken into account;
- (b) review the Board structure and size including the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board, and make recommendation to the Board with regard to any adjustments that are deemed necessary;
- (c) review the independence of each Director annually; and
- (d) assess the contribution of each Director to the effectiveness of the Board.

# CORPORATE GOVERNANCE REPORT

The NC has adopted written terms of reference.

New Directors are at present appointed by way of a board resolution, after the NC recommends and supports their appointments. Such new Directors must submit themselves to re-election at the next Annual General Meeting of the Company. One third of the Directors must retire by rotation at each Annual General Meeting and are eligible for re-election.

The NC has recommended the nomination of Directors retiring by rotation under the Company's Articles of Association, namely Bjorn Ove Skjeie, Johan Fredrik Odfjell and Lau Ping Sum for re-election at the forthcoming Annual General Meeting.

Bjorn Ove Skjeie, a non-executive Director of the Company was appointed to the Board on 1 October 1998. He is also a member of the Nominating Committee and Compensation Committee. He was last re-elected to the Board on 24 May 2001.

Johan Fredrik Odfjell is a non-executive Director of the Company and was appointed to the Board on 20 April 1999. His last re-election to the Board was on 24 May 2001.

Lau Ping Sum is an independent non-executive Director of the Company. He was appointed to the Board on 29 April 1999. He is the Chairman of the Audit Committee and was last re-elected to the Board on 25 June 2002. Upon his re-election as a Director of the Company at the forthcoming Annual General Meeting, he will remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

Bjorn Ove Skeie had abstained from making a recommendation on his own nomination.

## **Principle 5 : Board Performance**

In reviewing the re-appointment of any director, an evaluation on the performance of the Directors is done annually. Assessment on each Director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs and any special contributions.

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2003.

## **Audit Committee (AC)**

### **Principle 11 : Audit Committee**

### **Principle 12 : Internal Controls**

The Audit Committee comprises three members, all of whom are independent Directors. The composition of the AC is as follows:

Lau Ping Sum, Chairman\*  
Sverre Ording Fjeld\*  
Sitoh Yih Pin\*

\* *Independent Director*

The members of the AC are appropriately qualified and have relevant accounting and related management expertise and experience to discharge the functions effectively.



# CORPORATE GOVERNANCE REPORT

The key functions of the AC are to :

- (a) consider the appointment and re-appointment of the external auditors, the audit fee and matters relating to the resignation and dismissal of the auditors;
- (b) review with the auditors the audit plans, the evaluation of the system of internal accounting controls and the audit reports;
- (c) review the quarterly and audited annual financial statements for recommendation to the Board for approval, focusing in particular, on:
  - (i) changes in accounting policies and practices
  - (ii) major risk areas
  - (iii) significant adjustments resulting from the audit
  - (iv) the going concern statement
  - (v) compliance with accounting standards
  - (vi) legal and regulatory matters that may have a material impact on the financial statements.
- (d) review interested person transactions;
- (e) review the assistance given by the Management to the auditors; and
- (f) review the scope and results of the internal audit procedures.

The AC has adopted written terms of reference.

The AC has the explicit authority to conduct investigations into any matters within its terms of reference, including having full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings. The AC has reasonable resources to discharge its functions properly.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditors and was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. It has recommended the re-appointment of the external auditors for the ensuing year. The AC has also reviewed interested person transactions, the Company's material internal controls including financial, operational and compliance controls. Risk management is also conducted at least annually. The AC is satisfied that there are adequate internal controls in the Company.

The AC meets with the external and internal auditors, without the presence of Management, at least once a year.

## **Principle 13 : Internal Audit (IA)**

IA is an independent unit that reports to the Audit Committee and administratively to the President & CEO. The scope of works cover all business and support functions in the Company, its subsidiaries and an associated company. The AC reviews and approves the annual IA plans and resources to ensure that the IA unit has the necessary resources to adequately perform its functions. To ensure the adequacy of the internal audit function, the AC reviews the IA activities on a quarterly basis.

## **Compensation Committee (CC)**

### **Principle 7 : Procedures for Developing Remuneration Policies**

### **Principle 8 : Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

The Compensation Committee comprises three members, a majority of whom are independent Directors. The composition of the CC is as follows:

S Chandra Das, Chairman\*  
Bjorn Ove Skjeie  
Sitoh Yih Pin\*

\* Independent Director

# CORPORATE GOVERNANCE REPORT

The principal responsibilities of the CC are to:

- (a) review and recommend to the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages for executive Director. This covers all aspects of remuneration including the Director's fees, salaries, allowances, options and benefits in kind.
- (b) approve and administer the Employees' Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

The CC has adopted written terms of reference.

The remuneration package for executive Director includes variable cash bonus and long term incentive in the form of stock options. In determining the remuneration for executive Director, following factors were taken into account:

- (a) The level of remuneration should be of a level to attract, retain and motivate the leadership of the Group;
- (b) There should be an alignment of his interest with those of shareholders of the Company; and
- (c) Remuneration is linked to the performance of both the Group and individual.

Independent Directors are paid basic Directors' fees and additional fees for being members of the Audit Committee, Nominating Committee and Compensation Committee, subject to approval at the Annual General Meeting. Non-Independent and non-executive Directors who are employed by our parent company (Nera ASA) will not receive Directors' fees.

The following table shows the makeup (in percentage terms) of the remuneration of the Directors for the year ended 31 December 2003:

Remuneration Bands /Name	Fees **	Salary *	Bonus *	Total
	(S\$)	(S\$)	(S\$)	
	%	%	%	%
<b>S\$500,000 and above</b>				
Ang Seong Kang Samuel	—	41	59	100
<b>S\$250,000 to S\$499,999</b>				
NIL	—	—	—	—
<b>Below S\$250,000</b>				
<b>(Fees paid to non-executive directors)</b>				
S Chandra Das (S\$50,000)	100	—	—	100
Lau Ping Sum (S\$30,000)	100	—	—	100
Sitoh Yih Pin (S\$30,000)	100	—	—	100
Sverre Ording Fjeld (S\$30,000)	100	—	—	100

\* The salary and bonus are inclusive of CPF.

\*\* These fees are subject to approval by the shareholders as a lump sum for FY2003 at the Annual General Meeting.

(a) No other director, apart from those listed above, received directors' remuneration during the period.

(b) The above table excludes share options which are described in the Report of the Directors.

# CORPORATE GOVERNANCE REPORT

As part of its review, the CC shall ensure that:

- (i) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered.
- (ii) the remuneration package should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing the executive Director's performance.

The CC had also reviewed and recommended the quantum of fees to be paid to independent Directors which will be tabled for shareholders' approval at the Annual General Meeting.

## Key Executives' Remuneration

Remuneration Bands /Name and Position		Salary *	Bonus *	Total	Share Option**
		%	%	%	
<b>Below S\$250,000</b>					
<b>Chief Operating Officer / Senior Vice President (SVP)</b>					
#Tan Hong Pew	– Chief Operating Officer and SVP, Satellite Communications, Region Asia	93	7	100	40,000
Chan Heng Chew Michael	– SVP, Investment & Business Development and IT Retail Systems, Region Asia	73	27	100	64,000
Tay Kheng Seng	– SVP, North East Asia and Microwave Networks, Region Asia	75	25	100	64,000
Chan Lai Yoke	– SVP, Accounts, Administration & Human Resources	68	32	100	75,000
<b>Vice President (VP)</b>					
Chiang Hock Chin Jessie	– VP, Corporate Affairs, Region Asia	70	30	100	48,000
Lucy Phua	– VP, Accounts	71	29	100	50,000
Yap Chei Leong Albert	– VP, Telecommunication, Microwave Networks - Client Management, Region Asia	69	31	100	45,000
Goh Yoke Lim	– VP, Telecommunication, Satellite Communications	68	32	100	45,000
Png Keng Geok Albert	– VP, IT Network Infrastructure	71	29	100	48,000
Koh Seng Chye Roy	– VP, IT Optical Solutions	76	24	100	48,000
Phua Ai Geok Adeline	– VP, IT Retail Systems	71	29	100	45,000
Moh Kah Ling Zoey	– VP, IT Broadcasting	78	22	100	45,000
<b>Internal Auditor</b>					
#Michael Li		94	6	100	20,000

\* Allowances are included in the salary. In addition, the salary and bonus are inclusive of CPF.

\*\* The share options granted in FY2003 were at a subscription price of S\$0.22. The exercise period is from 2005 to 2013.

# Both Tan Hong Pew and Michael Li received pro-rated bonus and share options in FY2003.

There were no employees who are immediate family members of a Director or the CEO.

# CORPORATE GOVERNANCE REPORT

## Communication with Shareholders

### Principle 10 : Accountability and Audit

### Principle 14 : Communication with Shareholders

### Principle 15 : Greater Shareholder Participation

The Company has adopted quarterly results reporting since its listing in July 1999, ahead of the regulatory timeline imposed by the SGX. News releases and quarterly results announcements are published through the MASNET.

The Company does not practise selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Company communicates with its shareholders, both institutional and retail, on a regular basis. The Annual Report and Notice of Annual General Meeting are forwarded to all shareholders of the Company. The Notice of Annual General Meeting is also advertised on the newspaper. At the Annual General Meeting, shareholders are given the opportunity to communicate their views to the Directors and Management on matters relating to the Company.

### Dealing in Securities

The Company has adopted its own internal compliance code in relation to dealings in the Company's securities, as recommended under the Best Practices Guide of the Listing Manual of the SGX-ST. Directors and key employees within the Group are not allowed to deal in the Company's securities two weeks before the announcement of the Company's quarterly and full year results and ending on the date of announcement of the results, and at all times when in possession of price-sensitive information.

In view of the compliance processes in place, the Board is of the opinion that the Company has complied with its internal compliance code.

### Interested Person Transactions

The Company's policy on transactions with interested persons is driven by compliance with statutory and regulatory requirements, namely Chapter 9 of the SGX-ST Listing Manual on interested person transactions.

The followings are details of the aggregate value of interested person transactions for FY2003 undertaken pursuant to a shareholder's general mandate obtained at the last Annual General Meeting.

Name of Interested Person	Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	S\$'000
<b>Sales</b>	
Nera Networks AS	6,766
Nera Networks, Inc.	1,889
Nera Satcom AS	535
Nera Networks Pty Ltd	3,117
Nera India Ltd	694
Nera Broadband Access	782
<b>Purchases</b>	
Nera Networks AS	41,508
Nera Networks, Inc.	1,033
Nera Satcom AS	5,822
Nera WBA	372
<b>Net Income</b>	
Nera Networks AS	265

Note: All interested person transactions conducted during the financial year were under a shareholders' mandate pursuant to Rule 920.

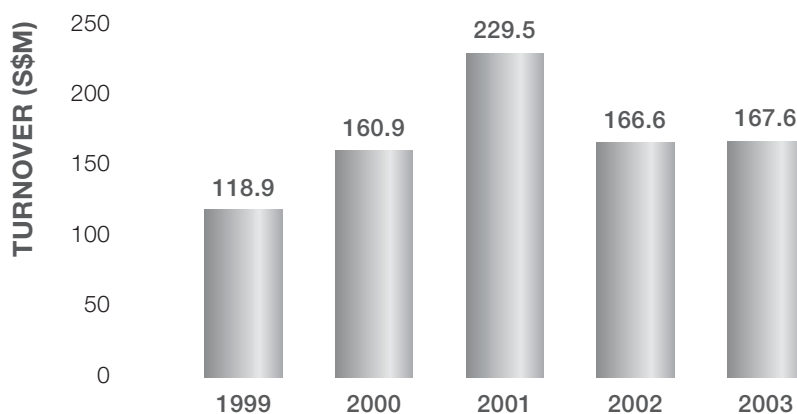
# CORPORATE GOVERNANCE REPORT

## Directors' Attendance at Board and Board Committee Meetings

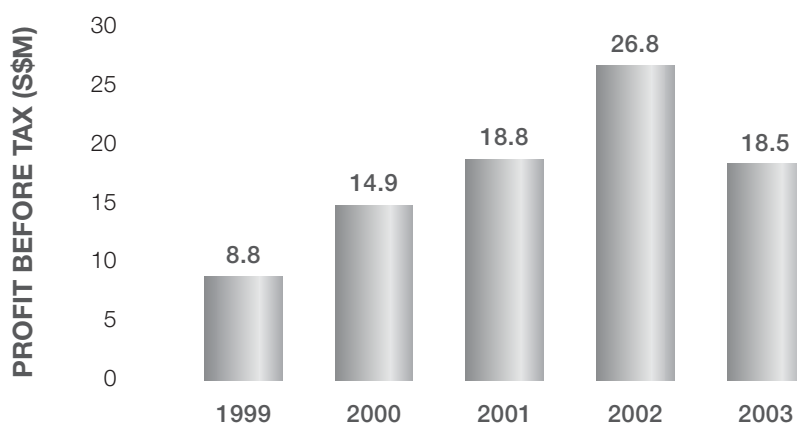
Name of Directors	Board Meetings		Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
S Chandra Das	4	4	-	-	1	1	1	1
Ang Seong Kang Samuel	4	4	-	-	-	-	-	-
Bjorn Ove Skjeie	4	4	-	-	1	1	1	1
Johan Fredrik Odfjell	4	2	-	-	-	-	-	-
Bjorn Olafsson	4	4	-	-	-	-	-	-
Sverre Ording Fjeld	4	4	4	4	-	-	1	1
Lau Ping Sum	4	4	4	4	-	-	-	-
Sitoh Yih Pin	4	4	4	4	1	1	-	-



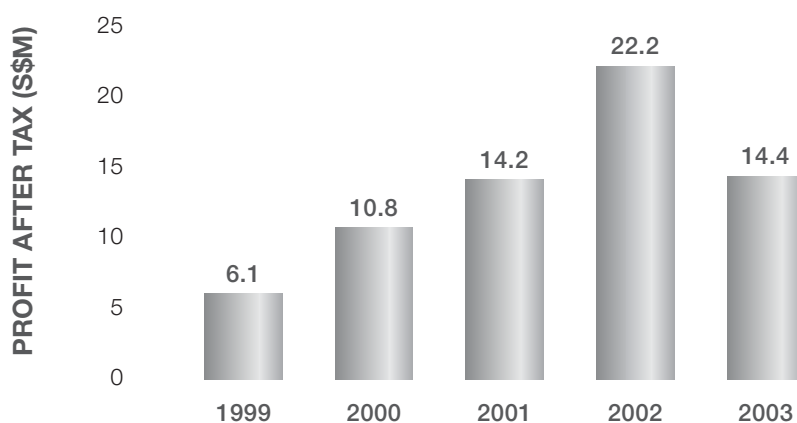
# FINANCIAL HIGHLIGHTS



*Turnover in FY2003 was S\$167.6 million compared to S\$166.6 million in FY2002, an increase of 1%.*



*Profit before tax in FY2003 was S\$18.5 million compared to S\$26.8 million in FY2002, a decrease of 30.8%.*



*Profit after tax in FY2003 was S\$14.4 million compared to S\$22.2 million in FY2002, a decrease of 34.9%.*

## **Financial Statements**

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- 43** Consolidated Statement of Changes in Equity
- 44** Consolidated Statement of Cash Flows
- 45** Notes to the Financial Statements

# REPORT OF THE DIRECTORS

The directors are pleased to present their report to the members together with the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2003.

## Directors

The directors of the Company in office at the date of this report are :

S Chandra Das  
 Ang Seong Kang Samuel  
 Bjorn Ove Skjeie  
 Sverre Ording Fjeld  
 Johan Fredrik Od fjell  
 Lau Ping Sum  
 Sitoh Yih Pin  
 Bjorn Olafsson

## Arrangements to enable directors to acquire shares and debentures

Except for the Employees' Share Option Scheme as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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' interests in shares and debentures

According to the Register of Directors' Shareholdings required to be kept under Section 164 of the Companies Act, the interests of the directors holding office at the end of the financial year in the shares or debentures of the Company and related corporations were as follows :-

Name of director	Held by director			Other shareholdings in which the director is deemed to have an interest		
	As at 1.1.2003	As at 31.12.2003	As at 21.1.2004	As at 1.1.2003	As at 31.12.2003	As at 21.1.2004

### Ultimate holding company

#### Nera ASA

#### Ordinary shares of NOK2.00 each

S Chandra Das	11,500	11,500	11,500	—	—	—
Ang Seong Kang Samuel	20,000	20,000	20,000	—	—	—
Bjorn Ove Skjeie	100,225	100,225	100,225	—	—	—
Johan Fredrik Od fjell	628	628	628	409,690	409,690	409,690
Sverre Ording Fjeld	2,000	2,000	2,000	—	—	—
Bjorn Olafsson	10,000	10,000	10,000	—	—	—

# REPORT OF THE DIRECTORS

## Directors' interests in shares and debentures (cont'd)

Name of director	Held by director			Other shareholdings in which the director is deemed to have an interest		
	As at 1.1.2003	As at 31.12.2003	As at 21.1.2004	As at 1.1.2003	As at 31.12.2003	As at 21.1.2004
<b>The Company</b>						
<b>Ordinary shares of \$0.05 each</b>						
S Chandra Das	2,500,000	2,500,000	2,500,000	—	—	—
Ang Seong Kang Samuel*	2,470,000	2,470,000	2,470,000	25,000	25,000	25,000
Bjorn Ove Skjeie	80,000	80,000	80,000	—	—	—
Johan Fredrik Odjell	400,000	400,000	400,000	—	—	—
Lau Ping Sum	450,000	450,000	450,000	—	—	—
Sitoh Yih Pin	400,000	400,000	400,000	—	—	—

\* 40,000 of the total ordinary shares are in United Overseas Bank Nominee Account under the Central Provident Fund share investment scheme.

Name of director	As at 1.1.2003	As at 31.12.2003	As at 21.1.2004
<b>Related Corporations</b>			
<b>Nera Electronics Ltd</b>			
<b>Ordinary shares of \$0.05 each</b>			
Ang Seong Kang Samuel	5,290,000	5,290,000	5,290,000
S Chandra Das	1,500,000	1,500,000	1,500,000
Sverre Ording Fjeld	500,000	250,000	250,000
<b>Nera Infocom (M) Sdn Bhd</b>			
<b>Ordinary shares of RM 1 each</b>			
Ang Seong Kang Samuel	1	1	1
<b>Nera (Philippines), Inc.</b>			
<b>Ordinary shares of Peso 100 each</b>			
Ang Seong Kang Samuel	1	1	1
<b>P.T. Nera Indonesia</b>			
<b>Ordinary shares of US\$2,000 each</b>			
Ang Seong Kang Samuel	1	1	1
<b>Nera Telecommunications (Taiwan) Co., Ltd.</b>			
<b>Ordinary shares of NT\$10 each</b>			
Ang Seong Kang Samuel	1	1	1
<b>Nera Telecommunications (India) Pvt Ltd</b>			
<b>Ordinary shares of 10 Rupees each</b>			
Ang Seong Kang Samuel	—	5,000	5,000

Except as disclosed above, no other director had an interest in the shares or debentures of the Company or related corporations, either at the beginning or end of the financial year and on 21 January 2004.

# REPORT OF THE DIRECTORS

## Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## Share options

The Employees' Share Option Scheme (the "Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 26 April 2002 to enable the eligible directors and executives employed by the Group to participate in the equity of the Company.

The Scheme is administered by a compensation committee comprising independent and non-executive directors as follows:

- (i) S Chandra Das
- (ii) Bjorn Ove Skjeie
- (iii) Sitoh Yih Pin

The Scheme shall continue to be in force at the discretion of the Committee.

The options granted by the Company to directors holding office at the end of the financial year to subscribe for ordinary shares of \$0.05 each at the respective exercisable price were as follows:

	Exercisable price \$	Options granted during the financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised/ cancelled since commencement of Scheme to end of financial year	Aggregate options outstanding as at end of financial year	Exercisable period
S Chandra Das	0.625	–	150,000	–	150,000	1.3.2004 to 28.2.2007
	0.22	150,000	150,000	–	150,000	21.4.2005 to 20.3.2008
Lau Ping Sum	0.625	–	100,000	–	100,000	1.3.2004 to 28.2.2007
	0.22	100,000	100,000	–	100,000	21.4.2005 to 20.3.2008
Sitoh Yih Pin	0.625	–	100,000	–	100,000	1.3.2004 to 28.2.2007
	0.22	100,000	100,000	–	100,000	21.4.2005 to 20.3.2008
Ang Seong Kang	0.625	–	200,000	–	200,000	1.3.2004 to 28.2.2012
Samuel	0.22	200,000	200,000	–	200,000	21.4.2005 to 20.3.2013



# REPORT OF THE DIRECTORS

## Share options (cont'd)

The options granted by the Company to employees of the Company, its subsidiaries and associate under the Scheme to subscribe for ordinary shares of \$0.05 each at the respective exercisable price were as follows :-

	Exercisable price \$	Options granted during the financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised/ cancelled since commencement of Scheme to end of financial year	Aggregate options outstanding as at end of financial year	Exercisable period
Employees of the Company	0.625	–	739,000	–	739,000	1.3.2004 to 28.2.2012
	0.22	876,000	876,000	(6,000)	870,000	21.4.2005 to 20.3.2013
Employees of the subsidiaries	0.625	–	818,000	(26,000)	792,000	1.3.2004 to 28.2.2012
	0.22	405,000	405,000	(13,000)	392,000	21.4.2005 to 20.3.2013
Employees of an associate	0.625	–	158,000	–	158,000	1.3.2004 to 28.2.2007
	0.22	176,000	176,000	–	176,000	21.4.2005 to 20.3.2008

Except for the above, no options have been granted to controlling shareholders of the Company, their associates or employees of related corporations and no employees have received 5% or more of the total options available under the Scheme.

During the financial year, no shares of the Company were issued by virtue of the exercise of options to take up unissued shares of the Company.

The options granted by the Company do not entitle the holders of options, by virtue of such holdings, to any right to participate in any share issue of any other corporation.

Options granted during the financial year were offered at a discount of 10% based on the average of the last dealt prices of the Company's shares as shown in the daily financial news published by the SGX-ST for the three consecutive market days immediately preceding the date of grant.

# REPORT OF THE DIRECTORS

## **Audit Committee**

The Audit Committee comprises three board members, all of whom are non-executive and independent. The members of the Audit Committee during the financial year and at the date of this report are:

Lau Ping Sum (Chairman)  
Sitoh Yih Pin  
Sverre Ording Fjeld

The Board of Directors supports the developments to improve corporate governance and confirms compliance with the Singapore Exchange's Best Practices Guide relating to Audit Committees.

The Audit Committee held four meetings since the last directors' report and performed the functions specified in the Companies Act. The Audit Committee may examine whatever aspect it deems appropriate of the Group's financial affairs, its internal and external audits and its exposures to risks of a regulatory or legal nature. It reviews the effectiveness of the Company's and the Group's system of accounting and internal financial controls, for which the directors are responsible. It also reviews the Company's program to monitor compliance with its legal, regulatory and contractual obligations.

In performing its functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. The Audit Committee met with the external auditors to discuss the results of their audits and their evaluation of the Company and the Group's systems of accounting internal controls. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2003 as well as the external auditors' report thereon.

The Audit Committee has full access to and co-operation by the Company's management and has full discretion to invite any director or executive officer to attend its meetings. The Executive Director attends meetings of the Audit Committee. The auditors have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources to enable it to discharge its functions properly.

In addition, the Audit Committee reviewed interested person transactions for the financial year ended 31 December 2003 conducted pursuant to the shareholders' mandate obtained in accordance with Chapter 9A of the Singapore Exchange's Listing Manual to satisfy itself that the transactions are on normal commercial terms.

The Audit Committee recommends to the Board of Directors the nomination of Ernst & Young as external auditors at the forthcoming Annual General Meeting of the Company.

## **Auditors**

Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors:

**S Chandra Das**  
Director

**Ang Seong Kang Samuel**  
Director

Singapore  
4 March 2004

# STATEMENT BY THE DIRECTORS

We, S Chandra Das and Ang Seong Kang Samuel, being two of the directors of Nera Telecommunications Ltd, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereto set out on pages 41 to 73 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; and
- (ii) 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.

On behalf of the Board of Directors:

**S Chandra Das**

Director

**Ang Seong Kang Samuel**

Director

Singapore

4 March 2004

# AUDITORS' REPORT

to the Members of Nera Telecommunications Ltd

We have audited the accompanying financial statements of Nera Telecommunications Ltd (the "Company") and its subsidiaries (the Group) set out on pages 41 to 73. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and where they are required by the laws of the country of incorporation, the auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 4 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore, did not include any comment made under Section 207(3) of the Act.

## **ERNST & YOUNG**

Certified Public Accountants

Singapore

4 March 2004



# BALANCE SHEETS

as at 31 December 2003

		Group	Company		
	Note	2003	2002	2003	2002
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>					
Fixed assets	3	8,378	8,885	4,544	4,982
Investments in subsidiaries	4	–	–	9,580	8,413
Investments in associates	5	3,147	3,149	199	199
Deferred tax assets	26	1,595	2,192	784	1,011
<b>Current assets</b>					
Stocks	6	15,174	25,303	1,389	5,738
Contracts-work-in-progress	7	11,139	12,603	11,139	12,603
Trade debtors	8	23,413	19,358	10,003	8,142
Other debtors, deposits and prepayments	9	2,034	2,315	317	328
Amounts due from subsidiaries					
- trade		–	–	2,645	2,268
- non-trade	10	–	–	4,953	2,407
Amount due from associates					
- trade	10	2,995	3,269	2,992	3,261
- non-trade	10	12,555	13,743	12,608	13,743
Amount due from related companies (trade)		7,620	901	3,840	1
Fixed deposits	11	26,000	32,086	26,000	16,776
Cash and bank balances		39,711	16,016	10,329	8,155
		140,641	125,594	86,215	73,422
<b>Current liabilities</b>					
Trade creditors		27,704	29,102	19,365	20,329
Other creditors and accruals	12	12,767	9,574	7,484	5,271
Amounts due to subsidiaries					
- trade		–	–	808	347
- non-trade	10	–	–	–	42
Amounts due to an associate (trade)		150	378	–	–
Amounts due to related companies (trade)		12,668	8,984	11,682	8,602
Provision for taxation		3,119	4,720	2,321	2,341
Provision for warranty	13	3,033	3,997	1,588	1,830
Lease obligations, current portion	14	359	647	–	–
		59,800	57,402	43,248	38,762
<b>Net current assets</b>		80,841	68,192	42,967	34,660
<b>Non-current liability</b>					
Lease obligations, non-current portion	14	56	415	–	–
		93,905	82,003	58,074	49,265
<b>Equity</b>					
Share capital	15	18,000	18,000	18,000	18,000
Share premium	16	11,383	11,383	11,383	11,383
Capital reserves		4,951	4,951	–	–
Accumulated profits	17	49,121	38,097	28,691	19,882
Translation reserve		(1,055)	(1,053)	–	–
		82,400	71,378	58,074	49,265
Minority interest		11,505	10,625	–	–
		93,905	82,003	58,074	49,265

The accounting policies and explanatory notes on pages 45 to 73 form an integral part of the financial statements.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 S\$'000	2002 S\$'000
<b>Turnover</b>	18	167,570	166,646
Cost of sales		(127,907)	(125,514)
<b>Gross profit</b>		39,663	41,132
Other operating income	19	450	683
Distribution and selling expenses		(15,892)	(17,372)
Administrative expenses	20	(6,956)	(6,296)
Other operating expenses		(1,656)	(771)
<b>Profit from operating activities</b>		15,609	17,376
Financial income	23	1,662	1,181
Financial expenses	24	(238)	(222)
Exceptional items, net	25	1,500	9,535
		18,533	27,870
Share of profits/(losses) of associates		6	(1,064)
<b>Profit before tax</b>		18,539	26,806
Tax	26	(4,114)	(4,634)
<b>Profit after tax</b>		14,425	22,172
Minority interests		(1,295)	(924)
<b>Profit attributable to shareholders</b>		13,130	21,248
<b>Basic and fully diluted earnings per share (cents)</b>	27	3.65	5.90

The accounting policies and explanatory notes on pages 45 to 73 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2003

	Note	2003 S\$'000	2002 S\$'000
<b>Issued capital</b>			
Balance at beginning and end of year	15	18,000	18,000
<b>Share premium</b>			
Balance at beginning and end of year	16	11,383	11,383
<b>Translation reserve</b>			
Balance at beginning of year		(1,053)	(591)
Currency translation differences		(2)	(462)
Balance at end of year		(1,055)	(1,053)
<b>Accumulated profits</b>			
Balance at beginning of year, as previously reported		38,097	27,845
Effect of change in accounting policy		–	1,640
Balance at beginning of year, as restated		38,097	29,485
Net profit for the year		13,130	21,248
Dividends paid	28	(2,106)	(12,636)
Balance at end of year		49,121	38,097
<b>Capital reserves</b>			
Arising from dilution of interest in a subsidiary, representing balance at end of year		4,951	4,951
<b>Total equity</b>		<b>82,400</b>	<b>71,378</b>

The accounting policies and explanatory notes on pages 45 to 73 form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2003

	2003	2002
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	18,539	26,806
Adjustments for :		
Impairment loss on investment in an associate	–	3,819
Impairment loss on goodwill arising from acquisition of an associate	–	1,900
Gain on partial disposal of a subsidiary	–	(15,254)
Gain on sale of investment in an associate	(1,500)	–
Depreciation of fixed assets	3,008	2,982
Gain on disposal of fixed assets	(14)	(1)
Provision for stock obsolescence	1,125	1,637
Write-back of provision for stock obsolescence	(1,506)	–
Provision for doubtful trade debts	1,116	1,583
Write-back of provision for doubtful trade debts	(1,390)	(79)
Provision for warranty	3,601	4,487
Write-back of provision for warranty	(4,000)	(3,740)
Interest expense	55	66
Interest income	(1,662)	(1,181)
Share of (profit)/losses of associates	(6)	1,064
<b>Operating profit before working capital changes</b>	17,366	24,089
Decrease/(increase) in :		
Stocks	10,510	(4,324)
Contracts-work-in-progress	1,464	3,559
Trade debtors	(3,781)	2,251
Other debtors, deposits and prepayments	301	188
Changes in subsidiaries, associates and related company balances	(1,801)	(4,821)
(Decrease)/increase in :		
Trade creditors	(1,398)	6,381
Other creditors and accruals	3,193	(8,876)
Provision for warranty	(565)	(985)
<b>Cash generated from operations</b>	25,289	17,462
Income tax paid	(5,118)	(6,229)
Interest paid	(55)	(66)
<b>Net cash flows from operating activities</b>	20,116	11,167
<b>Cash flows from investing activities</b>		
Increase in fixed deposits	(4,000)	–
Proceeds from disposal of fixed assets	14	1
Purchase of fixed assets	(2,521)	(912)
Interest received	1,662	1,181
Proceed from disposal of investment in an associate	1,500	–
Proceeds from partial disposal of a subsidiary	–	20,549
Proceeds from issue of shares of a subsidiary, net	–	9,352
<b>Net cash (used in)/generated from investing activities</b>	(3,345)	30,171
<b>Cash flows from financing activities</b>		
Repayment of lease obligations	(647)	(647)
Payment of dividends to shareholders	(2,515)	(12,636)
<b>Net cash used in financing activities</b>	(3,162)	(13,283)
<b>Net increase in cash and cash equivalents</b>	13,609	28,055
Effect of exchange rate changes	–	(327)
Cash and cash equivalents at beginning of year	48,102	20,374
Cash and cash equivalents at end of year (Note 29)	61,711	48,102

The accounting policies and explanatory notes on pages 45 to 73 form an integral part of the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 1. Corporate information

The Company is a limited liability company incorporated and domiciled in Singapore. The ultimate holding company is Nera ASA, incorporated in Norway.

The registered office of the Company is 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315. The address of the Company's principal place of business is 109 Defu Lane 10, Singapore 539225.

The principal activities of the Company are to engage in the sale, distribution, design, engineering, servicing, installation and maintenance of telecommunication systems and products in transmission networks and satellite communications and information technology networks. The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

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

The Group and Company employed 402 and 131 (2002 : 387 and 128) employees respectively as at 31 December 2003.

## 2. Summary of significant accounting policies

### (a) *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by Companies Act. In previous years the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Singapore Dollars (SGD or \$).

### (b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after the elimination of all material intercompany transactions, balances and unrealised profit or loss on intercompany transactions. The equity and net profit attributable to minority shareholders are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date in which control is transferred out of the Group. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Assets, liabilities and results of foreign subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (g) below.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (c) **Subsidiaries**

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

### (d) **Associates**

An associate is an entity, not being a subsidiary, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associates are accounted for using the equity method. The Group's investments in associates include goodwill (net of accumulated amortisation) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

The Group's share of the results of associates is included in the consolidated profit and loss account. Where the audited financial statements are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. In the Company's separate financial statements, investments in associates are stated at cost less any impairment loss.

### (e) **Related parties/related companies**

Related parties refer to the directors and key management personnel of the Company.

Related companies in these financial statements refer to the Nera ASA group of companies.

### (f) **Foreign currencies translation**

Transactions in foreign currencies during the year are recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency denominated monetary assets and liabilities at balance sheet date are translated into the respective measurement currencies at exchange rates ruling at balance sheet date or at contracted short-term forward contract rates where they are covered by forward exchange contracts. All resultant exchange differences are recognised in the profit and loss account.

### (g) **Translation of foreign currency denominated financial statements**

Assets and liabilities of the foreign entities are translated into Singapore dollars at exchange rates ruling at balance sheet date. The results of the foreign subsidiaries are translated into Singapore dollars at average exchange rates for the year. Foreign currency translation adjustments arising on consolidation are accumulated in translation reserve as a separate component of equity.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (h) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and any impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures incurred for repairs and maintenance are normally charged to the profit and loss account in the period in which the costs are incurred.

### (i) **Depreciation**

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

Leasehold land and building	- 18 years
Leasehold improvements	- 10 years
Plant and other equipment	- 5 to 7 years
Furniture and fittings	- 5 to 10 years
Motor vehicles	- 5 years
Equipment held for leasing	- 3 to 7 years

### (j) **Goodwill**

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary or associate at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of 5 years. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

### (k) **Cash and cash equivalents**

Cash consists of cash on hand and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### (l) **Trade and other receivables**

Trade debtors, which generally have 30 to 90 day credit terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from subsidiary, associates and related companies are recognised and carried at cost less an allowance for any uncollectible amounts.

### (m) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Costs are primarily determined using the weighted average method and include all costs in bringing the stocks to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

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.

Provision is made where necessary for obsolete, slow-moving and defective stocks.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (n) **Contract work-in-progress**

Contract work-in-progress is stated at the aggregate of contract costs incurred to date plus profit recognised based on the value of work completed less progress billings and provisions for foreseeable losses.

Cost includes both variable and fixed costs directly related to specific contracts and those which can be attributed to contract activity in general and which can be allocated to specific contracts. Also included are any costs expected to be incurred under penalty clauses and rectification provisions.

The percentage of completion is measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where it is probable that a loss will arise on completion of contracts entered into at the balance sheet date, the excess of total estimated costs over expected revenue is recognised as an expense immediately.

### (o) **Trade and other payables**

Liabilities for trade and other amounts payable which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to subsidiaries, holding and related companies are carried at cost.

### (p) **Impairment of assets**

Fixed assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the profit and loss account. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

### (q) **Provision for warranty**

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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The warranty provision represents the management's estimate of the Group's liability to repair or replace products under warranty at the balance sheet date. The provision is calculated based on past experience of the level of warranty claims and costs incurred for after sales services.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (r) **Leases**

#### (i) *Finance lease*

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the lease item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

#### (ii) *Operating lease*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### (s) **Employee benefits**

#### *Defined contribution plan*

As required by law, the Company makes contribution to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### *Employee share incentive plan*

The Company also has an employee share incentive plan for the granting of non-transferable options. No compensation cost is recognised upon granting or exercise of the options. When the options are exercised, the proceeds received net of any transaction cost are credited to share capital and share premium as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (t) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### (i) **Sale of goods**

Revenue is recognised upon the passing of title to the customer, which generally coincides with their delivery and acceptance of the goods sold.

#### (ii) **Rendering of services**

Revenue is recognised on an individual contract basis by reference to the stage of completion. Stage of completion is measured by reference to the cost incurred to date as a percentage of total estimated cost for each contract.

#### (iii) **Dividend income**

Revenue is recognised when dividends are declared payable.

#### (iv) **Interest income**

Revenue is recognised on an accrual basis unless collectibility is in doubt.

### (u) **Income taxes**

Deferred income tax is provided, using the liability method, on all 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 assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 2. Summary of significant accounting policies (cont'd)

### (v) *Financial instruments*

The Group uses derivative instruments, including foreign currency forward exchange contracts, to hedge its exposure to foreign exchange risk arising from operational activities. In accordance with Group policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis to the underlying assets or liabilities. Any profit or loss arising from the derivative financial instrument is recognised on the same basis as that arising from the related assets or liabilities.

### (w) *Segments*

For management purposes, the Group is organised on a world-wide basis into three major operating businesses (divisions). The divisions are the basis on which the Group reports its primary segment information. Segment revenue, expenses and results include transfers between business segments and between geographical segments.

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.

## 3. Fixed assets

Group	Leasehold land and building	Leasehold improvements	Plant and other equipment	Furniture and fittings	Motor vehicles	Equipment held for leasing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>							
At beginning of year	5,150	1,978	12,400	1,116	1,997	2,992	25,633
Additions	–	82	1,127	87	148	1,077	2,521
Disposals	–	–	–	–	(302)	–	(302)
Currency alignment	–	(15)	(27)	(3)	(2)	–	(47)
At end of year	5,150	2,045	13,500	1,200	1,841	4,069	27,805
<b>Accumulated depreciation</b>							
At beginning of year	2,217	1,512	9,117	706	1,341	1,855	16,748
Additions	286	119	1,192	98	340	973	3,008
Disposals	–	–	–	–	(302)	–	(302)
Currency alignment	–	(10)	(16)	–	(1)	–	(27)
At end of year	2,503	1,621	10,293	804	1,378	2,828	19,427
Charge for 2002	286	210	1,103	103	310	970	2,982
<b>Net book value</b>							
As at 31 December 2003	2,647	424	3,207	396	463	1,241	8,378
As at 31 December 2002	2,933	466	3,283	410	656	1,137	8,885

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 3. Fixed assets (cont'd)

Company	Leasehold land and building \$'000	Leasehold improvements \$'000	Plant and other equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Equipment held for leasing \$'000	Total \$'000
Cost							
At beginning of year	5,150	730	627	409	1,599	2,990	11,505
Additions	–	4	5	25	86	1,113	1,233
Transfers	–	–	–	–	36	(36)	–
Disposals	–	–	–	–	(282)	–	(282)
At end of year	5,150	734	632	434	1,439	4,067	12,456
Accumulated depreciation							
At beginning of year	2,217	528	526	223	1,176	1,853	6,523
Additions	286	74	26	43	244	998	1,671
Transfers	–	–	–	–	25	(25)	–
Disposals	–	–	–	–	(282)	–	(282)
At end of year	2,503	602	552	266	1,163	2,826	7,912
Charge for 2002	286	73	35	41	238	969	1,642
Net book value							
As at 31 December 2003	2,647	132	80	168	276	1,241	4,544
As at 31 December 2002	2,933	202	101	186	423	1,137	4,982

As at 31 December 2003, the leasehold land and building of the Group and the Company consists of the following:

Location	Purpose	Approximate land area	Approximate gross floor area	Tenure of lease
109 Defu Lane 10, Singapore 539225	Office, workshop cum warehouse	3,875 sq. metre	3,246 sq. metre	30 years expiring 20 September 2012 with option for a further term of 30 years

Plant and other equipment and motor vehicles of the Group with net book values of approximately \$1,062,000 and \$105,000 (2002 : \$1,490,000 and \$141,000) respectively, were acquired under finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 4. Investments in subsidiaries

### *Subsidiaries comprise :*

	Company	
	2003	2002
	S\$'000	S\$'000
Unquoted shares, at cost :-		
At beginning of year	3,220	10,220
Addition during the year	1,159	–
Disposal during the year	–	(1,744)
Reclassification*	–	(5,256)
	4,379	3,220
Quoted shares, at cost :-		
At beginning of year	5,256	–
Reclassification*	–	5,256
Addition during the year	8	–
At end of year	5,264	5,256
	9,643	8,476
Impairment loss	(63)	(63)
Carrying amount after impairment loss	9,580	8,413

- \* On 25 July 2002, the subsidiary, Nera Electronics Ltd was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX – ST"). Accordingly, investment in subsidiary has been reclassified from an unquoted to a quoted investment.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 4. Investments in subsidiaries (cont'd)

The Company had the following subsidiaries as at 31 December :

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2003	2002	2003	2002
			%	%	\$'000	\$'000
Nera Infocom Pte Ltd§	Dormant	Singapore	100	100	^	^
Nera Electronics Ltd§	To provide electronics contract manufacturing services of printed circuit boards assemblies, microwave, radios and complete products	Singapore	68.27	68.25	5,264	5,256
Nera (Thailand) Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Thailand	100	100	975	975
Nera (Philippines), Inc.*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and 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
Nera Telecommunications (Taiwan) Co., Ltd*	Sales and distribution, design, engineering, servicing, installation and maintenance of transmission networks and satellite communications and information technology networks	Taiwan	100	100	545	545

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 4. Investments in subsidiaries (cont'd)

Name of Company	Principal activity	Country of incorporation and place of business	Percentage of equity interest		Cost of investment	
			2003	2002	2003	2002
			%	%	\$'000	\$'000
P.T. Nera Indonesia#ø	Sales and distribution, design, engineering, servicing, installation and maintenance of satellite communications and information technology networks	Indonesia	100	100	347	347
Nera Telecom- munications (Australia) Pty Ltd##ø	Sales and distribution, design, engineering, servicing, installation and maintenance of satellite communications and information technology networks	Australia	100	—	589	—
Nera Telecom- munications (India) Pvt Ltd+ø	Sales and distribution, design, engineering, servicing, installation and maintenance of satellite communications and information technology networks	India	100	—	570	—
					<u>9,643</u>	<u>8,476</u>

### Held by subsidiary

Nera Electronics Inc. @**	Marketing of electronics manufacturing services	United States of America	100	100
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§ Audited by Ernst & Young Singapore

\* Audited by associated firms of Ernst & Young Singapore

# Audited by Drs. Johan, Malonda & Rekan, Indonesia

## Audited by Nexia Court & Co, Australia.

+ Audited by Lovelock & Lewes, Chennai.

@ Not required by laws of the country of incorporation to present audited financial statements for the financial year ended 31 December 2003.

ø The subsidiaries are not considered to be significant subsidiaries of the Group as contribution from these subsidiaries is not material.

\*\* The subsidiary has not commenced operations as at 31 December 2003

^ Amounts less than \$1,000

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 5. Investments in associates

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Unquoted equity shares, at cost :-				
At beginning of year	8,199	8,199	8,199	8,199
Disposal during the year	(8,000)	–	(8,000)	–
At end of year	199	8,199	199	8,199
Goodwill amortisation and impairment	–	(2,036)	–	–
	199	6,163	199	8,199
Share of post-acquisition:-				
Accumulated profits	3,610	1,432	–	–
Translation reserve	(662)	(627)	–	–
	3,147	6,968	199	8,199
Impairment loss (Note 25)	–	(3,819)	–	(8,000)
	3,147	3,149	199	199

Movements in goodwill amortisation and impairment during the financial year were as follows:

	Group	
	2003	2002
	S\$'000	S\$'000
At beginning of year	2,036	136
Impairment loss (Note 25)	–	1,900
Disposal during the year	(2,036)	–
At end of year	–	2,036

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 5. Investments in associates (cont'd)

As at 31 December, the Group had the following associates:

Name of Company	Principal activity	Country of incorporation and place of business	Effective equity interest held by the Group	
			2003	2002
			%	%
Nera (Malaysia) Sdn Bhd*	Sale, installation and maintenance of telecommunications equipment	Malaysia	30	30
TVMobile Pte Ltd#	Operation and maintenance of a digital mobile television network and channel	Singapore	-	20

\* Audited by Ernst & Young Malaysia

# Audited by Ernst & Young Singapore

## 6. Stocks

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Raw materials, at net realisable value	5,981	7,161	-	-
Work-in-progress, at cost	4,650	4,896	-	-
Finished goods, at cost	2,302	2,600	-	-
Finished goods, at net realisable value	2,241	10,646	1,389	5,738
	15,174	25,303	1,389	5,738
Raw materials and finished goods are stated after deducting provision for stock obsolescence of	3,249	4,877	751	1,450

Movements in provision for stock obsolescence during the financial year were as follows:

At beginning of year	4,877	3,997	1,450	1,063
Provision for the year	1,125	1,637	540	666
Write-back of provision	(1,506)	-	(776)	-
Written off against provision	(1,249)	(735)	(463)	(279)
Currency realignment	2	(22)	-	-
At end of year	3,249	4,877	751	1,450

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 7. Contracts work-in-progress

	Group and Company	
	2003	2002
	S\$'000	S\$'000
	(Note 34)	
Contracts work in progress comprise:-		
Cost incurred	105,597	88,411
Profits recognised to date	9,477	6,174
	115,074	94,585
Progress billings	(103,935)	(81,982)
	11,139	12,603

## 8. Trade debtors

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Trade debtors	25,748	21,780	11,641	9,755
Less : provision for doubtful debts	(2,335)	(2,422)	(1,638)	(1,613)
	23,413	19,358	10,003	8,142

Included in trade debtors balances are retention amounts of \$101,000 (2002 : \$48,000).

Movements in provision for doubtful debts during the financial year were as follows :-

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
At beginning of year	2,422	3,242	1,613	2,177
Provision for the year	1,116	940	508	146
Reclassified from amount due from associates due to disposal of an associate	643	-	643	-
Write-back of provision	(1,390)	(79)	(735)	-
Written off against provision	(451)	(1,672)	(391)	(710)
Currency realignment	(5)	(9)	-	-
At end of year	2,335	2,422	1,638	1,613



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 9. Other debtors, deposits and prepayments

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Prepayments	66	56	29	38
Deposits	132	390	63	40
Advances to suppliers	155	222	77	186
Staff advances	58	389	43	37
Other debtors	666	1,258	105	27
Custom duty recoverable from a customer	957	–	–	–
	<u>2,034</u>	<u>2,315</u>	<u>317</u>	<u>328</u>

## 10. Amount due from associates (trade and non-trade)/Amount due from (to) subsidiaries (non-trade)

The trade balance due from associates is stated after deducting provision for doubtful debts of nil (2002 : \$643,000).

The non-trade balances are unsecured and repayable within the next twelve months. The balance due from subsidiaries bears interest at 4.25% to 10.5% (2002 : 6.4%) per annum. The balance due from associate of \$12,555,000 bears interest at 5% (2002 : 6.4%) per annum.

Movement in provision for trade amount due from associates during the financial year was as follows :-

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
At beginning of year	643	643	643	643
Reclassified to trade debtors due to disposal of an associate	(643)	–	(643)	–
At end of year	<u>–</u>	<u>643</u>	<u>–</u>	<u>643</u>

## 11. Fixed deposits

Included in fixed deposits of the Group and the Company as at year end is fixed deposits with maturity term of more than 3 months from the date of deposit amounts to \$4,000,000 (2002: Nil). The remaining fixed deposits of the Group and the Company of \$22,000,000 (2002: \$32,086,000 and \$16,776,000 respectively) have maturity terms of between 1 to 3 months (2002: 0 to 1 months).

Fixed deposits of the Group and the Company earned interest at 0.31% to 0.62% (2002: 0.25% to 1.30%) p.a. during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 12. Other creditors and accruals

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Accrued payroll expenses	4,416	4,630	3,215	3,055
Accrued contract and material cost	3,888	1,329	2,516	851
Other accrued operating expenses	2,769	1,260	746	756
Customer advances	1,277	941	740	609
Other creditors	417	1,414	267	–
	<b>12,767</b>	<b>9,574</b>	<b>7,484</b>	<b>5,271</b>

## 13. Provision for warranty

Movements in provision for warranty during the financial year were as follows:

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
At beginning of year	3,997	4,235	1,830	1,527
Provision for the year	3,601	4,487	1,886	1,872
Write-back of provision	(4,000)	(3,740)	(1,777)	(1,372)
Utilised during the year	(574)	(954)	(351)	(197)
Currency realignment	9	(31)	–	–
	<b>3,033</b>	<b>3,997</b>	<b>1,588</b>	<b>1,830</b>

The warranty provision relates to goods and services sold in the past 18 months. The majority of the warranty cost is expected to be incurred in the next financial year, with all costs expected to be incurred within 2 years of the balance sheet date.

## 14. Lease obligations

### Group

	2003			2002		
	Minimum lease payments	Interest	Present value of payments	Minimum lease payments	Interest	Present value of payments
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Between 2 to 5 years	66	(10)	56	455	(40)	415
Not later than 1 year	388	(29)	359	698	(51)	647
Total	<b>454</b>	<b>(39)</b>	<b>415</b>	<b>1,153</b>	<b>(91)</b>	<b>1,062</b>

Lease terms range from 3 to 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rate implicit in the leases is 5% (2002 : 5%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 15. Share capital

	Group and Company	
	2003	2002
	S\$'000	S\$'000
Authorised :-		
800,000,000 (2002 : 800,000,000) ordinary shares of \$0.05 each	40,000	40,000
Issued and fully paid :-		
360,000,000 (2001 : 360,000,000) ordinary shares of \$0.05 each	18,000	18,000

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.

## 16. Share premium

The share premium may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

## 17. Accumulated profits

Movements in accumulated profits for the Group are disclosed in consolidated statement of changes in equity. Movements in accumulated profits for the Company are set out below :-

	2003	2002
	S\$'000	S\$'000
Balance at beginning of year, as previously reported	19,882	12,657
Effect of change in accounting policy	–	427
Balance at beginning of year, as restated	19,882	13,084
Net profit for the year	10,915	19,434
Dividends paid (Note 28)	(2,106)	(12,636)
Balance at end of year	28,691	19,882

## 18. Turnover

	Group	
	2003	2002
	S\$'000	S\$'000
Sales of goods	151,011	147,890
Services rendered	16,559	18,756
	167,570	166,646

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. Other operating income

	Group	
	2003	2002
	S\$'000	S\$'000
Commission income	133	158
Gain on disposal of fixed assets	14	1
Foreign exchange gain, net	260	492
Bad trade debts recovered	–	20
Sales of scrap	21	12
EDB grant	22	–
	<u>450</u>	<u>683</u>

## 20. Administrative expenses

Administrative expenses include :

	Group	
	2003	2002
	S\$'000	S\$'000
Auditors' remuneration :-		
Auditors of the Company	90	90
Other auditors	45	38
Non-audit fees to auditors of the Company	<u>21</u>	<u>25</u>

## 21. Personnel expenses and employee benefit

	Group	
	2003	2002
	S\$'000	S\$'000
Wages, salaries and bonuses	12,962	12,261
Contribution to Central Provident Fund	1,610	1,641
Other social benefits	<u>622</u>	<u>439</u>
	<u>15,194</u>	<u>14,341</u>

Personnel expenses include directors and executive officers' remuneration as shown in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 21. Personnel expenses and employee benefit (cont'd)

The share options granted to the executive officers of the Group under the Employees' Share Option Scheme to subscribe for the Company's ordinary shares of \$0.05 each at the respective exercisable price were as follows:-

Exercise price \$	Exercisable period	Aggregate options granted and outstanding as at year end	
		2003	2002
		'000	'000
0.625	1.3.2004 to 28.2.2012	798	798
0.220	21.4.2005 to 20.3.2013	637	-
		<u>1,435</u>	<u>798</u>

## 22. Directors' remuneration

The number of directors of the Company whose remunerations fall within the following bands:

	2003	2002
\$500,000 and above	1	1
\$250,000 to \$499,999	-	-
Below \$250,000	7	7
	<u>8</u>	<u>8</u>

## 23. Financial income

	Group	
	2003	2002
	S\$'000	S\$'000
Interest income from :-		
Bank deposits	365	534
An associate	1,032	621
A related company	265	-
Customers	-	26
	<u>1,662</u>	<u>1,181</u>



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 24. Financial expenses

	Group	
	2003	2002
	S\$'000	S\$'000
Interest expense for :-		
Short term loan	(4)	(6)
Lease expense	(51)	(60)
Bank charges	(183)	(156)
	<u>(238)</u>	<u>(222)</u>

## 25. Exceptional items, net

	Group	
	2003	2002
	S\$'000	S\$'000
Impairment loss on investment in an associate	–	(3,819)
Impairment loss of goodwill arising from acquisition of an associate	–	(1,900)
Gain on partial disposal of a subsidiary	–	15,254
Gain on disposal of an associate	1,500	–
	<u>1,500</u>	<u>9,535</u>

## 26. Tax

Major components of income tax expense for the year ended 31 December were:

	Group	
	2003	2002
	S\$'000	S\$'000
Current tax :-		
Current year	3,400	4,555
Foreign tax	110	477
Share of tax in associate	–	57
Over provision in respect of prior years	(77)	(54)
Deferred tax :-		
Current year	719	(523)
Under recognition of deferred tax assets in prior year	(38)	–
Effect on prior years due to change in tax rate	–	122
	<u>4,114</u>	<u>4,634</u>

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 26. Tax (cont'd)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December is as follows :

	Group	
	2003	2002
	S\$'000	S\$'000
Accounting profit	18,539	26,806
Tax at 22% (2002 : 22%)	4,079	5,897
Tax effect on expenses that are not deductible in determining taxable profit	415	1,725
Tax effect on income of capital nature that is not subject to income tax	(330)	(3,356)
Double tax deduction	(20)	(12)
Tax exemption	(23)	(23)
Additional tax on foreign income	23	35
Over provision in respect of prior years	(115)	(54)
Difference in tax rates applicable to subsidiaries and associates	85	129
Tax effect of reduction in tax rates	—	122
Deferred tax assets not recognised by subsidiaries	—	168
Others	—	3
	4,114	4,634

### **Deferred income taxes and liabilities**

Deferred tax as at 31 December related to the following:

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liability :-				
Excess of tax over				
book depreciation of fixed assets	(618)	(618)	(358)	(370)
Deferred tax assets :-				
General provisions	2,213	2,810	1,142	1,381
Net deferred tax assets	1,595	2,192	784	1,011

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 27. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended 31 December :

	Group	
	2003	2002
	S\$'000	S\$'000
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	13,130	21,248
Weighted average number of ordinary shares on issued applicable to basic earnings per share	360,000,000	360,000,000
Effect of dilutive share options	696,518	–
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	360,696,518	360,000,000

There have been no transactions involving ordinary shares or potential ordinary shares since the end of the financial year.

## 28. Dividends

	Group and Company	
	2003	2002
	S\$'000	S\$'000
A final dividend paid in respect of the previous financial year of 0.75 cents (2002 : 0.5 cents) per share less tax at 22% (2002 : 22%)	2,106	1,404
A special dividend paid in respect of the current financial year of Nil (2002 : 4.0 cents) per share less tax at 22%	–	11,232
	2,106	12,636

The directors proposed a final dividend of 0.875 cents (2002 : 0.75 cents) per share less tax at 20% (2002 : 22%) amounting to \$2,520,000 (2002 : \$2,106,000) and a special dividend of 2 cents (2002 : Nil) per share less tax at 20% amounting to \$5,760,000 (2002 : Nil) in respect of the year ended 31 December 2003. The proposed final and special dividends are subject to the approval by shareholders at the Annual General Meeting of the Company. The proposed dividends have not been recognised as liabilities as at year end in accordance with FRS 10, Events after the Balance Sheet Date.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. Cash and cash equivalents

	Group		Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	22,000	32,086	22,000	16,776
Cash and bank balances	39,711	16,016	10,329	8,155
	<u>61,711</u>	<u>48,102</u>	<u>32,329</u>	<u>24,931</u>

Cash and bank balances earn interest at 0.25% to 0.70% (2002 : 0.48% to 0.60%) p.a.

## 30. Commitments and contingent liabilities

### (a) Non-cancellable operating lease commitments

As at 31 December 2003, the Group has commitments under operating lease for office premises. The leases contain renewable options and do not contain escalation clauses or provide for contingent rentals. Lease terms do not contain restrictions on the activities concerning dividends, additional debt or further leasing. Operating lease expenses included in the consolidated profit and loss account during the year amount to \$1,057,000 (2002 : \$911,000).

Future minimum lease payments are as follows as at 31 December:

	2003	2002
	S\$'000	S\$'000
No later than one year	1,104	977
1 year through 5 years	2,594	2,724
Later than five years	1,001	1,625
	<u>4,699</u>	<u>5,326</u>

### (b) Foreign currency forward exchange contract commitments

As at 31 December 2003, the Group has outstanding foreign currency forward exchange contracts for hedging its trade receivables and payables and future purchase commitments denominated in Norwegian Kroner ("NOK"), Danish Kroner ("DKK") and United States Dollars ("USD"):

Forward contracts to buy or sell NOK, DKK, THB, AUD and USD	<u>9,909</u>	<u>3,466</u>
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# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 31. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties were as follows :

### Income :-

Sales to related parties	13,857	7,184
Sales to an associate	13,550	19,514

### Expenses :-

Purchase of goods from related companies	48,784	49,359
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### Directors' and executives' remuneration :-

Directors' remuneration		
- directors of the Company	945	858
- directors of the subsidiaries	503	499
Directors' fees		
- directors of the Company	215	139
- directors of the subsidiaries	65	33

Executive officers' remuneration	2,634	2,342
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# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 32. Segment information

### **Business segments**

The Group is organised on a worldwide basis into three main operating divisions, namely:

- Telecommunications
- Information technology
- Contract manufacturing

2003	Telecom- munications	Information technology	Contract manufacturing	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	78,945	37,532	51,093	–	167,570
Intercompany sales	8,553	2,332	417	(11,302)	–
Total sales	87,498	39,864	51,510	(11,302)	167,570
Gross profit	13,802	15,129	10,732		39,663
Other operating income	282	125	43		450
Distribution and selling expenses	(3,654)	(9,607)	(2,631)		(15,892)
Administrative expenses	(3,456)	(1,415)	(2,085)		(6,956)
Other operating expenses	(976)	(7)	(673)		(1,656)
Profit from operating activities	5,998	4,225	5,386		15,609
Interest expense					(55)
Interest income					1,662
Other financial expenses					(183)
Exceptional items, net					1,500
Share of losses of associates					6
Profit before tax					18,539
Tax					(4,114)
Net profit					14,425
Assets	30,313	18,138	19,766		68,217
Investment in associates					3,147
Unallocated assets					82,397
Total assets					153,761
Liabilities	26,432	9,820	837		37,089
Unallocated liabilities					22,767
Total liabilities					59,856
Capital expenditure	212	1,720	589		2,521
Depreciation and amortisation	422	1,621	965		3,008

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 32. Segment information (cont'd)

### **Business segments (cont'd)**

2002	Telecom- munications	Information technology	Contract manufacturing	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	66,883	38,839	60,924	–	166,646
Intercompany sales	6,312	1,393	5,143	(12,848)	–
Total sales	73,195	40,232	66,067	(12,848)	166,646
Gross profit	10,137	14,190	16,805		41,132
Other operating income	522	129	32		683
Distribution and selling expenses	(3,456)	(10,139)	(3,777)		(17,372)
Administrative expenses	(2,486)	(1,001)	(2,809)		(6,296)
Other operating expenses	(125)	(37)	(609)		(771)
Profit from operating activities	4,592	3,142	9,642		17,376
Interest expense					(66)
Interest income					1,181
Other financial expenses					(156)
Exceptional items, net					9,535
Share of losses of associates					(1,064)
Profit before tax					26,806
Tax					(4,634)
Net profit					22,172
Assets	28,465	17,433	22,118		68,016
Investment in associates					3,149
Unallocated assets					68,655
Total assets					139,820
Liabilities	24,437	8,914	1,982		35,333
Unallocated liabilities					22,484
Total liabilities					57,817
Capital expenditure	104	561	247		912
Depreciation and amortisation	484	1,548	950		2,982

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 32. Segment information (cont'd)

### **Geographical segments**

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

	Turnover		Assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	53,367	65,805	135,434	124,966	1,842	758
Other Asian countries	84,046	73,107	18,327	14,854	679	154
Others	41,459	40,582	–	–	–	–
Less: Inter-segment elimination	(11,302)	(12,848)	–	–	–	–
	<u>167,570</u>	<u>166,646</u>	<u>153,761</u>	<u>139,820</u>	<u>2,521</u>	<u>912</u>

## 33. Financial instruments

### **Financial risk management objectives and policies**

The main risks arising from the Company and Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Management reviews and agrees policies for managing each of these risks and they are summarised below.

#### **Foreign currency risk**

The Group uses foreign currency forward exchange contracts in managing its foreign currency risk resulting from cash flows from anticipated transactions and from payables and receivables denominated in foreign currencies, primarily the United States dollar and Norwegian Kroner. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and firm purchase and sale commitments.

As at balance sheet date, after taking into account the effects of foreign currency forward exchange contracts, the Group's currency exposures are insignificant.

#### **Interest rate risk**

The Group obtains additional financing through leasing arrangements. 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.

#### **Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 33. Financial instruments (cont'd)

### **Credit risk**

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amount of trade and other debtors, and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk. Cash is placed with reputable financial institutions.

### **Fair values**

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

#### **Cash and bank balances, short term receivables and short term payables**

The carrying amounts of these financial instruments approximate their fair values due to their short term nature.

#### **Lease obligations**

The fair values of the lease obligations are estimated based on the expected cash flows discounted to present value with reference to the current market interest rates applicable to the financial instruments. Based on the estimate, the fair values of lease obligations approximate their carrying amounts as at 31 December 2003.

#### **Foreign currency forward exchange contracts**

The fair value of foreign currency forward exchange contracts is estimated based on the difference between the applicable forward rates prevailing at the balance sheet date and the contracted forward rates, multiplied by the notional amounts.

As at 31 December 2003, the fair values of the outstanding foreign currency forward exchange contracts of the Group are as follows :-

	Notional carrying amount		Fair value	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Forward contracts to buy or sell NOK, DKK, THB, AUD and USD	9,909	3,466	281	319

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2003

## 34. Comparative figures

Prior year comparatives in Note 7 have been restated as cost incurred, profits recognised to date and progress billings for certain projects-in-progress were inadvertently omitted in previous year's disclosure.

	Group and Company	
	2002	2002
	S\$'000	S\$'000
	(As Restated)	(As Previously Report)
Contracts work-in-progress comprise :-		
Cost incurred	88,411	45,176
Profits recognised to date	6,174	4,703
	94,585	49,879
Progress billings	(81,982)	(37,276)
	12,603	12,603

## 35. Authorisation of financial statements

The financial statements for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors on 4 March 2004

# STATISTICS OF SHAREHOLDINGS

as at 8 March 2004

Authorised share capital	:	\$40,000,000
Issued and fully paid-up capital	:	\$18,000,000
Class of shares	:	Ordinary share of \$0.05 each
Voting rights	:	One vote per each share

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	6	0.09	1,000	0.00
1,000 - 10,000	4,745	73.75	25,916,000	7.20
10,001 - 1,000,000	1,664	25.86	64,422,000	17.89
1,000,001 and above	19	0.30	269,661,000	74.91
TOTAL :	6,434	100.00	360,000,000	100.00

## Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Nera ASA	180,636,000	50.18
2.	DBS Nominees Pte Ltd	18,829,000	5.23
3.	United Overseas Bank Nominees Pte Ltd	16,666,000	4.63
4.	Raffles Nominees Pte Ltd	10,896,000	3.03
5.	Oversea-Chinese Bank Nominees Pte Ltd	8,554,000	2.38
6.	Citibank Nominees Singapore Pte Ltd	5,421,400	1.51
7.	Capital Intelligence Limited	4,500,000	1.25
8.	Kim Eng Securities Pte. Ltd.	4,160,000	1.16
9.	Phillip Securities Pte Ltd	2,626,400	0.73
10.	Sitaram Chandra Das	2,500,000	0.69
11.	Ang Seong Kang Samuel	2,430,000	0.68
12.	UOB Kay Hian Pte Ltd	2,318,000	0.64
13.	OCBC Securities Private Ltd	2,279,000	0.63
14.	G K Goh Stockbrokers Pte Ltd	2,066,000	0.57
15.	DBS Vickers Securities (S) Pte Ltd	1,321,200	0.37
16.	Citibank Consumer Nominees Pte Ltd	1,151,000	0.32
17.	Yim Chee Chong	1,115,000	0.31
18.	Royal Bank of Canada Nominees Pte Ltd	1,100,000	0.31
19.	Hong Leong Finance Nominees Pte Ltd	1,092,000	0.30
20.	HL Bank Nominees (S) Pte Ltd	939,000	0.26
TOTAL :		270,600,000	75.18



# STATISTICS OF SHAREHOLDINGS

as at 8 March 2004

## Substantial Shareholders as at 8 March 2004

(As recorded in the Register of Substantial Shareholders)

	No. of shares of \$0.05 each fully paid			
	Direct Interest	%	Deemed Interest	%
Nera ASA	180,636,000	50.18	-	-

## Percentage of Shareholding in Public's Hands

48.1% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

## NERA TELECOMMUNICATIONS LTD

(Incorporated in Singapore with limited liability)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of NERA TELECOMMUNICATIONS LTD (the “**Company**”) will be held at 109 Defu Lane 10, Singapore 539225 on 20 April 2004 at 11.30 am for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2003 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final dividend of 17.5% (or 0.875 cents per ordinary share) and a special dividend of 40% (or 2 cents per ordinary share) less income tax at 20% for the year ended 31 December 2003 (2002: a total of 95% or 4.75 cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 87 of the Company’s Articles of Association:  
Mr Bjorn Ove Skjeie (Retiring under Article 87) **(Resolution 3)**  
Mr Johan Fredrik Odfjell (Retiring under Article 87) **(Resolution 4)**  
Mr Lau Ping Sum (Retiring under Article 87) **(Resolution 5)**  
*Mr Lau Ping Sum will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).*
4. To re-appoint Messrs Ernst & Young as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

6. To approve the payment of Directors’ fees of S\$140,000 for the year ended 31 December 2003 (previous year: S\$107,500) **(Resolution 7)**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities. [See Explanatory Note (i)] **(Resolution 8)**

#### 8. **Authority to allot and issue shares under the Nera Telecom Employees’ Share Option Scheme**

That pursuant to Section 161 of the Companies Act, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Nera Telecom Employees’ Share Option Scheme (the “**Scheme**”) upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time. [See Explanatory Note (ii)] **(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING

## NERA TELECOMMUNICATIONS LTD

(Incorporated in Singapore with limited liability)

### 9. Renewal of Shareholders' Mandate for Interested Person Transactions

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the letter to shareholders dated 2 April 2004 (the "**Letter**") with any party who is of the class of interested persons described in the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

[ See Explanatory Note (iii) ]

**(Resolution 10)**

### 10. Renewal of Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of S\$0.05 each fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or
  - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
  - (i) the date on which the next Annual General Meeting of the Company is held; and
  - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;
- (c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a share for the five consecutive trading days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10 per cent of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

# NOTICE OF ANNUAL GENERAL MEETING

10. (c) **“Maximum Price”**, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:
- (i) in the case of a market purchase of a Share, 105 per cent of the Average Closing Price of the Shares; and
  - (ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110 per cent of the Average Closing Price of the Shares; and
- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.  
[See Explanatory Note (iv)]
- (Resolution 11)**

By Order of the Board

**Yvonne Choo**

Company Secretary

Singapore, 2 April 2004

## Explanatory Notes:

- (i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.
- For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.
- (ii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.
- (iii) The Ordinary Resolution 10 proposed in item 9 above relates to the renewal of a mandate given by shareholders to the Company on 23 June 1999, and modified and renewed by the Company on 27 May 2003, allowing the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into transactions with interested persons as defined in Chapter 9. Please refer to the letter to shareholders dated 2 April 2004 for details.
- (iv) The Ordinary Resolution 11 proposed in item 10 above relates to a mandate approved by shareholders on 27 May 2003 authorising the Company to purchase its own Shares subject to and in accordance with the rules of the SGX-ST.
- The Company will use its internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of the Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired.
- Based on the existing issued and paid-up ordinary share capital of the Company as at 8 March 2004 (the “Latest Practicable Date”), the purchase by the Company of 10 per cent of its Shares will result in the purchase or the acquisition of 36,000,000 Shares.
- In the case of market purchases by the Company and assuming that the Company purchases or acquires 36,000,000 Shares at the Maximum Price of S\$0.62 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares for the last five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 36,000,000 Shares is S\$22,320,000.
- In the case of off-market purchases by the Company and assuming that the Company purchases or acquires 36,000,000 Shares at the Maximum Price of S\$0.65 for one Share (being the price equivalent to 10 per cent above the Average Closing Price of the Shares for the last five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 36,000,000 Shares is S\$23,400,000.
- The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company, its subsidiaries and associated companies for the financial year ended 2003 based on these assumptions, are set out in paragraph 3.6 of the letter to shareholders dated 2 April 2004. Please refer to the letter to shareholders dated 2 April 2004 for further details.

## Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at 109 Defu Lane 10, Singapore 539225 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

# PROXY FORM

## NERA TELECOMMUNICATIONS LTD

(Incorporated in Singapore with limited liability)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of NERA TELECOMMUNICATIONS LTD (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 20 April 2004 at 11.30 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2003		
2	Payment of proposed final and special dividends		
3	Re-election of Mr Bjorn Ove Skjeie as a Director		
4	Re-election of Mr Johan Fredrik Odfjell as a Director		
5	Re-election of Mr Lau Ping Sum as a Director		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Approval of Directors' fees amounting to S\$140,000		
8	Authority to allot and issue new shares and convertible securities		
9	Authority to allot and issue shares under the Nera Telecom Employees' Share Option Scheme		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		
11	Renewal of Share Purchase Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

(Please see notes overleaf before completing this Form)

# PROXY FORM

## Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at 109 Defu Lane 10, Singapore 539225 not less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

## General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.





**Nera Telecommunications Ltd**

109 Defu Lane 10 Singapore 539225

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