ISDN HOLDINGS LIMITED

SINGAPORE

ANNUAL REPORT 2014

ISDN Holdings LIMITED

For the symphony that last a decade ...

ISDN HOLDINGS LIMITED
SINGAPORE
ANNUAL REPORT 2014

MISSION

To be the engineering solution provider of choice focused on delivering innovative and quality solutions of value to our customers and stake-holders.

VISION

To achieve our vision, we are committed to do the following:

- To be recognised as the leader in all the markets we serve
- To continue to build enduring relationship of trust with our customers and partners
- To be an employer of choice that inspires and rewards performance excellence
- To generate value for shareholders through measured growth strategies in earnings and distributions.

We would like to pay tribute to our whole orchestra for putting together a symphony that has lasted beyond a decade.

ENGINEERING SOLUTIONS

COMPANY

ISDN HOLDINGS LIMITED :

is an engineering solutions company specialising in integrated precision engineering and industrial computing solutions.

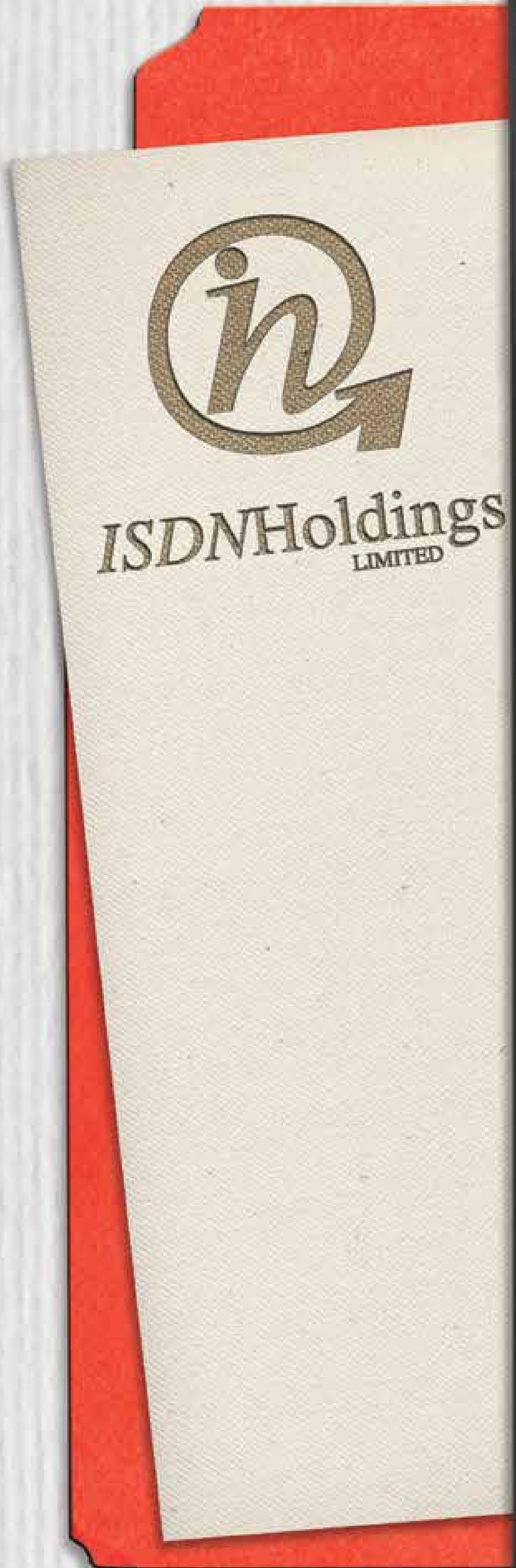
The company offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialised requirements in precision controls.

We provide the full spectrum of engineering services from conceptualisation, design & development to proto-typing, production, sales & marketing and after sales engineering support.

ISDN was listed on the Mainboard of the Singapore Exchange on

24 November 2005.

Our team has enabled us to achieve our strategic objectives, maintain strong corporate governance, develop integrated solutions for our clients, make inroads into key regional markets and build strong customer relationships.



CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200416788Z

REGISTERED OFFICE
No. 10 Kaki Bukit Road 1
#01-30 KB Industrial Building
Singapore 416175

DIRECTORS
Lim Siang Kai
Teo Cher Koon
Kong Deyang
Soh Beng Keng
Tay Gim Sin, Leonard

AUDIT COMMITTEE
Lim Siang Kai (Chairman)
Soh Beng Keng
Tay Gim Sin, Leonard

REMUNERATION COMMITTEE
Tay Gim Sin, Leonard (Chairman)
Lim Siang Kai
Soh Beng Keng

NOMINATING COMMITTEE
Soh Beng Keng (Chairman)
Teo Cher Koon
Lim Siang Kai

SECRETARY
Gn Jong Yuh Gwendolyn

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS
Moore Stephens LLP
10 Anson Road
#29-15, International Plaza
Singapore 079903

Partner-in-charge:
Lao Mei Leng
Date of appointment:
30 April 2012
Number of Years in-charge: 3

PRINCIPAL BANKERS
Standard Chartered Bank
Main Branch
Marina Bay Financial Centre,
Tower 1
8 Marina Boulevard
Singapore 018981

United Overseas Bank Limited
Main Branch
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Limited
Main Branch
Marina Bay Financial Centre Tower
12 Marina Boulevard
Singapore 018982

DBS Bank (China)
Suzhou Branch
7/F International Building 2
Su Hua Road
Suzhou Industrial Park
Suzhou 215021
The People's Republic of China

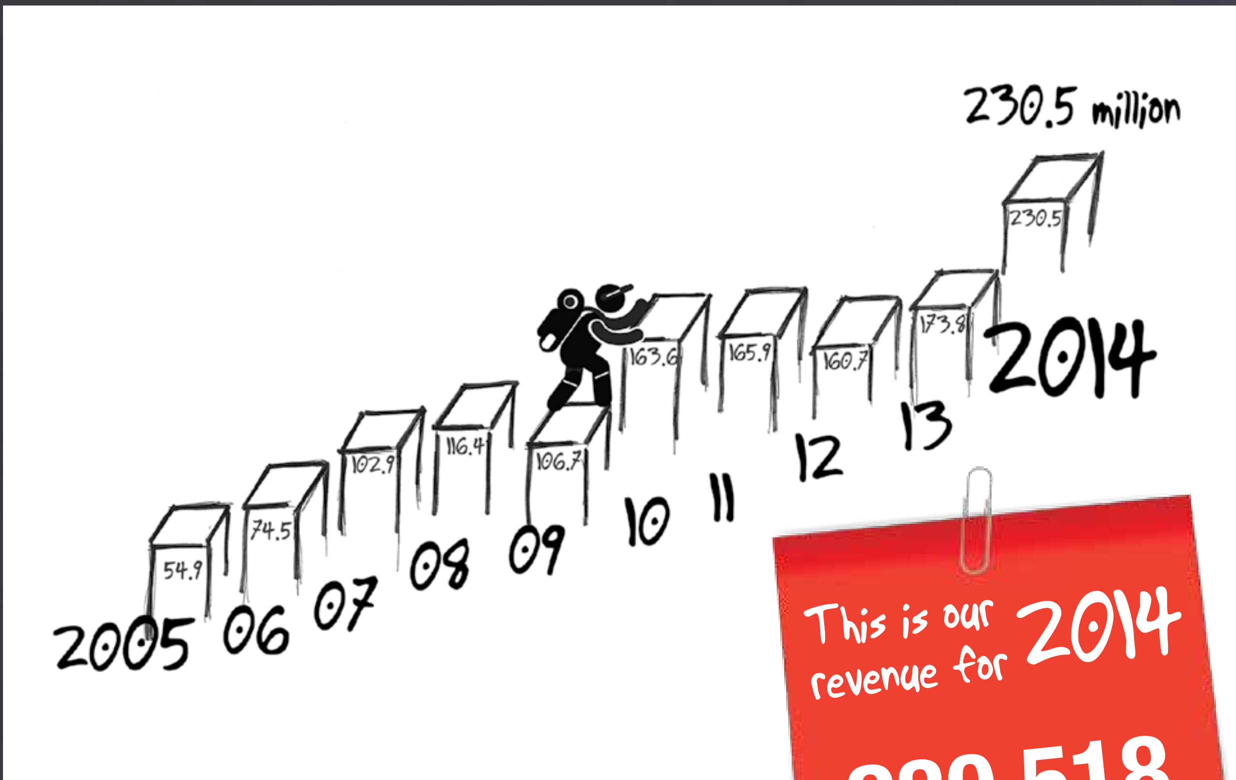
United Overseas Bank
(China) Limited
Shanghai Branch
9F Shanghai Erdos International
Mansion
1118 Pudong South Road
Pudong New Area
Shanghai 200122, China

China Construction Bank Co., Ltd
Suzhou New & Hi-Tech Industrial
Development Zone Sub-Branch
No.95 Shishan Road
Suzhou New District, China

FINANCIAL HIGHLIGHTS

Our MD made a public statement in 2007
to double our business in Five years time
from the time we got listed ....

That was 2005 and our revenue was
S$ 54.9 Million

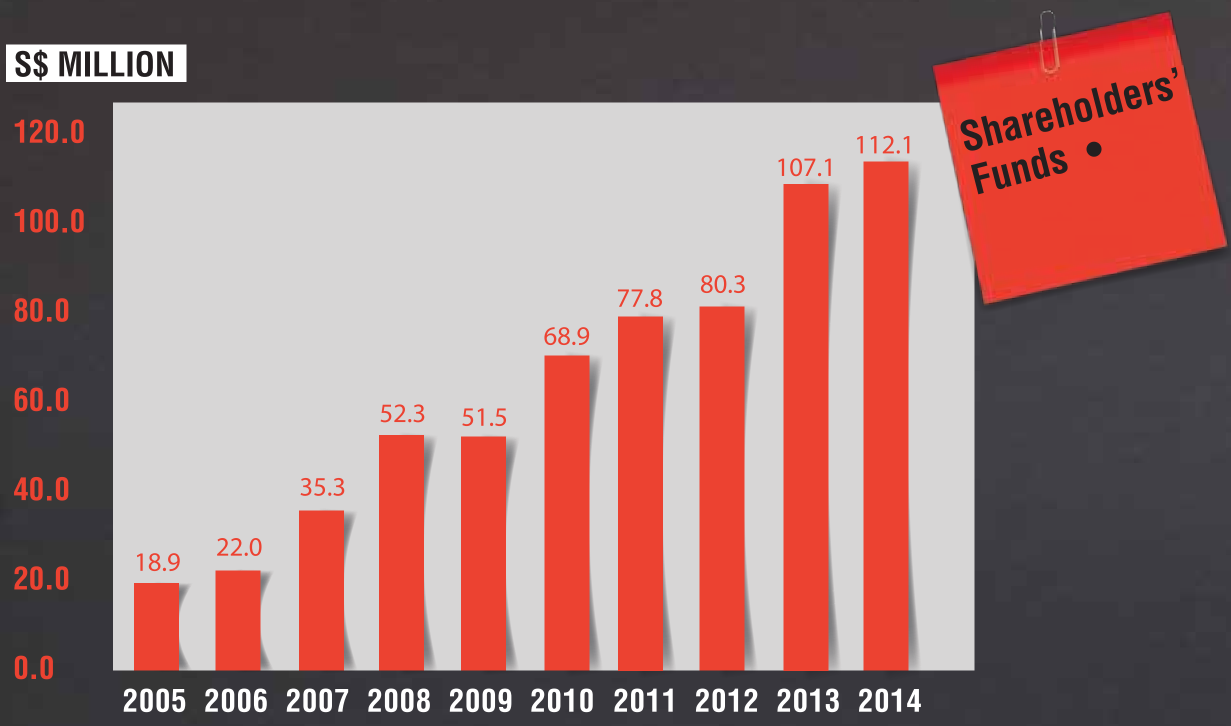


This is our revenue for 2014

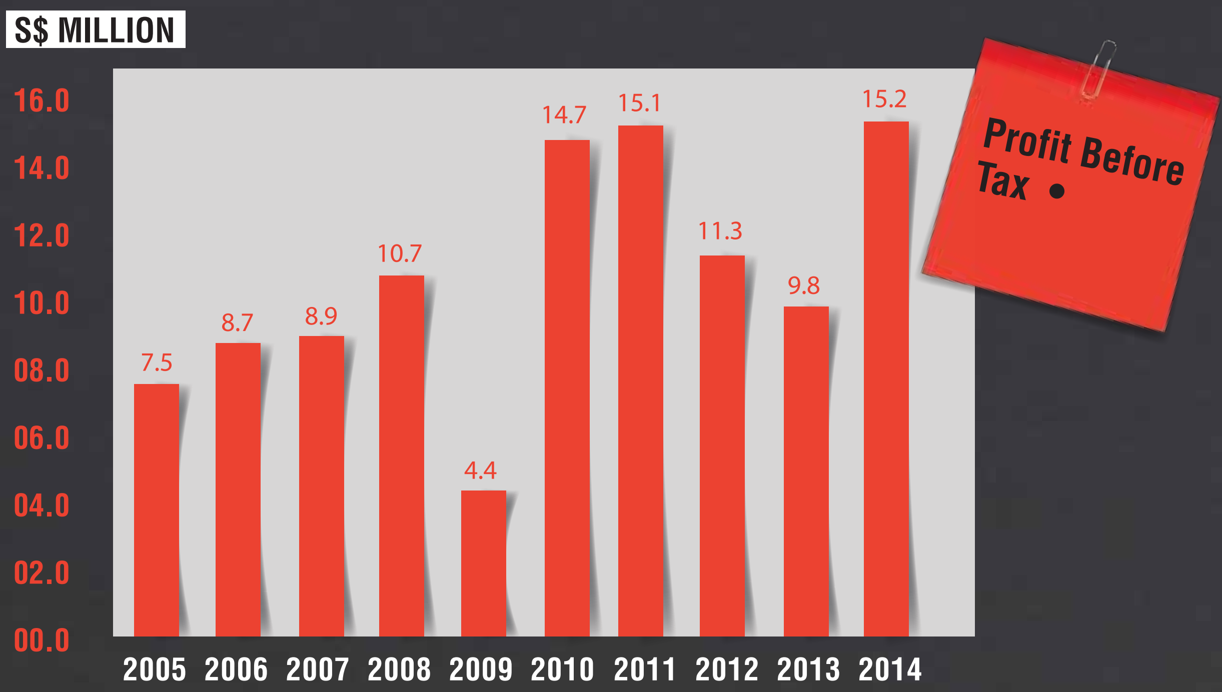
230,518
(S$'000)

Group revenue multiplied by more than five-fold, from $54.9 million in FY2005 to $230.5 million in FY2014, at a compounded annual growth rate of 15.4% in the course of 10 years, reflecting the solid and diversified customer base that has grown during that time as a result of the expanded breadth of our products and services as well as ISDN's seal of quality and reliability that has secured new clients and higher business volume from existing customers.

Men maketh history, leaving an indelible mark on the future.
We thank the man and woman who make this journey an eventful one.

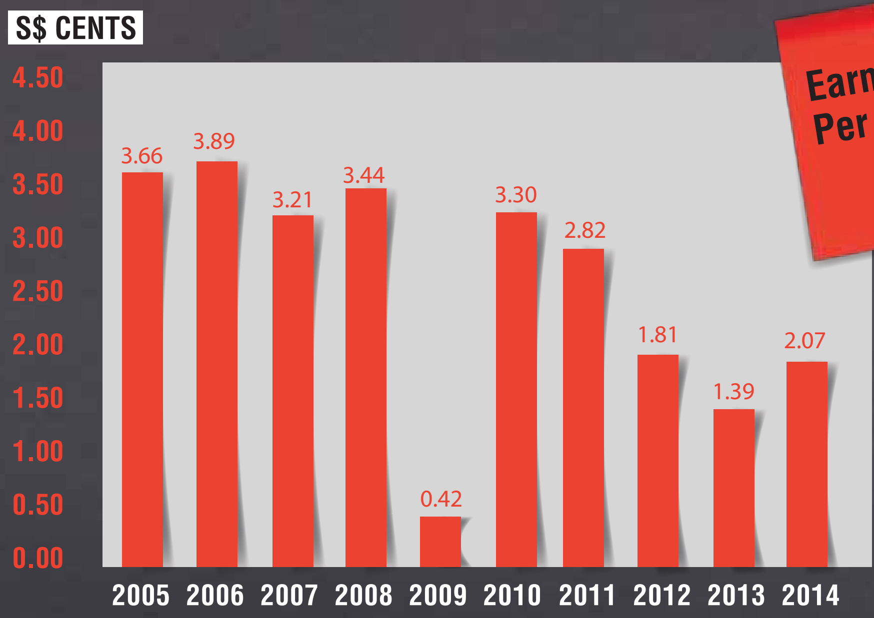


The Group's shareholders' funds has increased substantially as a result of various rounds of fund-raising exercises that included the placement of new shares as well as rights issues to reward ISDN shareholders. The Group's profitable operations has also built on its pool of retained earnings resulting in a larger capital base.

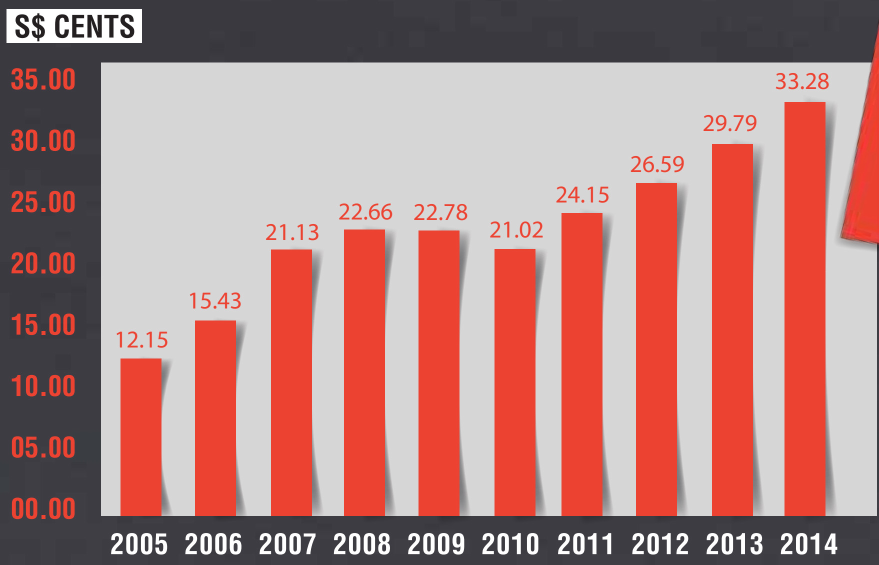


Over the last ten years profit before tax has grown by a compounded annual growth rate 7.3%, generally exhibiting an upward trend save for FY2009, FY2012 and FY2013. FY2009 witnessed one of the world's most severe economic meltdown brought about by the Lehman Bros financial crisis that crippled both financial institutions and businesses alike.

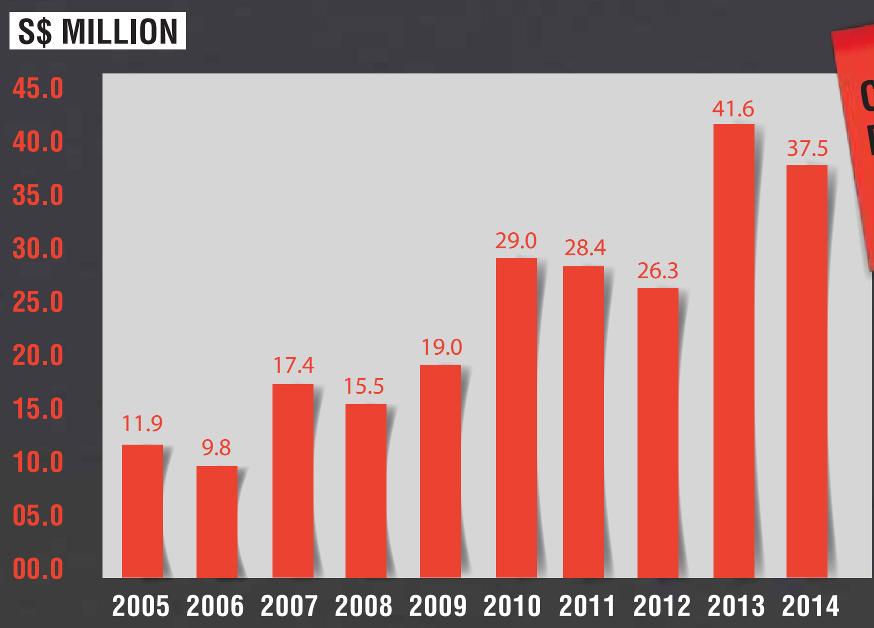
Earnings Per Share



NTA Per Share



Cash & Equivalents



President's Message

ISDN HOLDINGS LIMITED

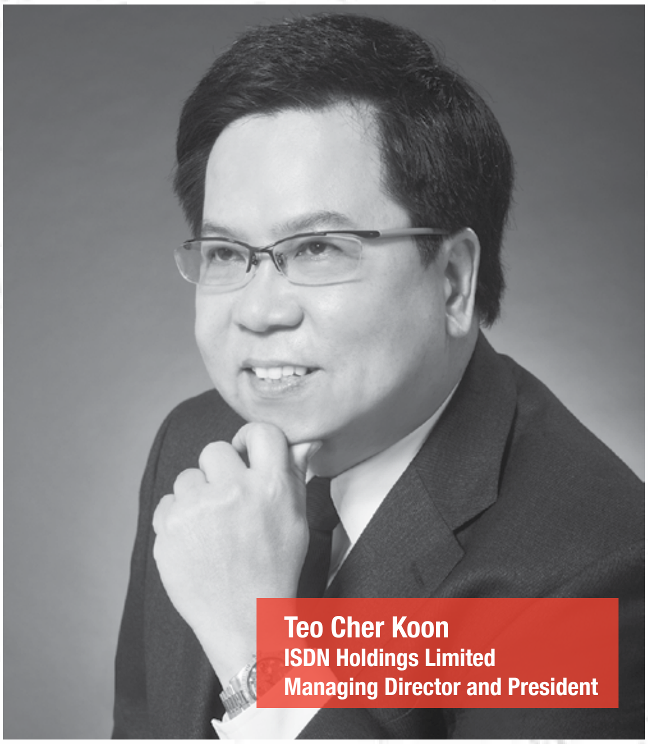
Dear shareholders,

DECADE OF ACHIEVEMENTS

This year marks a momentous milestone in our Group's history as we celebrate a decade of achievements since our public listing in 2005 on the Singapore Exchange Main Board. Since then our company has grown from strength to strength.

From revenues of $54.9 million in FY2005, Group sales have vaulted to exceed the $200 million, hitting $230.5 million in FY2014, a testament to ISDN's hallmark of quality and reliability that has earned it valuable customer loyalty.

Our customer base stretches far and wide from high-technology sectors such as medical and aerospace to firmly established industries including semi-conductor and the fast-growing smart phone category. Many of them have stayed with the Group over the long-term, rewarding ISDN with a higher business volume that has translated to the steady growth in our revenue.



Teo Cher Koon
ISDN Holdings Limited
Managing Director and President

DEVELOPING A SECOND WING

This stable groundswell of revenue has been instrumental in enabling the Group's planned diversification efforts since 2009 when it made its foray into the energy sphere. ISDN now has two main business thrusts: its mainstay traditional business in Motion Control and Industrial Computing and now its nascent portfolio of energy ventures.

The Motion Control business segment provides a strong foundation and a steady stream of cash flow that laid the ground for the launching pad of the Group's energy endeavours.

The energy sector, on the one hand, was identified as a viable new growth driver that could be developed as the Group's second wing. The voracious demand for energy and fuel sources is undergirded by the break-neck speed of global industrialization and urbanization due in part to the phenomenal growth in the world's population, particularly in emerging markets such as Asia.

FORTIFYING ISDN'S GEOGRAPHICAL FOOTPRINT

But energy and fuel sources are in finite supply. Cognizant of this need to preserve and sustain our natural resources, ISDN's energy portfolio is a target combination of both fossil and renewable energy. On the renewable energy front, ISDN has now, through its subsidiary, Aenergy Holdings Company Limited, amassed a growing cluster of mini-hydropower projects in the Indonesian archipelago, specifically in Sulawesi and Sumatra. Whilst in Myanmar, ISDN is in the midst of negotiating for a coal-fired power plant, one of the largest in the country.

With these new developments, the Group's geographical footprint has now extended to beyond Singapore and China to include Indonesia, Malaysia and in the future, potentially Myanmar. ISDN's multi-country businesses are now navigated from our regional headquarters in Singapore with two main epicentres: South-east Asia that forms the cornerstone of our energy interests and China that anchors our North Asia operations as represented by our landmark $22 million ISDN-Wujiang Industrial Park sprawled over 36,000 square metres of built-up area.

Compounded annual growth rate for Group revenue and pre-tax profit over the 10-year period come in creditably at 15.4% and 7.32% respectively

COMPOUNDING GROWTH RATE

While growing the top line and expanding our customer and market diversity, the Group has its eyes constantly centred on the bottom line. Net earnings climbed by 56.5% from $6.8 million to $10.6 million for the full year FY2014. Throughout its corporate history ISDN has consistently remained in the black, despite facing headwinds during times when the global economic climate took a downturn, thanks to its stoic business model and sound and prudent business management.

Compounded annual growth rate for Group revenue and pre-tax profit over the 10-year period come in creditably at 15.4% and 7.32% respectively while gross profit margin has stayed within the target range of between 26% and 30%, reflecting favourably the value and quality our customers attach to our suite of products and services.

REWARDING SHAREHOLDERS

Since its listing, the Board of Directors has stroved to reward our esteemed shareholders with cash dividends payout. Up to FY2013, the company has given out a total of $7.8 million cash dividends. Likewise in FY2014, the Board is pleased to announce final cash dividends of 0.4 cents per share. The Group continued to maintain healthy cash and cash equivalents balances of $37.5 million in FY2014.

PEOPLE - A KEY PILLAR OF ISDN'S STRENGTH

Our people are truly one of ISDN's greatest assets. They play an integral role as the symphony master of the company's interconnected ecosystem of proprietary technological know-how, business processes and human and financial capital.

As ISDN extends its presence across different territories, the varied faces of the company would inevitably evolve to create a richer tapestry of nationality, culture and talent. Together, it builds for a stronger and more dynamic organization that stands ready to take on the challenges of the millennium.The convivial and bright working atmosphere, our sense of togetherness and mutual trust and respect has deepened our commitment to the company and to each other.

It is also only apt that we pay tribute to our 871 strong staff members as Singapore celebrates its 50th year of independence. A number of our people have been with the Group for a relatively long period; 76 staff have served the company for more than a decade while 17 of them have worked for ISDN for more than 20 years. This year, we have the honour to feature our long-service staff in this report, including the memory of the late Mr Han Moo Juan and Ms Michelle Thang, who passed on last year. Moo Juan and Michelle have been with ISDN for more than 17 and 20 years respectively. Moo Juan was our Vice President for Sales (Industrial Computing, Software), having risen through the ranks since he joined the company in 1997 while Michelle worked in our Human Resource and Administration Department; she joined ISDN in 1993. I would like to express my sincere gratitude for both their contribution and our heartfelt condolences go to their family members, kin and loved ones.

TIES THAT BIND - ENDURING STRATEGIC PARTNERSHIPS

In addition to our staff, our key partners have played an instrumental part in furthering the fortunes of our company. Maxon Motor, Eisele Antriebstechnik and Dirak, these strategic industry partners have added to the depth of our body of knowledge and helped to grow the ISDN brand across the globe.

I would also like to take this opportunity to record my special thanks to our early pioneers, notably Mr Kong Deyang, ISDN's Executive Director and Senior Vice President for China and Mr Xia Wuming, the General Manager for Suzhou Servo Dynamics who both steadfastly saw ISDN through its various stages of development since the establishment of our China operations in 1995 and who continue to be a source of great strength for the Group with their keen understanding of our core business and with the firm ties that they have forged with our customers and business associates.

Last but not least, allow me to express my appreciation to our Board of Directors for their astute inputs, as well as to our customers, suppliers and business partners for their unending loyal support.

Teo Cher Koon
ISDN Holdings Limited
Managing Director and President

CORPORATE PROFILE

WE PROVIDE THE FULL SPECTRUM OF ENGINEERING SERVICES FROM

CONCEPTUALIZATION, DESIGN AND DEVELOPMENT TO PROTO-TYPING, PRODUCTION, SALES AND MARKETING AND AFTER SALES ENGINEERING SUPPORT

other specialised engineering solutions

ISDN

Other specialised engineering solutions include that for industrial vision, precision gears, gear boxes, laser technologies for precision measurement and cutting as well as for high-end industrial locks and hinges. These solutions include the assembly and manufacturing of special purpose motors and gears, and the trading and distribution of spares, components and motors.

INDUSTRIAL COMPUTING

Industrial computing provides hardware and software solutions and complements the engineering solutions business. Industrial computing products and services include customizing and assembling industrial computer systems and installation of software.

HIGH - TECH FARMING

Beyond engineering services, the Group is pursuing diversifications into other growth areas. ISDN's foray into the fast-growing agriculture market is marked by the establishment of a high tech hydroponics company in 2010. It is a fully-owned subsidiary of ISDN Investments Pte Ltd, an investment holdings vehicle of ISDN Holdings Ltd. Our vision is to be a significant producer of highly nutritious and pesticide-free leafy and vine crops in Asia. Our farming method is based on environmentally-friendly and toxic-free practices that meet international standards.

ENERGY

ISDN's foray into the energy sector is powered by its pursuits in hydropower and coal energy. The hydropower ventures are spearheaded by the Group's subsidiary, Aenergy Holdings Company Limited with a particular focus presently on Indonesia – an under-served energy market with favorable climate for investing and developing hydropower plants.

On the coal energy front, ISDN has entered into a landmark joint venture agreement in Myanmar to engage in the business of investing, developing, constructing, operating and managing a proposed 4x135 megawatt coal-fired power plant. This facility is sited close to a coal mine covering an area of 4,500 acres whose production will partly fuel the needs of the coal-fuelled power generating facility.

Founded on its precision and motion control engineering capabilities in 1987 and listed on the Singapore Exchange Main Board since 2005, ISDN Holdings Limited has today transformed into a multi-industry corporation with diverse strengths.

Corporate Profile

ISDN HOLDINGS LIMITED

$22 Million ISDN - Wujiang Industrial Park

With offices spanning key Asian growth markets, ISDN's business interests now include, in addition to engineering, the energy and agriculture sectors. These three key sectors are expected to propel the Group to its next level of growth which would introduce fresh revenue streams and open up a new vista of business opportunities.

Powered by its alliances with several long term strategic partners ISDN is poised to combine and benefit from the best-in-class technology and business systems. Additionally, ISDN seeks to accelerate its growth momentum by complementing organic growth with acquisitions and joint ventures.

The Group will continue to build on its trademark strengths underpinned by its sound business fundamentals, prudent and measured business approach as well as its widening global footprint that encompass markets in Greater China, Hong Kong, Taiwan, Malaysia, Indonesia, Vietnam, Thailand, India and the Philippines, from its headquarters in Singapore.

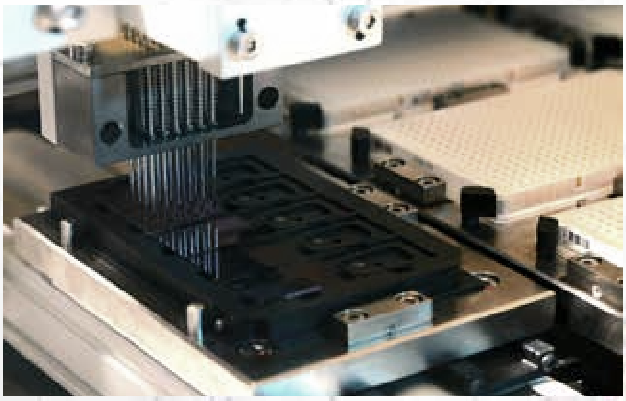
ENGINEERING

As an integrated engineering solutions provider, ISDN offers a wide range of engineering services including Motion Control, Industrial Computing Solutions and Other Engineering Solutions, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialized requirements in precision controls.

Our manufacturing network spans across China and South-east Asia including Singapore and Malaysia. Supported by a dedicated team of technical engineers – representing approximately a fifth of our total staff strength – the Group is committed to providing the best-in-class standard in design, assembly and installation of sophisticated motion control systems.

MOTION CONTROL

ISDN offers a comprehensive range of motion control systems that incorporate components such as servo motors and drives, mechanical parts, LCD monitors and industrial computing components which allows for the provision of integrated solutions. The company offers the full gamut of motion control solutions from the conceptualization, design and prototyping phases to the installation and testing stages, continuing through with after-sales technical support. An extensive and diverse supplier base across the globe ensures that our products and services are both competitive and excellent in quality.



Operations Review

VAST POTENTIAL IN INDONESIA'S ENERGY SECTOR

The energy sector continued to be a key focus of the Group's new business development endeavours.

In January 2014, the Group through its subsidiary, Aenergy Holdings Company Ltd (Aenergy), entered into a Memorandum of Understanding with Indonesia-based PT Izmi Power Mandiri (PT Izmi) to develop an 8 megawatt (MW) mini-hydropower plant in Tomuan River, Desa Tomuan Holbung, Kecamatan Bandar Pasir Mandoge, Kabupaten Asahan, North Sumatra Province. Prior to inking the MOU, PT Izmi, had on 15 June 2012, entered into a power purchase agreement (PPA) with PT PLN (Persero) - Indonesia's state owned power distribution company - to build, own and operate the proposed mini-hydropower plant.

In May 2014, the Indonesian energy authority announced an upward revision in the tariff rate that it will pay electricity producers. Under this new regulation, hydropower projects with capacity of 10 MW or less in North Sumatra and Sulawesi will enjoy tariffs that are higher compared to the existing flat rate of Rp 787 (USD $0.06) per kWh:

- Sumatra: Rp 1182.5 (USD $0.075) per kWh for the first eight years of the concession period and Rp 852.5 (USD $0.065) thereafter

- Sulawesi: Rp 1,290 (USD $0.098) per kWh for the first eight years of the concession period and Rp 930 (USD $0.07) thereafter

The increase in rates would potentially enhance the return on investment of ISDN's mini-hydropower ventures including that of PT Izmi's which is expected to generate approximately 52 GWh or more of electricity annually, posting estimated revenue of USD $4.7 million for the first eight years of its 20-year concession period. Typically, the running costs are expected to hover between 0.4 and 0.6 US cents per kWh.

The project is expected to cost approximately USD $12 million to build and will be funded through a combination of capital injection, bank borrowings and other forms of suitable investment instruments.

Subsequently in January this year, Aenergy signed an agreement to acquire 49% of the issued and paid-up share capital of PT Izmi for cash consideration of IDR 3.854 billion (equivalent to USD $0.3 million) from its owner, Mr Muhammad Isa Indrawan, an Indonesian businessman who is concurrently the Chief Executive Officer of the Izmi Group and PT SBM Sabang Energi as well as the Chancellor of the Universitas Pembangunan Panca Budi in Medan, Sumatra.

GROUNDBREAKING FOR MAIDEN MINI-HYDROPOWER FACILITY IN SUMATRA

In the second half of FY2014, ISDN marked the commencement of construction of its maiden mini-hydropower plant, also in North Sumatra. Located in Sisira River, Desa Simandame, Kecamatan Tarabintang, Kabupaten Humbang Hasundutan, North Sumatra Province, the PT Charma Paluta Energy (PT Charma) hydropower facility is equipped with 4.6 MW of installed base capacity that is capable of producing 27 GWh of electricity annually.

PT Charma has contracted to supply electricity to PT PLN (Persero) at the previous tariff rate of IDR 787 (USD $0.06) per kWh for a tenure of 20 years. Following the latest increase in electricity tariff rates offered by the Indonesian Government, PT Charma's tariff will be revised higher up to IDR 984.5 (USD $0.075).

The PT Charma plant is estimated to generate approximately USD $2 million revenue per year with running costs expected to cost between USD 0.4 and 0.6 cents per kWh while the investment cost is projected to amount to approximately USD $10 million. Barring unforeseen circumstances, construction is expected to last 18 to 24 months and will involve various stages including the construction of the waterway, powerhouse, penstock, turbines and other civil, mechanical and engineering structures and installations as well as the test and commissioning of the hydropower facility when it is finally completed. The first income stream is expected to flow in after full operation commences.

WELCOMING NEW INVESTORS INTO ISDN'S ENERGY BUSINESS

Together with PT Izmi and PT Charma, Aenergy has amassed a portfolio of mini-hydropower plants in Sumatra and Sulawesi with a combined installed capacity of 52.6 MW. Additionally, ISDN is partnering with a few other Indonesia-based companies to enlarge its cluster of mini-hydropower projects in the archipelago. Four out of 20 rivers have been identified to have huge potential to be developed into mini-hydropower plants and are now in the process of obtaining the requisite principle permit ("Izin Prinsip").

ISDN's growing pool of mini-hydropower projects has attracted both corporate and private investors who have since become equity owners of Aenergy. In July last year, SGX Main Board-listed SHS Holdings Ltd reached an in-principle agreement to co-invest with ISDN in the development of a portfolio of mini-hydropower projects. SHS will invest US$8 million through the subscription of Aenergy ordinary shares representing 25% shareholding in Aenergy. It will be awarded one out of a maximum of five Board seats subject to a minimum shareholding of 20%.

In the same month, ISDN through ISDN Investments Pte Ltd and Aenergy, entered into an agreement with Mr Robert Alexander Stone, a Canadian and Singapore Permanent Resident, that will see Mr Stone invest up to US$6.4 million (or approximately S$7.9 million based on the exchange rate of S$1.24: US$1.00) for a 20% equity stake in Aenergy. Mr Stone is a long-term investor in publicly traded

companies in Asia Pacific - including ASEAN, Hong Kong and New Zealand - focused on the healthcare and clean energy sectors.

DIVERSIFYING INTO THE RESOURCES SPHERE

In addition to hydropower, ISDN has received approval from the Myanmar Investment Commission relating to the development a 540 MW coal-fired power plant situated near a coal mine mouth, and is now awaiting approval from Myanmar's Ministry of Electric Power for the signing of the pivotal Memorandum of Agreement to pave the way for the next critical stage of development and discussion on matters such as investment structure and construction considerations. In September 2014, ISDN through its wholly-owned subsidiary, ISDN Resource Pte Ltd, entered into a mining operation agreement with PT Gema Energy Indonesia ("Gema") and PT Bun Yan Hasanah ("Bun Yan") to provide financing and other management-related services to develop and operate the manganese mines owned by Gema and Bun Yan in Nusa Tenggara Timur, Indonesia, under a profit sharing arrangement.

CORE BUSINESS DISPLAYS RESILIENCE

Our core business in Motion Control, for now, continued to account for the dominant share of Group revenue with 75.1%, climbing by 38.8% from $124.6 million to $172.9 million in FY2014. Whilst Other Specialised Engineering Solutions, the Group's second largest sales contributor grew revenue by 28.1% from $40.6 million to $52.0 million.

China, Singapore and Malaysia, the Group's three main markets, all registered sales increases with China, the biggest revenue earner, leading the charge with 39.9% sales increase from $126.3 million to $176.7 million. Singapore and Malaysia posted 28.6% and 24.6% revenue growth respectively.

The future beckons for the Group as it pursues its twin strategy of growing its mainstay business in Motion Control while at the same time nurturing its evolving energy business. The two businesses combined heralds a brighter outlook for ISDN as a consolidated entity.

Board of Directors

LIM SIANG KAI
CHAIRMAN AND INDEPENDENT DIRECTOR

Mr Lim is currently the Independent Director of several other listed companies. Prior to joining the Board of ISDN Holdings Limited, Mr Lim held various positions in banks, financial services companies and a fund management company and has over 30 years of experience in the securities, private and investment banking and fund management industries. He holds a Bachelor of Arts Degree from University of Singapore, a Bachelor of Social Sciences (Honours) Degree from the National University of Singapore and a Master of Arts Degree in Economics from the University of Canterbury, New Zealand.

TEO CHER KOON
MANAGING DIRECTOR AND PRESIDENT

Mr Teo joined our subsidiary, Servo Dynamics Pte Ltd ("Servo Dynamics") in 1987. He has more than 20 years of experience in all aspects of the business. Mr Teo is responsible for formulating corporate strategies, general management and providing technical advice to our Group and is particularly active in procurement and marketing activities of our Group. Mr Teo is instrumental in sourcing for new products and technology and securing new customers for our Group. Mr Teo obtained a Bachelor Degree of Engineering (Mechanical) from the National University of Singapore in 1987. Before that, he was a sales engineer in a local engineering product distribution company, K L Chua & Brothers Pte Ltd from 1981 to 1984.

KONG DEYANG
EXECUTIVE DIRECTOR AND SENIOR VICE PRESIDENT - PRC OPERATIONS

Mr Kong is in charge of all aspects of our business operations in the PRC, from charting and developing growth policies for our PRC businesses to managing the day-to-day operations of our subsidiaries in China. Mr Kong began his career in a PRC government linked company involved in nuclear research and development ("R&D") as supervisor and was later promoted to senior R&D engineer for high- speed cameras in 1982. From 1994 to 1995, he became a sales manager in the same company for CNC computerised quilting machines. From 1995 to 2001 he was the Vice General Manager for our subsidiary, Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") and since 2001, he is the Managing Director for our subsidiaries, Servo Dynamics Co., Ltd, Suzhou Servo Dynamics Co., Ltd and Maxon Suzhou. Mr. Kong graduated from the Beijing Technical University in 1982 with a Degree in Applied Physics and was awarded the "Young and Middle-aged State-ranking Experts with Outstanding Contribution" Award by the PRC state council in 1994.

SOH BENG KENG
INDEPENDENT DIRECTOR

Mr Soh is currently the Independent Director of several other listed companies. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. He is also a full member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

TAY GIM SIN, LEONARD
INDEPENDENT DIRECTOR

Mr Leonard Tay is the Executive Director and Group Chief Financial Officer of Swiber Holdings Limited and has over two decades of financial management experience under his belt. Prior to his appointment to Swiber Holdings Limited in 2006, Mr Tay was an Executive Director and Chief Financial Officer of Altitude Trust Management Pte. Ltd., the trustee manager of Altitude Aircraft Leasing Trust. He has also spent nine years in public accounting with the Big Four accounting firms. Mr. Tay holds a Bachelor's degree in Business from Monash University and is a member of the Institute of Singapore Chartered Accountants, CPA Australia and the Singapore Institute of Directors.

Executive Officers

LAU CHOON GUAN

VICE PRESIDENT – SALES (MOTION CONTROL)

Mr Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. He started his career in 1987 as an assistant foreman in Matsushita Electronics Components (S) Pte Ltd, which is engaged in the manufacture of electrical components and was responsible for supervising and increasing the productivity of the production operations. In 1990, he was promoted to foreman in the same company. In 1991, he joined our Group as a sales engineer where he was in charge of sales and marketing before eventually being promoted to be a Vice President in our Group. Mr Lau obtained a Technician Diploma in Electrical Engineering from the Singapore Polytechnic in 1985.

CHOW KA MAN

VICE PRESIDENT – HONG KONG OPERATIONS

Mr Chow has been the managing director of our subsidiary Servo Dynamics (H.K.) Co., Ltd ("SD Hong Kong") since 1996. He is in charge of the day-to-day operations of SD Hong Kong and is responsible for the sales and service engineering of the motion control systems that we provide in Hong Kong. In 1995, Mr Chow worked as a Sales Engineer at Scientic Engineering Ltd. Mr Chow obtained his Higher Certicate in Mechanical Engineering from the Hong Kong Polytechnic in 1994.

SIM LEONG SEANG

VICE PRESIDENT – TECHNICAL SUPPORT (MOTION CONTROL)

Mr Sim joined the organisation in 1992 and is responsible for managing our pre and post product and application sales capabilities. Mr Sim obtained a Diploma in Electronics Engineering from the French-Singapore Institute in 1986. From 1988 to 1992, he worked with the German-Singapore Institute as a training ocer where he was attached to the industrial projects group involving the designing and installation of computer hardware and software used in factory automation.

CHENG HOCK KIANG

VICE PRESIDENT – SALES (INDUSTRIAL COMPUTING, HARDWARE).

Mr Cheng joined our Group as a Sales and Marketing Manager of our subsidiary, Portwell Singapore Pte Ltd ("Portwell") since 1997. He is responsible for building and sustaining good relationships with our customers, overseeing the day-to-day operations of Portwell, and leading our sales team in developing new marketing strategies for our industrial computing systems. Mr. Cheng was a partner in Sago Renovation & Trading, a furniture company from 1993 to 1999 and was a service engineer in Quest Technology Pte Ltd, a cleanroom specialist, from 1991 to 1993. Mr Cheng obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in 1988 and a Degree of Bachelor of Science with Second Class Honours (Upper) in Information and Communications Technology from SIM University in 2010.

WONG TAT YANG

CHIEF FINANCIAL OFFICER

Mr Wong is responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters. He has more than 20 years of working experience in corporate accounting and finance management, including the last several years as Chief Financial Officer of SGX-ST public-listed companies. Mr Wong graduated from the National University of Singapore with a Bachelor of Accountancy Degree and he is a Fellow member of the Institute of Singapore Chartered Accountants.

UDOM WARASATIAN

VICE PRESIDENT – THAILAND OPERATION

Mr Warasatian has been the managing director of our subsidiary Servo Dynamics (Thailand) Co., Ltd ("SD Thailand") since 1995. He is in charge of the day to-day operations of SD Thailand and is responsible for the sales and service engineering of the motion control systems that we provide in Thailand. Between 1987 and 1993, Mr Warasatian was a lecturer at King Mongkut Institute of Technology. Mr Warasatian obtained a Degree of Bachelor of Engineering in Electrical Engineering from King Mongkut Institute of Technology in North Bangkok, Thailand in 1987.

WONG KWOK WHYE PETER

VICE PRESIDENT – R&D AND GENERAL MANAGER OF LEAPTRON ENGINEERING PTE LTD ("LEAPTRON")

Mr Wong is responsible for developing corporate growth strategies of Leaptron. He has experience in the area of marketing, sales, product development, technical support and training in our industry. Before joining our Group in 2002, he was an operations manager in ADLink Technology Pte Ltd from 1999 to 2002, where he was responsible for the marketing and developing of industrial automation products in the South East Asia region. Before that he was an application manager of our subsidiary Servo Dynamics from 1996 to 1999, where he was in charge of the development of the technical and training team for our "Wonderware" software program. In 1996, he was an IT specialist with Vaggs Asia Pte Ltd, where he led a team of IT specialists in the provision of IT solutions and web application services. In 1995, he was also the head of R&D in Alpha Infortech Pte Ltd, where he led the development team in the research and development of TV tuner peripheral for computers. From 1989 to 1992 he was a customer service engineer in Conner Peripherals Pte Ltd, where he was in charge of quality improvement procedures in the hard disk production facility. Mr Wong obtained a Master Degree in Technology from National University of Singapore, a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University and a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore, where he was also awarded a Certicate of Merit for Outstanding Performance in the Electronic Engineering Course during the 1988-1989 session.

Group Structure

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ISDN HOLDINGS LIMITED

ISDN Holdings LIMITED

AGRICULTURE

ENGINEERING

- Engineering Solutions Motion Control
- Other Specialised Engineering Solutions
- Industrial Computing

ENERGY

DIRECTORSHIP

LIM SIANG KAI
Group companies
ISDN Holdings Limited

Other companies
Blue Sky Power Holdings Limited
Joyas International Holdings Limited
Natural Cool Holdings Ltd

TEO CHER KOON
Group companies
ISDN Holdings Limited
Agri Source Farms Sdn Bhd
Agri Source Pte Ltd
Agri Source Suzhou Co. Ltd
C True Version Pte Ltd
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dictionary Farm Holding Pte Ltd
Dictionary Farms Sdn Bhd
Dirak Asia Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co, Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
ISDN Investments Pte Ltd
ISDN Myamar Energy Pte Ltd
ISDN Myamar Infrastructure Investment Pte Ltd
ISDN Myamar Power Pte Ltd
ISDN Resource Pte Ltd
JM Vistec System Pte Ltd
JM Vision Technologies Co. Ltd
Leaptron Engineering Pte Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
Precision Motion Control Phils Inc.
Prestech Industrial Automation Pte Ltd
Prima Infrastructure Sdn Bhd
SejinIGB (China) Co., Ltd
Servo Dynamics (H.K.) Limited
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Servo Dynamics (Thailand) Co., Ltd
Servo Dynamics Co., Ltd
Shanghai DBASIX M&E Equipment Co., Ltd
Suzhou Dirak Co., Ltd
Suzhou PDC Co., Ltd
Taiwan Dirak Co., Ltd
W2Energy Pte Ltd

Other companies
Assetraise Holdings Limited
Sand Profile (HK) Co., Ltd
Sand Profile (Suzhou) Co., Ltd

KONG DEYANG
Group companies
ISDN Holdings Limited
Accel Technologies (China) Co., Ltd
Beijing Beicheng Xinkong Ci Fu Technology Co., Ltd
Beijing Junyizhicheng Technology Developing Co.,Ltd
Chongqing Junzhi Automatic Instrument Control Co., Ltd
Control Co., Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
ISDN Enterprise Management (Wujiang) Co., Ltd
JAPV Mechanical Technology (Wujiang) Co. Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics Co., Ltd
Shanghai DBASIX M&E Equipment Co., Ltd
Shanghai Delta Automation International Trade Co.,Ltd
Shenzhen Servo Dynamics Co.,Ltd
Suzhou PDC Co., Ltd
Weiyi M&E Equipment (Shanghai) Co., Ltd

SOH BENG KENG
Group companies
ISDN Holdings Limited

Other companies
China Haida Ltd
Sino Grandness Food Industry Group Limited
Ziwo Holdings Ltd

TAY GIM SIN, LEONARD
Group companies
ISDN Holdings Limited

Other companies
Aster Marine Pte Ltd
Encapture Pte Ltd
Keamanan Offshore (B) Sdn Bhd
Oceanic Crusader Pte Ltd
PT Swiber Berjaya
Resolute Offshore Pte Ltd
Swiber Atlantis Pte Ltd
Swiber Capital Pte Ltd (f.k.a. Newcruz Offshore Services Pte Ltd)
Swiber Corporation Pte Ltd (f.k.a. Swiber Corporate Services Pte Ltd)
Swiber Holdings Limited
Swiber Offshore Marine Pte Ltd
Swiber PJW 3000 Pte Ltd
Swiber Offshore Pte Limited
Tuscan Offshore Pte Ltd

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") is committed to ensuring that the highest standards of corporate governance are practiced throughout ISDN Holdings Limited ("**ISDN**" or the "**Company**") and its subsidiaries (the "**Group**"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The Monetary Authority of Singapore ("**MAS**") issued the revised Code of Corporate Governance on 2 May 2012 (the "**2012 Code**") and the 2012 Code takes effect for annual reports relating to financial years commencing from 1 November 2012. The Listing Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") require listed companies to disclose their corporate governance practices and give explanations for deviations from the 2012 Code in their Annual Reports.

This report outlines ISDN's corporate governance framework in place throughout the financial year ended 31 December 2014 ("**FY2014**") with specific references made to each of the principles of the Code in the annual report.

1 Board Matters

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The primary functions of the Board are to provide stewardship for ISDN and its subsidiaries, set the Group's values and standards and enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's business and strategic plans and monitors the achievement of the Group's corporate objectives. It also review management's performance, oversees the management of the Group's business affairs and conducts periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management, internal controls and compliance. All Directors must objectively make decisions in the interests of the Group. The Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board also takes into account the scope and nature of the operations of the company.

The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	56	28/12/2004	N/A	Managing Director
Kong Deyang	54	26/09/2005	26/04/2013	Executive Director
Lim Siang Kai	59	26/09/2005	26/04/2013	Independent Director
Tay Gim Sin, Leonard	46	26/09/2005	25/04/2014	Independent Director
Soh Beng Keng	61	26/09/2005	25/04/2014	Independent Director

1 Board Matters (cont'd)

Principle 1: Board's Conduct of its Affairs (cont'd)

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature.

The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. The Company will ensure that all incoming directors are familiar with the company's business and governance practices. Upon appointment, new Directors will also be provided with formal letters, setting out their duties and obligations. Incoming and newly appointed directors would be given guidance and orientation (which may include management presentations) to allow such Directors to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices. The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Company takes responsibility for the arranging and funding of such training.

The Board meets at least four times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. ISDN's Articles of Association also provide for telephone conference and video conference meetings.

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The attendance of the Directors at meetings of the Board and Board Committees for FY2014 is as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings held	4	4	1	1
Directors		**Number of meetings attended**		
Teo Cher Koon	4	N/A	1	N/A
Kong Deyang	4	N/A	N/A	N/A
Tay Gim Sin, Leonard	4	4	N/A	1
Lim Siang Kai	4	4	1	1
Soh Beng Keng	4	4	1	1

N/A- Not applicable

1 Board Matters (cont'd)

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During the financial year under review (i.e. FY2014), the Board of ISDN comprised two (2) Executive Directors and three (3) Independent Directors, namely:

Executive Directors
Teo Cher Koon
Kong Deyang

Independent Directors
Lim Siang Kai (Chairman)
Soh Beng Keng
Tay Gim Sin, Leonard

There is a good balance between the Executive and Independent Directors and a strong and independent element on the Board. Key information on directors can be found in the "Management Profile" section of the Annual Report. The Board has complied with the requirements of the Code that at least one third of the Board comprises independent directors. The Independent Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. The Board would also consider the above factors in identifying potential director nominees, including from a diversity perspective, so as to work towards achieving an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.

The independence of each Director is reviewed annually by the NC, in accordance with Guideline 2.3 of the Code of Corporate Governance. The Board considers an "independent" Director as one who has no relationship with ISDN, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The Board is independent from Management. No individual or small group of individuals is allowed to dominate the Board's decision making.

In particular, the NC has recommended to the Board that Mr Kong Deyang and Mr Lim Siang Kai be nominated for re-appointment at the forthcoming Annual General Meeting ("**AGM**"). If such appointments are approved by shareholders, Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Leonard Tay Gim Sin will enter into their eleventh year of service on the Board. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board and Directors' in-depth knowledge of the Company's operations and performance of their duties. After considering the view of the NC, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.

1 **Board Matters (cont'd)**

Principle 2: Board Composition and Guidance (cont'd)

The composition of the Board is also reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The NC considers the Board's present size adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

The Independent Directors constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on Management, Independent Directors are encouraged to meet regularly without Management being present.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman's primary function is to lead the business of the Board and the Board committees, and to promote harmonious relations with the shareholders. In respect of the Chairman's role with regard to Board proceedings, the Chairman being an Independent Director:

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of ISDN's operations;
- ensures that the Directors received accurate, timely and clear information;
- exercises control over quality, quantity and timeliness of the flow of information between Management and the Board;
- assists in ensuring compliance with ISDN's guidelines on corporate governance;
- facilitates the effective contribution of Independent Directors in particular;
- encourages constructive relations between Executive Directors and Independent Directors;
- acts on the results of the performance evaluation;
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC; and
- promote high standards of corporate governance.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of ISDN's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.

The role of the Chairman and Executive Directors are separate. Mr Lim Siang Kai, the non-executive Chairman, is consulted on the business of the Board and the Board committees. The Group's strategic direction, formulation of policies and day-to-day operations of the Group are entrusted to the Managing Director and President Mr Teo Cher Koon. He is assisted by an experienced and qualified team of executive officers of the Group.

1 **Board Matters (cont'd)**

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises one Executive Director and two Independent Directors, one of whom is also the Chairman of the Committee, namely:

Soh Beng Keng (Chairman)	Independent Director
Lim Siang Kai (Member)	Independent Director
Teo Cher Koon (Member)	Executive Director

The NC performs the following principal functions:

- reviews the structure, size and composition of the Board and makes recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board;
- make plans for succession, in particular for the Chairman and President;
- determines annually whether or not a Director is independent in accordance with the guidelines of the Code;
- decides whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company; and
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board.

The Board has the authority from time to time and at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. Any new Directors appointed during the year shall only hold office until the next Annual General Meeting ("**AGM**") and submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate.

Article 107 of ISDN's Articles of Association requires one third of the Board other than the Managing Director to retire by rotation at every AGM. The Directors must present themselves for re-nomination and re-election at regular intervals of at least once every three years.

In reviewing the nomination of the retiring Directors, the NC considers the performance and contributions of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the operational and technical contributions.

1 **Board Matters (cont'd)**

Principle 4: Board Membership (cont'd)

When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. The Board does not prescribe a fixed number of listed company board representations for each Director because the main consideration in a Director's effectiveness is his performance as a Director of the Company, and not the number of board representations he has. Any maximum number is unlikely to be representative of his participation, commitment, skill, expertise and contribution. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties, notwithstanding their multiple board representations in other listed companies.

Key information regarding the Directors is presented in the beginning of this annual report under the section titled "Board of Directors".

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value to be used for performance evaluation of the Board. The criteria are objective and are not changed regularly and are changed only where circumstances deem it necessary.

The Board is assessed based on the following criteria:

1. Timely guidance to Management
2. Attendance at Board/Committee meetings
3. Participation at Board/Committee meetings
4. Commitment to Board activities
5. Board performance in discharging principle functions
6. Board committee performance
7. Independence of Independent Directors
8. Appropriate complement of skill, experience and expertise on the Board

A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of Board performance. These areas include Board composition, information, process and accountability and the overall effectiveness of the Board. Factors considered include the suitability of the size of the Board for effective debate and decision-making, competency mix of Directors and regularity of meetings. The results of these checklists were considered by the NC. The NC Chairman acts on the results of the performance evaluation, and in consultation with the NC, will propose to the Board, where appropriate, for new members to be appointed to the Board or to seek the resignation of Directors.

The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory. No external facilitator was used in the evaluation process.

1 Board Matters (cont'd)

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is provided with adequate information, management accounts, financial and corporate reports in a timely manner by Management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis. Information provided to the Board includes background information relating to the matters to be discussed by the Board. Directors would also receive relevant information on material events and transactions as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group, and may request from the management such other additional information as may be necessary to be provided. Presently, the Management also presents to the AC the quarterly and full-year financial results and the AC reports on the results to the Board for review and approval before releasing the results.

The Board has separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the Memorandum and Articles of Association of the Company, and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and Independent Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Management will, upon direction by the Board, assist the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at the Company's expense.

2 Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three Independent Directors, one of whom is also the Chairman of the Committee, namely:

Tay Gim Sin, Leonard (Chairman)	Independent Director
Lim Siang Kai (Member)	Independent Director
Soh Beng Keng (Member)	Independent Director

The role of the RC is to review and recommend remuneration policies and packages for Directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the Executive Directors of the Group and employees related to the Executive Directors and controlling shareholders of the Group.

The RC's review covers all aspect of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, long term incentive schemes, including share schemes and benefits-in-kind. Recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

2 Remuneration Matters (cont'd)

Principle 7: Procedures for Developing Remuneration Policies (cont'd)

Primary functions to be performed by RC:

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme and ISDN Performance Share Scheme (the "**Schemes**") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme;
- reviews the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

In setting the remuneration packages, the Company considers the remuneration and employment conditions within the industry. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. The expenses arising from external professional advice (if any) shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2014.

Share Option Scheme & Performance Share Plan

The Company has the ISDN Holdings Share Option Scheme (the "**ESOS**") and the ISDN Performance Share Scheme (the **"ISDNPSS**"). These schemes were approved and adopted by shareholders on 27 September 2005 and 17 February 2012 respectively. The purpose of the ESOS and ISDNPSS is to reward, retain and motivate employees, directors, controlling shareholders and their associate to perform excellently and to participate in the equity of the Company. Unlike the ESOS whereby participants are required to pay the exercise price of the options, the ISDNPSS allows the Company to award fully paid shares to deserving participants. The aggregate number of shares that may be issued pursuant to the above mentioned schemes shall not exceed 15% of the Company's issued share capital from time to time.

There was no performance share granted in FY2014. The ESOS is currently not utilized.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate directors and executive officers of required experience and expertise to run the Group successfully.

The Independent Directors receive directors' fees, in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The directors' fees are recommended by the Board for approval at the AGM.

2 Remuneration Matters (cont'd)

Principle 8: Level and Mix of Remuneration (cont'd)

The Executive Directors, Mr Teo Cher Koon and Mr Kong Deyang have entered into separate service agreements with the Company which can be terminated by either party giving not less than six months' notice to each other. There are no long-term incentive schemes for any of the Directors. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance. The Executive Directors and the key management personnel had met the performance conditions for FY2014 under their respective service agreement and are therefore entitled to their bonuses.

The Company may consider the use of contractual provisions to reclaim incentive components of the remuneration of Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss, at the appropriate time.

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key personnel, and performance.

(a) Details of remuneration and fees paid to the directors for the financial year ended 31 December 2014 are set out below:

	Number of Directors	
	2014	2013
S$500,000 and above	2	2
S$250,000 to S$499,999	-	-
Below S$250,000	3	3
Total	5	5

For competitive reasons, and as such information is commercially sensitive, the Company is not disclosing the full remuneration details on a named basis and continues to disclose within bands of S$250,000 for both directors and key executives officers.

The following table shows a breakdown of the annual remuneration (in percentage terms) of directors of the Company for the financial year under review.

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	%	%	%	%
Teo Cher Koon	25	74	-	1	100
Kong Deyang	17	79	-	4	100
Tay Gim Sin Leonard	-	-	100	-	100
Lim Siang Kai	-	-	100	-	100
Soh Beng Keng	-	-	100	-	100

2 Remuneration Matters (cont'd)

Principle 9: Disclosure on Remuneration (cont'd)

(b) The following table shows a breakdown of the annual remuneration (in percentage terms) of five key executives of the Group for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Below S$250,000					
Individual A	93	3	-	4	100
Individual B	60	-	35	5	100
Individual C	53	47	-	-	100
Individual D	78	5	12	5	100
Individual E	92	8	-	-	100

Due to the highly competitive conditions in the industry in which the Company operates, the Company has refrained from setting out the names of its key executives due to the commercially sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors.

The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors or the CEO) was S$919,000 in FY2014.

(c) The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a director and whose remuneration exceeds S$50,000 for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin	84	16	-	-	100

Thang Yee Chin is a director of six subsidiaries of the Company and oversees the administrative and accounting functions in these companies. She is the spouse of ISDN's Managing Director and President, Teo Cher Koon. Her remuneration was in the band of between S$250,000 and S$300,000 for the financial year under review.

The compensation structure is directly linked to corporate and individual performances, both in terms of financial, non-financial performance and the creation of shareholder wealth. There is a fixed component of remuneration and a variable component which is directly linked to a director or management personnel's performance and contribution in that financial year.

The Directors and senior management met their respective performance conditions for FY2014 relating to their remuneration packages.

3 Accountability and Audit

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of ISDN through quarterly and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Management is accountable to the Board by regularly providing the Board with the necessary financial information for the discharge of its duties.

Presently, Management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives.

It should be noted, in the opinion of the Board that, in the absence of evidence to the contrary, such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. The management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure and monitor the performance of operations periodically, such as sales growth, profit margins, operating expenses, management of inventory, management of receivables and personnel attendance. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective. All significant matters are highlighted to the Board and the AC for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

3 Accountability and Audit (cont'd)

Principle 11: Risk Management and Internal Controls (cont'd)

The Board has also received assurance from the Group Managing Director and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) that the Group's risk management systems and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2014.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Independent Directors, one of whom is also the Chairman of the Committee. The members of the AC as at the date of this report are as follows:

Lim Siang Kai (Chairman)	Independent Director
Soh Beng Keng (Member)	Independent Director
Tay Gim Sin Leonard (Member)	Independent Director

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management controls at least once annually, to safeguard ISDN's assets and maintain adequate accounting records, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

The AC has the authority to investigate any matter within its terms of reference, gain full access to and co-operation by Management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its functions properly.

The AC will meet with the external auditors without the presence of Management at least once a year to review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. There are meetings between the AC and internal auditors with the presence of Management.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for the financial year ended 31 December 2014 is disclosed under Note 7 of the Notes to the Financial Statements.

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2014 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired. Non-audit fees paid to the external auditors during the year under review was NIL.

3 **Accountability and Audit (cont'd)**

Principle 12: Audit Committee (cont'd)

The Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of Moore Stephens LLP as its external auditors, save for subsidiaries as set out under Note for Subsidiaries of the Notes to the Financial Statements.

In relation to the Subsidiaries, as required by Rule 716 of the Listing Manual, the Board wishes to confirm that the Board and the Audit Committee of the Company are satisfied that the appointment of different auditors for the Subsidiaries would not compromise the standard and effectiveness of the Group.

In performing those functions, the AC reviews:

- with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and Management's response;
- the financial statements of ISDN and the consolidated financial statements of the Group before their submission to the Board of Directors;
- the announcements of financial performances;
- discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- potential conflicts of interest (if any);
- the adequacy of the internal audit function and the effectiveness of ISDN's material internal controls;
- independence of the external auditors;
- interested person transactions;
- the internal control procedures and ensure co-operation given by Management to the external auditors;
- the appointment and re-appointment of external and internal auditors of ISDN's, the scope and result of the audit and the audit fees; and
- undertake such other functions and duties as requested by the Board and as required by statute or Listing Manual.

The internal and external auditors have full access to the AC who has the expressed power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings will be regularly submitted to the Board for its information.

The AC has reviewed the Group's risk assessment, and based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities.

All three AC members have accounting or related financial management expertise or experience, as the Board interprets such qualifications in its business judgment.

The Directors of the AC sit on multiple boards and hence, have the necessary accounting and financial expertise to deal with the matters that come before them. They will attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary.

3 Accountability and Audit (cont'd)

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board is cognizant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. For FY2014, the Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("**WCA**"). WCA conducted an internal audit in FY2014. At the same time, the Company has continued with the practice whereby it tasked two staff members with accounting backgrounds to carry out a financial review on the major operating subsidiaries of the Company and to submit timely analysis report to the Management for review.

For the financial year under review, the Board is of the opinion, with the concurrence of the AC, that the internal controls system, addressing the financial, operational, compliance and information technology controls risks faced by the Company, is adequate to safeguard the interests of the shareholders. In line with the Board's commitment to maintain sound internal controls, the Board has continued to engage WCA together with the selected executives of the Company to perform internal audit for FY2015. The internal auditor's primary line of reporting shall be to the AC. The internal auditor shall meet the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal audit function shall be adequately resourced and shall have appropriate standing within the Company.

4 Shareholder Rights and Responsibilities

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company places strong emphasis on strengthening relationships with its shareholders and the investment community. The Company treats all its shareholders fairly and equitably, and keeps all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which could materially affect the price or value of its shares, on a timely basis.

The Company has put in place a dedicated investor relations team to provide shareholders and prospective investors with information necessary to make well-informed investment decisions. The investor relations section is published on the Company's website at www.isdnholdings.com.

The Company meets with its institutional and retail investors at least once a year at the Annual General Meeting of the Company. Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.

4 Shareholder Rights and Responsibilities (cont'd)

Principle 16: Greater Shareholder Participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

ISDN is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

Information is communicated to shareholders and the public through the following channels:

Notice of Annual General Meeting ("**AGM**") and Annual Reports are issued to all shareholders. The Board strives to ensure that these reports include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Companies Act, Singapore Financial Reporting Standards, Listing Manual of the SGX-ST and other relevant statutory and regulatory requirements;

- Price sensitive announcement of interim and full year results released through SGXNET;
- Disclosures on the SGXNET;
- Press releases;
- Press and analysts' briefings as may be appropriate; and
- The Group's website (www.isdnholdings.com) where shareholders and the public may access information on the Group.

There are separate resolutions at general meetings on each substantially separate issue.

All shareholders are welcome to attend the AGM. Each shareholder is allowed to vote in person or via proxy. Each shareholder shall not be entitled to appoint more than two proxies.

The Board of Directors, AC members and other committee members, Chief Financial Officer, Auditors and the Company Secretary will be present and be available to address any questions from shareholders regarding the Group and its businesses.

5 Corporate Governance Summary

For ease of reference, a table containing a summary of the salient corporate governance matters in this corporate governance report is set out after the end of this corporate governance report ("**Corporate Governance Q&A Table**"). Please refer to the Corporate Governance Q&A Table for a summary of the pertinent corporate governance disclosures which have also been referred to in this corporate governance report.

6 Material Contracts

No material contracts were entered into between ISDN or any of its subsidiaries involving the interests of any Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for related party transactions and Director's remuneration as disclosed in the financial statements.

7 Interested Person Transactions

ISDN has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

There were no interested person transactions during the financial period from 1 January 2014 to 31 December 2014.

8 Dealings in Securities

The Group has adopted and implemented an internal compliance which prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of ISDN prior to the announcement of a matter that involves material unpublished price-sensitive information. They are also prohibited from dealing in ISDN's securities during the period two weeks and one month before the announcement of ISDN's quarterly and full-year financial results respectively and ending on the day of the announcement of the quarterly and full-year results.

The company reminds their officers that the law on insider dealing is applicable at all times, notwithstanding that their internal codes may provide certain window periods for them or their officers to deal in their securities.

An officer does not deal in his company's securities on short-term considerations.

The Group has complied with Rule 1207(19) of the Listing Manual.

9 Use of Proceeds from Issues of Securities

The Group refers to:

(a) the announcements made on 14 March 2013, 2 April 2013, 3 April 2013, 30 July 2013, 5 November 2013, 10 December 2013, 28 February 2014, 16 April 2014, 12 May 2014, 2 June 2014, 1 August 2014 and 17 September 2014 in relation to the placement of 36,000,000 new ordinary shares in the capital of the Company (the "**First Placement**");

(b) the announcements made on 3 April 2013, 7 May 2013, 8 May 2013, 30 July 2013, 5 November 2013, 10 December 2013, 28 February 2014, 16 April 2014, 12 May 2014, 2 June 2014, 1 August 2014 and 17 September 2014 in relation to the placement of 23,730,000 new ordinary shares in the capital of the Company (the "**Second Placement**"); and

(c) the announcements made on 20 June 2013, 27 August 2013, 20 September 2013, 25 September 2013, 14 October 2013, 19 October 2013, 5 November 2013, 12 November 2013, 10 December 2013, 28 February 2014, 16 April 2014, 12 May 2014, 2 June 2014, 1 August 2014 and 17 September 2014 in relation to the renounceable non-underwritten rights issue of 179,972,475 warrants ("**Warrants**"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (the "**Warrants Issue**").

9 Use of Proceeds from Issues of Securities (cont'd)

Use of Net Proceeds from the First Placement

The Board wishes to update the shareholders of the Company on the Group's utilization of the net proceeds of approximately S$8,400,000 (after deducting expenses of approximately S$240,000) from the First Placement, as set out below:

Prospects/ Future Plans	**Amount of net proceeds allocated**	**Amount utilised to date**	**Amount unutilised to date**
	S$'000	S$'000	S$'000
Hydroponics Business	1,500	248	1,252
Mining-related business	4,400	3,140	1,260
Engineering solutions – motion control business	2,500	2,500	-
Total	**8,400**	**5,888**	**2,512**

The allocation and utilization of the proceeds from the First Placement is in accordance with the intended use as stated in the First Placement Announcements.

The Company will make further announcements when the remaining net proceeds from the First Placement are materially disbursed.

Use of Net Proceeds from the Second Placement

The Board wishes to update the shareholders of the Company that there have not been material disbursements of the net proceeds of approximately S$10,415,000 (after deducting expenses of approximately S$263,500) from the Second Placement by the Group since the announcement by the Company on the use of proceeds from placements dated 17 September 2014.

The Company will make further announcements when the remaining net proceeds from the Second Placement are materially disbursed.

9 Use of Proceeds from Issues of Securities (cont'd)

Use of Net Proceeds from the Warrants Issue

The Board wishes to update the shareholders of the Company on the Group's utilization of the net proceeds of approximately S$3,350,000 (after deducting expenses of approximately S$250,000) from the Warrants Issue, as set out below:

Use of Proceeds	Amount of net proceeds allocated	Amount utilised to date	Amount unutilised to date
	S$'000	S$'000	S$'000
Energy related business	3,350	3,350	-
Total	**3,350**	**3,350**	**-**

The allocation and utilization of the proceeds from the Warrants Issue is in accordance with the intended use as stated in the Warrants Issue Announcements.

The Company will make announcements on the utilisation of proceeds arising from the exercise of the warrants as may be necessary and/or appropriate in due course.

10 Risk Management

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

The Corporate Governance Q&A Table below sets out the main corporate governance matters required by the 2012 Code, and is presented in a question and answer format for easier readability.

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	a) The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide (b) Not applicable. The Company did not adopt any alternative corporate governance practices in FY2014.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the necessary to maximise its effectiveness?	(a) In identifying potential director nominees, the Board would take into account factors such as relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. The Board would seek an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. (b) The composition of the Board currently has a diversity in terms of skills, experience and knowledge. Key information on directors can be found in the "Management Profile" section of the Annual Report. From a gender perspective, there is as yet no diversity as the Board is comprised of male Directors.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		(c) The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. The Independent Directors also constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors	When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate. In reviewing the nomination of the retiring Directors, the NC considers the performance and contributions of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the operational and technical contributions.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. The Company will ensure that all incoming directors are familiar with the company's business and governance practices.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		(b) Upon appointment, new Directors will also be provided with formal letters, setting out their duties and obligations. Incoming and newly appointed directors would be given guidance and orientation (which may include management presentations) to allow the such Directors to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Company takes responsibility for the arranging and funding of such training
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of the directors?	(a) The Board does not prescribe a fixed number of listed company board representations for each Director. (b) This is because the main consideration in a Director's effectiveness is his performance as a Director of the Company, and not the number of board representations he has (c) When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value to be used for performance evaluation of the Board. The criteria are objective and are not changed regularly and are changed only where circumstances deem it necessary. A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of Board performance. The results of these checklists were considered by the NC. (b) The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on proportion of the independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company	The Board has complied with the requirements of the Code. At least one third of the Board comprises Independent Directors. The Independent Directors chair all the Board Committees, which play a pivotal role in supporting the Board.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not be to independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	No Director falls under the category as described here.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	The Independent Directors, namely Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Leonard Tay Gim Sin have served on the Board for more than nine years from the date of their respective first appointment. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board and Directors' in-depth knowledge of the Company's operations and performance of their duties. After considering the view of the NC, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has elected to disclose the remuneration of the Directors in bands (namely, below S$250,000, between S$250,000 to S$499,999 and S$500,000 and above). For competitive reasons, and as such information is commercially sensitive, the Company is not disclosing the full remuneration details on a named basis and continues to disclose within bands of S$250,000 for both directors and key executives officers. The Company has provided a breakdown (in percentage terms) of the salary, bonuses, directors' fees and other benefits of the Directors for FY2014.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	(a) The Company has disclosed the remuneration of the key management personnel in bands of S$250,000, as well as a breakdown (in percentage terms) of their salaries, bonuses, directors' fees and other benefits for FY2014. Due to the highly competitive conditions in the industry in which the Company operates, the Company has refrained from setting out the names of its key executives due to the commercially sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(b) The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors or the CEO) was S$919,000 in FY2014.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during this year? If so, please identify the employee and specify the relationship with the relevant director or CEO.	Yes. Thang Yee Chin is a Director of six of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of ISDN's Managing Director and President, Teo Cher Koon. Her remuneration was in the band of between S$250,000 and S$300,000 for the financial year under review.
Guideline 9.6	(a) Please describe how the remuneration received by the executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and the long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	There are no long-term incentive schemes for any of the Directors. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance. The Executive Directors and the key management personnel had met the performance conditions for FY2014 under their respective service agreement and are therefore entitled to their bonuses.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is this information provided?	Management is accountable to the Board by regularly providing the Board with the necessary financial information for the discharge of its duties. Presently, Management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) The management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. The management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure and monitor the performance of operations periodically, such as sales growth, profit margins, operating expenses, management of inventory, management of receivables and personnel attendance. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective. All significant matters are highlighted to the Board and the AC for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies. (b) The Board has also received assurance from the Group Managing Director and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and regarding the effectiveness of the Group's risk management systems and internal control systems. Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2014.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) Please refer to Note 7 of the Notes to Financial Statements (b) Not applicable. No substantial volume of non-audit services performed by external auditors for the Company.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) Yes. If and where questions are presented by investors, the Company will communicate with its shareholders and attend to such questions. The Company meet with institutional and retail investors at least once a year at the Annual General Meeting of the Company (b) Yes. The Company has a dedicated investor relations team to provide shareholders and prospective investors with information necessary to make well-informed investment decisions. (c) Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable. The Company is paying dividends for FY2014.

REPORT OF THE DIRECTORS

31 DECEMBER 2014

The directors are pleased to present their report to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

1 Directors

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

Teo Cher Koon	(Managing director and President)
Lim Siang Kai	(Chairman and Independent director)
Kong Deyang	(Executive director)
Soh Beng Keng	(Independent director)
Tay Gim Sin Leonard	(Independent director)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

3 Directors' Interests in Shares or Debentures

As recorded in the register of directors' shareholdings under Section 164 of the Singapore Companies Act, Charpter 50 (the "Act"), none of the directors holding office at the end of the financial year has any interest in the shares of the Company and its related corporations, except as disclosed below:

	Number of ordinary shares registered in the name of director		
	As at 1.1.2014	**As at 31.12.2014**	**As at 21.1.2015**
The Company -			
ISDN Holdings Limited			
Teo Cher Koon	127,890,250*	129,572,250*	129,572,250*
Kong Deyang	2,050,000	2,050,000	2,050,000
Tay Gim Sin Leonard	396,000	396,000	396,000
The holding company -			
Assetraise Holdings Limited			
Teo Cher Koon	1	1	1

* Shares in which the director is deemed to have an interest

By virtue of Section 7 of the Act, Mr Teo Cher Koon is deemed to have an interest in the shares held by the Company in all its subsidiary companies.

4 Directors' Contractual Benefits

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, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from the Group's subsidiaries in their capacity as directors of those subsidiaries.

5 Share Options

Options Granted

During the financial year, no options to take up unissued shares of the Company or its subsidiaries were granted.

Options Exercised

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

Options Outstanding

At the end of the financial year, there were no outstanding options to take up unissued shares of the Company or its subsidiaries.

6 Performance Share Plan

The Company's Performance Share Plan was approved by shareholders on an Extraordinary General Meeting held on 17 February 2012.

The plan is administrated by the Remuneration Committee of the Board with such discretion, powers and duties as are conferred on it by the Board of Directors.

The Company's director, who is eligible to participate the plan, is Kong Deyang and the Company's Controlling Shareholder and his associates, who are eligible to participate the plan, are Teo Cher Koon who is the Company's director and his spouse Thang Yee Chin.

7 Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the Audit Committee are:

Lim Siang Kai (Chairman)
Soh Beng Keng
Tay Gim Sin Leonard

The duties of the AC, amongst other things, include:

(a) Review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

(b) Review the quarterly announcement of financial statements and annual financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board of Directors;

(c) Review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

(d) Meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

(f) Review the cost effectiveness and the independence and objectivity of the external auditors;

(g) Review the nature and extent of non-audit services provided by the external auditors;

(h) Recommend to the Board of Directors the external auditors to be nominated, and reviews the scope and results of audit;

(i) Report actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

(j) Review interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual; and

(k) Undertake such other functions and duties as may be agreed to by the AC and the Board of Directors.

The AC performs the functions specified by Section 201B of the Singapore Companies Act, Cap. 50, the SGX-ST Listing Manual and the Code of Corporate Governance and assists the Board of Directors in the execution of its corporate governance responsibilities within its established terms of reference.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their reappointment as independent auditors of the Company at the forthcoming Annual General Meeting.

8 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

....
TEO CHER KOON

....
LIM SIANG KAI

Singapore

1 April 2015

STATEMENT BY DIRECTORS

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company together with the notes thereon, as set out on pages 50 to 134, are drawn up 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 2014 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

....

TEO CHER KOON

....

LIM SIANG KAI

Singapore

1 April 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (Incorporated in Singapore)

We have audited the accompanying consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 50 to 134, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, 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 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 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

1 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 S$'000	Group 2013 (Restated) S$'000
Revenue	4	230,518	173,747
Cost of sales		(169,039)	(122,004)
Gross profit		61,479	51,743
Other operating income	5	2,540	2,244
Distribution costs		(20,009)	(19,629)
Administrative expenses		(27,358)	(22,883)
Other operating expenses		(1,588)	(1,279)
Finance costs	6	(881)	(1,030)
Share of profit of associates		1,054	604
Profit before income tax	7	15,237	9,770
Income tax	9	(4,632)	(2,992)
Profit for the year		10,605	6,778
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Foreign currency translation		678	1,929
Total comprehensive income for the year		11,283	8,707
Profit for the year attributable to:			
Equity holders of the Company		7,457	4,754
Non-controlling interests		3,148	2,024
		10,605	6,778
Total comprehensive income for the year attributable to:			
Equity holders of the Company		7,746	6,406
Non-controlling interests		3,537	2,301
		11,283	8,707
Earnings per share:	10		
Basic		2.07	1.39
Diluted		2.07	1.30

The accompanying notes form an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	Group 31.12.2014 S$'000	Group 31.12.2013 (Restated) S$'000	Group 01.01.2013 (Restated) S$'000
ASSETS				
Non-current Assets				
Property, plant and equipment	11	31,418	29,044	27,257
Investment properties	12	570	590	611
Intangible assets	13	-	-	24
Land use rights	14	1,481	1,496	1,467
Goodwill	15	11,686	11,686	11,686
Associates	17	4,628	3,713	3,416
Deferred tax assets	27	94	-	30
Total non-current assets		49,877	46,529	44,491
Current Assets				
Inventories	18	34,612	31,737	28,411
Trade and other receivables	19	68,027	52,195	51,398
Cash and cash equivalents	20	37,493	41,554	26,328
Total current assets		140,132	125,486	106,137
Total Assets		190,009	172,015	150,628
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	21	63,925	63,925	44,855
Warrants issue	22	3,384	3,384	-
Treasury shares	23	(1,517)	(162)	(162)
Reserves	24	46,283	39,992	35,620
		112,075	107,139	80,313
Non-controlling interests	16	17,654	11,773	11,193
Total Equity		129,729	118,912	91,506
Non-current Liabilities				
Bank borrowings	25	162	814	5,557
Finance leases	26	418	214	277
Deferred tax liabilities	27	-	49	-
Total non-current liabilities		580	1,077	5,834
Current Liabilities				
Bank borrowings	25	12,930	12,563	15,792
Finance leases	26	140	57	65
Trade and other payables	28	45,138	38,836	35,411
Current tax liabilities		1,492	570	2,020
Total current liabilities		59,700	52,026	53,288
Total Liabilities		60,280	53,103	59,122
Total Liabilities and Equity		190,009	172,015	150,628

The accompanying notes form an integral part of the financial statements

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	Company 2014 S$'000	Company 2013 S$'000
ASSETS			
Non-current Assets			
Subsidiaries	16	36,653	36,082
Associates	17	31	31
Total non-current assets		36,684	36,113
Current Assets			
Trade and other receivables	19	65	381
Amount owing by subsidiaries	16	31,388	27,049
Dividend receivable		3,847	5,750
Cash and cash equivalents	20	327	3,710
Total current assets		35,627	36,890
Total Assets		72,311	73,003
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	21	63,925	63,925
Warrants issue	22	3,384	3,384
Treasury shares	23	(1,517)	(162)
Retained earnings	24	2,919	2,663
Total Equity		68,711	69,810
Current Liabilities			
Trade and other payables	28	3,600	3,193
Total current liabilities		3,600	3,193
Total Liabilities		3,600	3,193
Total Liabilities and Equity		72,311	73,003

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company									
	Share capital S$'000	Warrants issue S$'000	Treasury shares S$'000	Merger reserve S$'000	Exchange translation reserve S$'000	Other reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Group										
Balance at 1 January 2014 (Restated)	63,925	3,384	(162)	(436)	313	3,767	36,348	107,139	11,773	118,912
Profit for the year										
Other comprehensive income	-	-	-	-	-	-	7,457	7,457	3,148	10,605
- Exchange differences on translation of foreign operations	-	-	-	-	289	-	-	289	389	678
Total comprehensive income for the year	-	-	-	-	289	-	7,457	7,746	3,537	11,283
Capital contributed by non-controlling interest (Note 16(d))	-	-	-	-	-	-	-	-	4,519	4,519
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	142	142
De-recognition of a subsidiary	-	-	-	-	-	-	-	-	18	18
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,304)	(2,304)
Payment of dividends (Note 29)	-	-	-	-	-	-	(1,440)	(1,440)	-	(1,440)
Purchase of treasury shares	-	-	(1,355)	-	-	-	-	(1,355)	-	(1,355)
Transfer to other reserves	-	-	-	-	-	711	(726)	(15)	(31)	(46)
Balance at 31 December 2014	63,925	3,384	(1,517)	(436)	602	4,478	41,639	112,075	17,654	129,729

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(cont'd)

	Attributable to equity holders of the Company									
	Share capital S$'000	Warrants issue S$'000	Treasury shares S$'000	Merger reserve S$'000	Exchange translation reserve S$'000	Other Reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total Equity S$'000
Group										
Balance at 1 January 2013 (Restated)	44,855	-	(162)	(436)	(1,339)	3,174	34,221	80,313	11,193	91,506
Profit for the year	-	-	-	-	-	-	4,754	4,754	2,024	6,778
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	1,652	-	-	1,652	277	1,929
Total comprehensive income for the year	-	-	-	-	1,652	-	4,754	6,406	2,301	8,707
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	185	185
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	259	259
Disposal of a subsidiary	-	-	-	-	-	-	-	-	11	11
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,254)	(2,254)
Payment of dividends (Note 29)	-	-	-	-	-	-	(1,800)	(1,800)	-	(1,800)
Share placement proceeds	19,318	-	-	-	-	-	-	19,318	-	19,318
Placement share expense	(426)	-	-	-	-	-	-	(426)	-	(426)
Warrants issue proceeds	-	3,600	-	-	-	-	-	3,600	-	3,600
Warrants issue expense	-	(216)	-	-	-	-	-	(216)	-	(216)
Transfer of performance shares	178	-	-	-	-	(178)	-	-	-	-
Transfer to other reserves	-	-	-	-	-	771	(827)	(56)	78	22
Balance at 31 December 2013 (Restated)	63,925	3,384	(162)	(436)	313	3,767	36,348	107,139	11,773	118,912

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 S$'000	2013 (Restated) S$'000
Cash Flows from Operating Activities		
Profit before income tax	15,237	9,770
Adjustments for:		
Amortisation of intangible assets	-	23
Amortisation of land use rights	35	35
Trade receivables written off	43	84
Depreciation of property, plant and equipment	2,127	2,096
Depreciation of investment properties	17	19
Allowance for inventory obsolescence	558	689
Allowance for impairment of trade receivables	393	275
Gain on disposal of interests in associate	(77)	-
Gain on disposal of interest in subsidiary	-	(84)
Gain on disposal of property, plant and equipment	(31)	-
Loss on de-recognition of a subsidiary	6	-
Loss on disposal of property, plant and equipment	-	91
Property, plant and equipment written off	412	5
Inventories written off	141	77
Write back of allowance for inventory obsolescence	(34)	(14)
Write back of allowance for trade receivables	(47)	(90)
Interest expense	881	1,030
Interest income	(190)	(161)
Share of profits of associates	(1,054)	(604)
Unrealised foreign exchange differences	197	(383)
Operating cash flow before working capital changes	18,614	12,858
Changes in working capital:		
Inventories	(3,540)	(4,078)
Trade and other receivables	(16,519)	990
Trade and other payables	5,033	3,015
Cash generated from operations	3,588	12,785
Interest paid	(881)	(1,030)
Interest received	190	161
Income tax paid	(3,771)	(4,437)
Net cash (used in)/generated from operating activities	(874)	7,479

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014	2013 (Restated)
	S$'000	S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(4,113)	(2,950)
Proceeds from disposal of property, plant and equipment	92	188
Acquisition of subsidiaries	(575)	(1,037)
Cash flow from disposal of interests in associate	102	-
Dividend from an associate	60	60
Net cash used in investing activities	(4,434)	(3,739)
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	(1,440)	(1,800)
Dividends to non-controlling interests	(2,457)	(1,963)
Investment in subsidiaries by non-controlling interests	4,519	185
Repayment from associates	-	15
Amount owing to non-controlling interests	1,428	122
Decrease on restricted bank balances	-	500
Proceeds from share placement	-	19,318
Share placement expense	-	(426)
Proceeds from warrants issue	-	3,600
Warrants issue expense	-	(216)
Purchase of treasury shares	(1,355)	-
Proceeds from bank loans	6,601	4,634
Repayment of bank loans	(6,925)	(9,456)
Proceeds from/(Repayment of) trust receipts	43	(3,150)
Repayment of finance leases	(178)	(71)
Net cash generated from financing activities	236	11,292
Net (decrease)/increase in cash and cash equivalents	(5,072)	15,032
Cash and cash equivalents at beginning of year	41,554	25,829
Effect of currency translation on cash and cash equivalents	1,011	693
Cash and cash equivalents at end of year (Note 20)	37,493	41,554

The accompanying notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 General

ISDN Holdings Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office of the Company is located at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon, the Managing Director and President of the Company.

The Company's principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its subsidiary companies and associates are set out in Notes 16 and 17.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 Basis of Preparation

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical convention except as disclosed in the summary of significant accounting policies set out in Note 3.

(i) *Adoption of Revised FRS which are effective*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014 as follows:

Description		**Effective for annual periods beginning on or after**
FRS 27 (Revised)	*Separate Financial Statements*	1 January 2014
FRS 28 (Revised)	*Investments in Associates and Joint Ventures*	1 January 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 111	*Joint Arrangements*	1 January 2014
FRS 112	*Disclosures of Interests in Other Entities*	1 January 2014
Amendments to FRS 32	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36	*Recoverable Amount Disclosure for Non-Financial Assets*	1 January 2014

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(i) *Adoption of Revised FRS which are effective* (cont'd)

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. It is effective for accounting periods beginning on or after 1 January 2014. As this is a disclosure standard, it did not have any impact on the financial position or financial performance of the Group when implemented.

FRS 28 (Revised) *Investments in Associates and Joint Ventures*

FRS 28 (Revised) changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. It is effective for annual periods beginning on or after 1 January 2014. The changes in scope do not have any impact on the financial position or financial performance of the Group when implemented.

FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation - Special Purpose Entities*, it changes the definition of control and applies it to all investees to determine the scope of consolidation. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. Upon adoption of FRS 110, the Group is of the view that it has control over Dirak Asia Pte Ltd ("Dirak Asia") which was previously accounted for as a joint venture by using proportionate method (Note 2(b)(iii)). The effect of adoption of FRS 110 is disclosed in Note 38.

FRS 111 *Joint Arrangements*

FRS 111 which is effective for annual periods beginning on or after 1 January 2014, supersedes FRS 31 *Interests in Joint Ventures Arrangements*, eliminates the option of using proportionate consolidation for joint controlled entity and FRS 31's 'jointly controlled operations' and 'jointly controlled assets' categories. These categories will fall into the newly defined category 'joint operation'.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It requires an entity to disclose information that help users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. This standard is effective for annual periods beginning on or after 1 January 2014. As this is a disclosure standard, it did not have any impact on the financial performance or the financial position of the Group when implemented.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(i) *Adoption of Revised FRS which are effective* (cont'd)

Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities* clarify that an entity must currently have a legally enforceable right of set-off if that right of set-off is not contingent on a future event and legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency of bankruptcy of the entity and all of the counterparties. The amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014. The application of this standard did not have an impact on the financial performance or the financial position of the Group.

Amendments to FRS 36 *Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to FRS 36 *Recoverable Amount Disclosure for Non-Financial Assets* restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. As this is a disclosure standard, it did not have any impact on the financial performance or the financial position of the Group and Company when implemented.

The amendments apply retrospectively to annual periods beginning on or after 1 January 2014.

(ii) *Standards issued but not yet effective*

Description		**Effective for annual periods beginning on or after**
Improvements to FRSs (January 2014):		
FRS 103	*Business Combinations (with consequential amendments to other standards)*	1 July 2014
FRS 108	*Operating Segments*	1 July 2014
FRS 16	*Property, Plant and Equipment*	1 July 2014
FRS 38	*Intangible Assets*	1 July 2014
FRS 24	*Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014):		
FRS 103	*Business Combinations*	1 July 2014
FRS 113	*Fair Value Measurement*	1 July 2014
FRS 115	*Revenue from Contracts with Customers*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018

2 **Basis of Preparation** (cont'd)

(a) Basis of Preparation (cont'd)

(ii) *Standards issued but not yet effective* (cont'd)

With the exception of FRS 115 and FRS 109 which the Group and Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

Amendment to FRS 103 *Business Combinations (Accounting for contingent consideration in a business combination)*

The amendments clarify that contingent consideration in a business combination that is not classified as equity should be measured at fair value through profit and loss at each reporting date, regardless of whether the contingent consideration is within the scope of FRS 39. Changes in fair value, other than measurement period adjustments, are recognised in profit or loss. Consequential amendments were made to FRS 37 and FRS 39.

Amendment to FRS 103 *Business Combinations* is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

Amendment to FRS 108 *Operating Segments*

The amendments require the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators (e.g. gross margins) that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

Amendment to FRS 108 *Operating Segments* is effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Amendment to FRS 16 *Property, Plant and Equipment*
and FRS 38 *Intangible Assets*

The amendments to FRS 16 and FRS 38 removed perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendment to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets* are effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) <u>*Standards issued but not yet effective*</u> (cont'd)

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation (e.g. short-term employee benefits, post-employment benefits, etc.).

Amendment to FRS 24 *Related Party Disclosures* is effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Amendment to FRS 103 *Business Combinations* (Scope of exception for joint ventures)

The amendment clarifies that the formation of all types of joint arrangements (and not just joint ventures) are outside the scope of FRS 103. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Amendment to FRS 103 *Business Combinations* is effective prospectively for annual periods beginning on or after 1 July 2014.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with FRS 39. These contracts need not meet the definitions of financial assets or financial liabilities in FRS 32.

Amendment to FRS 113 *Fair Value Measurement* is effective prospectively for annual periods beginning on or after 1 July 2014.

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and INT FRS 113 Customer Loyalty Programs.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) *Standards issued but not yet effective* (cont'd)

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(b) Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies, as set out in Note 3, based on historical experience and other relevant factors considered to be relevant.

The preparation of financial statements also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(i) Allowance for inventory obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$524,000 (2013: S$675,000) (see Notes 5 and 7). In addition, certain inventories amounted to S$141,000 (2013: S$77,000) (Note 7) became obsolete and unusable and were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2014 was S$34,612,000 (2013: S$31,737,000) (Note 18).

2 Basis of Preparation (cont'd)

(b) Critical Accounting Judgements and Estimates (cont'd)

Judgements made in applying accounting policies (cont'd)

(ii) Impairment of trade receivables

Management reviews trade receivables for objective evidence of impairment on a periodic basis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management make judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant adverse changes in the technology, market, economic or legal environment in which the debtor operates. Where there is objective evidence of impairment, management evaluates whether an impairment loss should be recorded against the receivable.

During the financial year, the Group recognised a net allowance for impairment loss on trade receivables of S$346,000 (2013: S$185,000) (see Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$43,000 (2013: S$84,000) (Note 7) and were written off during the financial year. The carrying amount of the Group's allowance for impairment of trade receivables as at 31 December 2014 was S$971,000 (2013: S$818,000) (Note 35(a)(iii)) and the carrying amount of the Group's trade receivables was S$52,367,000 (2013: S$42,674,000) (Note 19).

(iii) Control over Dirak Asia Pte Ltd ("Dirak Asia") as subsidiary

The Group owns 49% of ownership interest in Dirak Asia. The other 1% ownership interest is held by Mr Teo Cher Koon, the Managing Director and President of the Company and the remaining 50% is held by a third party. In assessing whether the Group has control over Dirak Asia where it holds less than a majority of voting rights, the Group concluded that it holds the substantive rights to direct Dirak Asia's relevant activities and that there are strong operational barriers or incentives that would prevent (or deter) the other third party from exercising their rights. Accordingly, the Group accounted for Dirak Asia as a subsidiary and the change of accounting policy has been applied retrospectively in accordance with FRS 110 (Note 38).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was S$31,418,000 (2013: S$29,044,000) (Note 11). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these property, plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such estimate has been changed.

2 **Basis of Preparation** (cont'd)

(b) Critical Accounting Judgements and Estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

(i) Useful lives of property, plant and equipment (cont'd)

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will decrease/increase by approximately S$213,000 (2013: S$210,000).

(ii) Impairment of goodwill arising from acquisition of subsidiaries

Goodwill arising from acquisition of subsidiaries is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions could result in changes in the carrying amount of the goodwill. The carrying amount of the goodwill arising from acquisition of subsidiaries as at 31 December 2014 was S$11,686,000 (2013: S$11,686,000) (Note 15).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries assessed as at 31 December 2014 (2013: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

If the management's estimated growth rate and pre-tax discount rates applied to the discounted cash flows for the cash-generating units as at 31 December 2014 is increased by 1% (2013: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the goodwill.

(iii) Income taxes

The Group has exposures to income taxes in numerous jurisdictions. To determine the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses at each tax jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised income tax expense of S$4,632,000 (2013: S$2,992,000) for the financial year ended 31 December 2014. The carrying amounts of the Group's current income tax liabilities and deferred tax assets as at 31 December 2014 were S$1,492,000 (2013: S$570,000) and S$94,000 (2013: deferred tax liabilities of S$49,000) respectively.

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control over any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 **Summary of Significant Accounting Policies** (cont'd)

(a) Group Accounting (cont'd)

(ii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to the share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

(iii) Investments in Subsidiaries and Associates

Investments in subsidiary companies and associates are carried at cost less accumulated impairment losses in the balance sheet of the Company.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

3 Summary of Significant Accounting Policies (cont'd)

(b) Functional and Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All values are rounded to the nearest thousand (S$'000) except when otherwise indicated.

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated using the exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3 **Summary of Significant Accounting Policies** (cont'd)

(b) Functional and Foreign Currencies (cont'd)

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(c) Property, Plant and Equipment

All items of plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over the estimated useful lives of the assets as follows:

Freehold building	50 years
Leasehold properties	remaining lease period of 45 years to 50 years
Renovations	5 to 8 years
Motor vehicles	5 to 6 years
Plant and equipment	5 to 10 years
Furniture, fittings and office equipment	1 to 6 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Construction-in-progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress consists of construction costs including other attributable direct cost and finance costs incurred during the period of construction.

Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed annually to ensure that the amount, year and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the property, plant and equipment is included in profit or loss in the year the property, plant and equipment is derecognised.

3 Summary of Significant Accounting Policies (cont'd)

(d) Investment Properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of investment properties over their remaining useful lives of 50 years. Cost includes purchase price, appropriate legal fees and stamp duty.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(e) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised on a straight-line basis over the term of the land use rights. The amortisation period and method are reviewed at each financial year end.

(f) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's CGU that are expected to benefit from the synergies of the combination. The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss in the consolidated statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent years.

When goodwill forms part of a CGU and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

3 Summary of Significant Accounting Policies (cont'd)

(g) Intangible Assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense when it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Development expenditure is reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

The amortisation period and amortisation method of intangible assets are reviewed at each financial year end. The effects of any revision of the amortisation period or amortisation method are included in profit or loss in the year in which the changes arise.

(h) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

(i) Impairment of Non-Financial Assets other than Goodwill

Non-financial assets are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3 Summary of Significant Accounting Policies (cont'd)

(i) Impairment of Non-Financial Assets other than Goodwill (cont'd)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, the cost of work-in-progress and finished goods comprises raw materials, direct labour and related production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

(k) Financial Assets

Classification

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those maturing later than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" at the balance sheet.

Recognition and Derecognition

Regular way purchase and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3 **Summary of Significant Accounting Policies** (cont'd)

(k) Financial Assets (cont'd)

Recognition and Derecognition (cont'd)

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in the profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Initial and Subsequent Measurement

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Fair Value

The carrying amount of the current financial assets carried at amortised cost approximate their fair values.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above less restricted bank balances.

3 Summary of Significant Accounting Policies (cont'd)

(m) Financial Liabilities and Equity Instruments Issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument.

Financial liabilities

An entity shall recognise a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as "other financial liabilities".

Other financial liabilities (including borrowing and trade and other payables), are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Interest-bearing Loans and Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The carrying amount of the current borrowings carried at amortised cost approximate their fair values.

(o) Assets Under Hire Purchase Arrangements

Where assets are financed by hire purchase arrangements that give rights approximating to ownership, the assets are capitalised under property, plant and equipment as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the years of the hire purchase and the corresponding hire purchase commitments are recorded as liabilities. The excess of the hire purchase payments over the recorded hire purchase obligations is treated as finance charges, which are allocated over each hire purchase term to give a constant rate of interest on the outstanding balance at the end of each year. Hire purchase payments are treated as consisting of capital and interest elements and the interest is charged to profit or loss. Depreciation on the relevant assets is charged to profit or loss on the basis outlined in (c) above.

3 Summary of Significant Accounting Policies (cont'd)

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital account.

(q) Treasury Shares

When an entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as component within the equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

(r) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(s) Financial Guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are measured initially at their fair values and, if not designated as "fair value through profit and loss", are subsequently measured at the higher of:

a. the amount of the obligation under the contract, as determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

b. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

3 Summary of Significant Accounting Policies (cont'd)

(t) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

Technical service fee

Technical service fee is derived from the provision of technical services rendered and recognised on an accrual basis.

Property management income

Property management income is derived from the management of leasehold properties and recognised on an accrual basis when service is rendered.

Administrative income

Administrative income is recognised in the period in which services are rendered.

(u) Employee Benefits

Defined contribution plans

Defined contribution plans (including state-managed retirement benefit schemes) are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. Contributions to defined contributions plans are recognised as an expense in profit or loss as they fall due.

Employee leave entitlements

No provision has been made for employee annual leave entitlements as generally any unconsumed annual leave not utilised will be forfeited.

3 Summary of Significant Accounting Policies (cont'd)

(v) Operating Leases

As lessor

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees, if any, are recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rents are recognised as revenue in the period in which they are earned.

As lessee

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the lease terms. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the period in which they are incurred. Contingent rents are recognised as an expense in the period in which they are incurred.

(w) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the balance sheet date.

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 recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

3 Summary of Significant Accounting Policies (cont'd)

(x) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

   i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   iii. both entities are joint ventures of the same third party;

   iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

   vi. the entity is controlled or jointly controlled by a person identified in (a); or

   vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

(z) Warrants Issue

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

4 Revenue

Revenue represents invoiced value of goods delivered less applicable goods and services/value-added tax and after eliminating sales within the Group.

5 Other Operating Income

	Group	
	2014 S$'000	2013 S$'000 (Restated)
Administrative income	199	157
Commission income	77	51
Gain on disposal of interests in subsidiary	-	84
Gain on disposal of interests in associate	77	-
Gain on disposal of property, plant and equipment	31	-
Finance income:		
- interest on bank deposits	175	152
- interest on loan to an associate	15	9
Foreign exchange gain, net	427	282
Government grant	131	76
Miscellaneous income	74	233
Operating lease rental income:		
- investment properties	61	66
- sub-let of office/warehouse premises	524	304
Property management income	290	129
Recovery of bad debts written off	5	4
Technical service income	373	593
Write back of allowance of inventory obsolescence*	34	14
Write back of allowance of trade receivables	47	90
	2,540	2,244

* The write back of allowance for inventory obsolescence was due to the sale of goods above their net realisable value during the current financial year.

6 Finance Costs

	Group	
	2014 S$'000	2013 S$'000 (Restated)
Interest expense on:		
- bank loans	819	892
- trust receipts	50	130
- finance leases	12	8
	881	1,030

7 Profit before Income Tax

	Group	
	2014 S$'000	2013 S$'000 (Restated)
Profit before income tax has been arrived at after charging:		
Amortisation of intangible assets	-	23
Amortisation of land use rights	35	35
Audit fees		
- Company's auditors	240	240
- other auditors	74	70
Depreciation of property, plant and equipment		
- recognised in cost of sales	394	499
- recognised in distribution costs	243	151
- recognised in administrative expenses	1,490	1,446
	2,127	2,096
Depreciation of investment properties	17	19
Other operating expenses included:		
- trade receivables written off	43	84
- allowance for inventory obsolescence	558	689
- allowance for impairment of trade receivables	393	275
- property, plant and equipment written off	412	5
- inventories written off	141	77
- loss on disposal of property, plant and equipment	-	91
- loss on disposal of interests in subsidiary	6	-
Directors' fees	100	100
Operating lease rental expense	1,272	1,279

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2014 (2013: Nil).

8 Employee Benefits

	Group	
	2014 S$'000	2013 S$'000 (Restated)
Directors' remuneration		
- salaries and related costs	3,511	2,705
- defined contribution plans	28	27
Key management personnel (other than directors)		
- salaries and related costs	5,898	5,437
- defined contribution plans	523	446
Other than directors and key management personnel		
- salaries and related costs	16,458	14,240
- defined contribution plans	2,405	2,045
	28,823	24,900

9 Income Tax

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Current income tax	4,677	3,382
Deferred tax	-	-
Under/ (Over) provision in respect of prior years:		
- current income tax	61	(475)
- deferred taxation (Note 27)	(106)	85
	4,632	2,992

The income tax expense on the profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Profit before income tax	15,237	9,770
Income tax calculated at applicable tax rates	3,187	2,402
Non-deductible expenses	1,542	630
Singapore statutory stepped income exemption	(105)	(146)
Deferred tax assets not recognised	247	580
Utilisation of deferred tax benefits previously not recognised	-	(5)
Share of results of associates	(194)	(79)
Under/(Over) provision in respect of prior years:		
- current income tax	61	(475)
- deferred tax	(106)	85
	4,632	2,992

Non-deductible expenses relate to certain operating expenses of subsidiaries which are not deductible for tax purposes in the jurisdiction where these subsidiaries operate.

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2013: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2013: 25%) and 16.5% (2013: 16.5%), respectively.

9 Income Tax (cont'd)

For those entities of the Group operating in the People's Republic of China ("PRC"), the PRC income tax is calculated at the applicable tax rate in accordance with the relevant laws and regulations in the PRC. On 16 March 2007, the Enterprise Income Tax Law (the "new EIT Law") was passed at the Fifth Session of the Tenth National People's Congress of the PRC, in which the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 (Order of the President [2007] No. 63).

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

Unrecognised tax losses

As at 31 December 2014, the Group has unutilised tax losses of approximately S$17,635,000 (2013: S$16,184,000) which can be carried forward and used to offset against future taxable income of those Group entities in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. Deferred tax asset arising from these unutilised tax losses carry forward has not been recognised in accordance with the Group's accounting policy stated in Note 3(w). The deferred tax asset not recognised is estimated to be S$2,998,000 (2013: S$2,751,000). The tax losses arise by the Singapore entities of the Group have no expiry date, while the tax losses arise by the PRC entities of the Group are expiring in 5 years from the year that the loss arise.

Unrecognised temporary differences relating to investments in subsidiaries

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No.1, only the profits earned by a foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be exempted from withholding tax. Whereas, dividends distributed of the profit generated thereafter, shall be subject to EIT at 10% (or at the concessionary rate of 5%, if applicable) and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules.

As at 31 December 2014, no deferred tax liability (2013: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries in the PRC as:

- the Group has determined that the undistributed earnings of its subsidiaries will not be distributable in the foreseeable future; and

- the joint ventures of the Group cannot distribute its earning until it obtains the consent of both the venturers. As at the financial year end, the Group does not foresee giving such consent.

Such temporary difference for which no deferred tax liability has been recognised aggregate to S$33,945,000 (2013: S$25,655,000). The deferred tax liability is estimated to be S$1,697,000 (2013: S$1,283,000).

10 Earnings Per Share

	Group	
	2014	**2013**
	Singapore cents per share	**Singapore cents per share**
Basic earnings per share	2.07	1.39
Fully Diluted earnings per share	2.07	1.30

10 Earnings Per Share (cont'd)

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Profit for the year attributable to equity holders of the Company	7,457	4,754

	Group	
	2014	**2013**
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	359,501,725	342,515,608

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares (Note 23) during the year.

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares of the Company i.e. warrants.

The earnings used in the calculation of diluted earnings per share are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Profit for the year attributable to equity holders of the Company	7,457	4,754

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Group	
	2014	**2013**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	359,501,725	342,515,608
Effects of dilution:		
- Warrants issue	-	24,160,688
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	359,501,725	366,676,296

The outstanding warrants as at 31 December 2014 are anti-dilution because their exercise price is higher than the average share price during the period.

11 Property, Plant and Equipment

	Freehold Land	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
2014								
Cost								
Balance at 1 January 2014 (Restated)	-	26,129	1,556	2,132	5,209	5,341	1,439	41,806
Additions	308	-	386	974	449	546	1,915	4,578
Disposals	-	-	(82)	(224)	(37)	(236)	-	(579)
Written off	-	-	(39)	(57)	(1,246)	(246)	-	(1,588)
Translation adjustment	-	352	(13)	8	108	52	42	549
Balance at 31 December 2014	308	26,481	1,808	2,833	4,483	5,457	3,396	44,766
Accumulated depreciation								
Balance at 1 January 2014 (Restated)	-	3,269	1,154	1,226	2,946	4,167	-	12,762
Depreciation for the year	-	535	229	387	443	533	-	2,127
Disposals	-	-	(81)	(205)	(29)	(203)	-	(518)
Written off	-	-	(35)	(46)	(877)	(218)	-	(1,176)
Translation adjustment	-	33	(18)	15	74	49	-	153
Balance at 31 December 2014	-	3,837	1,249	1,377	2,557	4,328	-	13,348
Net book value								
Balance at 31 December 2014	308	22,644	559	1,456	1,926	1,129	3,396	31,418
2013 (Restated)								
Cost								
Balance at 1 January 2013	-	23,965	1,465	1,965	4,880	4,996	663	37,934
Additions	-	1,079	46	256	405	426	738	2,950
Disposals	-	-	(64)	(160)	(313)	(172)	-	(709)
Written off	-	-	-	(12)	-	(23)	-	(35)
Translation adjustment	-	1,085	109	83	237	114	38	1,666
Balance at 31 December 2013	-	26,129	1,556	2,132	5,209	5,341	1,439	41,806
Accumulated depreciation								
Balance at 1 January 2013	-	2,672	882	1,068	2,316	3,739	-	10,677
Depreciation for the year	-	514	204	257	585	536	-	2,096
Disposals	-	-	(11)	(129)	(140)	(152)	-	(432)
Written off	-	-	-	(11)	-	(19)	-	(30)
Translation adjustment	-	83	79	41	185	63	-	451
Balance at 31 December 2013	-	3,269	1,154	1,226	2,946	4,167	-	12,762
Net book value								
Balance at 31 December 2013	-	22,860	402	906	2,263	1,174	1,439	29,044

11 Property, Plant and Equipment (cont'd)

The Group's leasehold properties are set out below:

Description and location	Gross Area (approximately)	Use	Encumbrance
<u>Leasehold properties</u>			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 1128 Jiangxing East Road Wujiang Economic Development Zone People's Republic of China	387,500 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2014, the net book value of the leasehold properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 25(c) was S$18,021,000 (2013: Note 25(b) and 25(c) of S$22,860,000). As the bank borrowings disclosed in Note 25(b) were fully repaid during the financial year, the respective leasehold properties were released from the mortgage.

During the financial year, property, plant and equipment acquired by means of finance were S$465,000 (2013: Nil). Other property, plant and equipment were acquired by cash payments of S$4,113,000 (2013: S$2,950,000).

As at 31 December 2014, the net book value of property, plant and equipment of the Group held under finance leases was S$916,000 (2013: S$299,000).

12 Investment Properties

	Group	
	2014	2013
	S$'000	S$'000
Cost		
Balance at 1 January	966	969
Translation adjustment	(4)	(3)
Balance as at 31 December	962	966
Accumulated depreciation		
Balance at 1 January	376	358
Depreciation for the year	17	19
Translation adjustment	(1)	(1)
Balance at 31 December	392	376
Net book value		
Balance at 31 December	570	590

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$836,000 (2013: S$1,001,000) as at the balance sheet date based on directors' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in note 35(b).

The Group's investment properties are set out below:

Description and location	Gross Area (approximately)	Tenure	Use	Encumbrance
Freehold building				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Freehold Building	Leased out to third party	None
Leasehold properties				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	1,000 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	1,800 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities

12 Investment Properties (cont'd)

As at 31 December 2013, the net book value of the investment properties set out above (other than freehold building) were mortgaged to secure the Group's bank borrowings as disclosed in Note 25(b) was S$517,000. As these bank borrowings were fully repaid during the financial year, the respective investment properties were released from the mortgage.

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S$61,000 (2013: S$66,000); and direct operating expenses amounted to S$31,000 (2013: S$29,000).

13 Intangible Assets

	Group	
	2014	**2013**
	S$'000	**S$'000**
Cost		
Balance at 1 January	2,426	2,288
Translation adjustment	42	138
Balance at 31 December	2,468	2,426
Accumulated amortisation		
Balance at 1 January	2,426	2,264
Amortisation for the year	-	23
Translation adjustment	42	139
Balance at 31 December	2,468	2,426
Net book value		
Balance at 31 December	-	-

Intangible assets relate to deferred development costs of engineering products and solutions, including common programming platform and the Group's own brand of motors and gearboxes.

14 Land Use Rights

	Group	
	2014	2013
	S$'000	S$'000
Cost		
Balance at 1 January	1,667	1,597
Translation adjustment	21	70
Balance at 31 December	1,688	1,667
Accumulated amortisation		
Balance at 1 January	171	130
Amortisation for the year	35	35
Translation adjustment	1	6
Balance at 31 December	207	171
Net book value		
Balance at 31 December	1,481	1,496
Amount to be amortised:		
- not later than one year	35	35
- later than one year but not later than five years	141	139
- later than five years	1,305	1,322
	1,481	1,496

The land use rights relates to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 42 years (2013: 43 years).

As at 31 December 2014, the net book value of the land use rights set out above that are mortgaged to secure the Group's bank borrowings as disclosed in Note 25(c) and (d) was S$1,481,000 (2013: S$1,496,000).

15 Goodwill

	Group	
	2014	2013
	S$'000	S$'000
		(Restated)
Balance at 1 January and 31 December	11,686	11,686

15 Goodwill (cont'd)

Impairment testing of goodwill

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets acquired in the following subsidiaries ("cash-generating units" or "CGUs") under the respective reportable operating segments as set out below.

	Group	
	2014	2013
	S$'000	S$'000 (Restated)
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd ("Servo Thailand")	75	75
- TDS Technology (S) Pte Ltd ("TDS")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd ("Dirak Asia")	9,508	9,508
	11,686	11,686

The Group assessed the recoverable amount of goodwill based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 5% (2013: 5%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid entities operate. The pre-tax discount rates used, which management estimates to reflect current market assessments of the time value of money and the risks specific to the CGU's cash flows ranged from 3%, 7% and 5% (2013: 4%, 8% and 5%) for TDS, Servo Thailand and Dirak Asia, respectively. Management believes that any reasonably possible change in the key assumptions i.e. growth rate and pre-tax discount rate, on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

Based on management's review of the recoverable amounts of the CGUs, no impairment on goodwill was required during the financial year ended 31 December 2014 (2013: Nil).

16 Subsidiaries

	Company	
	2014	2013
	S$'000	S$'000
Non-current assets		
Equity shares, at cost	23,026	23,026
Loans to subsidiaries	13,627	13,056
	36,653	36,082
Current assets		
Amount owing by subsidiaries	31,388	27,049

16 Subsidiaries (cont'd)

The loans to subsidiaries, which are quasi-equity loans, form part of the Company's net investment in the subsidiaries. The loans are unsecured and interest-free, and the settlement is neither planned nor likely to be settled in the foreseeable future. As the loans are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost.

The amounts owing by subsidiaries are non-trade in nature, unsecured and interest-free.

The subsidiaries of the Group as at the balance sheet date are set out below:

Name	Country of incorporation/ principal place of business	Cost of investment by the Company		Effective equity interest held by the Group		Principal activities
		2014 S$'000	2013 S$'000	2014 %	2013 %	
Held by the Company						
Motion Control Group Pte Ltd[1]	Singapore	19,006	19,006	100	100	Investment holding
Servo Dynamics Pte Ltd[1]	Singapore	2,558	2,558	100	100	Importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions
Portwell Singapore Pte Ltd[1]	Singapore	988	988	100	100	Providing integrated solutions of industrial computing software and hardware
Leaptron Engineering Pte Ltd[1]	Singapore	474	474	100	100	Importing, exporting, servicing and trading of automation products, and providing integrated solutions
ISDN Investments Pte Ltd[1]	Singapore	*	*	100	100	Provision of technical consultancy, training services, and management services
		23,026	23,026			

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by Motion Control Group Pte Ltd				
Precision Motion Control Pte Ltd[1]	Singapore	100	100	Importing, exporting, distributing, servicing and repairing of motion control products, electric motor and accessories, and providing integrated solutions
Servo Dynamics Co., Ltd.[2]	PRC	100	100	Investment holding and provision of procurement, sales and marketing of products and services for the group in PRC
Servo Dynamics (Thailand) Co., Ltd[5]	Thailand	59.7	59.7	Trading and installation of automation control product
Servo Engineering (M) Sdn Bhd[3]	Malaysia	90	90	Engaging in the importing, exporting, purchasing, selling, distributing, servicing, repairing and otherwise dealing in automation products, amplifiers, gear boxes, electric motors and equipment and any parts or accessories used in connection therewith
Servo Dynamics (H.K.) Limited[3]	Hong Kong	100	100	Trading in electronics products
Eisele Asia Co., Ltd[2][8]	PRC	50	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd[3]	Hong Kong	51	51	Investment holding and provision of engineering solutions
Servo Dynamics Sdn Bhd[3]	Malaysia	100	100	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd[2]	PRC	100	100	Land investment
IDI (INA) Laser Services Pvt Ltd[4]	India	53.33	53.33	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd[2]	PRC	51	51	Provision of other engineering solutions to packaging, textile and plastic industries in China

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by Motion Control Group Pte Ltd (cont'd)				
Suzhou PDC Co., Ltd[2]	PRC	100	100	Land investment
Gateway Motion (Shanghai) Co., Ltd[2]	PRC	100	100	Integrating and selling of motion control products and providing system integrated solutions
JAPV Mechanical Technology (Wujiang) Co. Ltd[2]	PRC	95.33	95.33	Manufacturing and selling of machines for bending and cutting fully-automatic coil wire
DBASIX Singapore Pte Ltd[1]	Singapore	51.92	51.92	Investment holding
TDS Technology (S) Pte Ltd[1]	Singapore	61.2	61.2	Wholesalers of electrical and electronic components and wiring accessories
ISDN Enterprise Management (Wujiang) Co., Ltd[2]	PRC	100	100	Management of ISDN High-Tech Industrial Park in Wujiang, China
Accel Technologies (China) Co., Ltd[2]	PRC	100	100	Manufacturing of special purpose motors and provision of engineering solutions
A Tracks Pte Ltd[1]	Singapore	70	70	Manufacture and repair of electric motors, semiconductor assembly and testing equipment
Dirak Asia Pte Ltd[7]	Singapore	49	49	Sale of industrial locks, hinges and enclosure products
Held by Servo Dynamics Pte Ltd				
Maxon Motor (Suzhou) Co., Ltd[2][8]	PRC	50	50	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd[2][8]	PRC	50	50	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products

16 **Subsidiaries** (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by Servo Dynamics Pte Ltd (cont'd)				
Servo Dynamics Engineering Co., Ltd[6]	Vietnam	51	51	Engaging in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing solutions and mechanical and engineering services
Held by Servo Dynamics Co., Ltd				
Su Zhou Servo Dynamics Co., Ltd[2]	PRC	100	100	Manufacturing and selling of motion control products and providing system integrated solutions
Chongqing Junzhi Automatic Instrument Control Co., Ltd[2]	PRC	100	100	Developing and selling of motion control products and providing system integrated solutions
Beijing Junyizhicheng Technology Developing Co., Ltd[2]	PRC	100	100	Selling of precise motion control products and providing system integrated solutions
Shenzhen Servo Dynamics Co., Ltd[2]	PRC	100	100	Supplying of precision motion control products and providing system integrated solutions
Shanghai Delta Automation International Trade Co., Ltd[2]	PRC	100	100	International trade and entreport trade
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd[2][8]	PRC	50	50	Carrying on the business of technology development, technology consultancy, technology transfer, technology training and technology services regarding digital controlled equipment and automatically controlled apparatus and selling of machinery equipment, electronic equipment, apparatus and instruments, electronics computer and accessories
Held by IGB (H.K.) Co., Ltd				
SejinIGB (Suzhou) Co., Ltd[2]	PRC	51	51	Manufacturing and provision of engineering solutions

16 **Subsidiaries** (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Principal activities
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd(2)	PRC	51.92	51.92	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd(3)	Malaysia	51.92	51.92	Sale of aluminum profiles, actuators and related components
Held by Shanghai DBASIX M&E Equipment Co., Ltd				
Hefei Hongchengsheng Machinery & Equipment Co., Ltd(11)	PRC	-	31.15	Assemble and sale of machinery, equipment, hardware and parts and related services
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd(1)(8)	Singapore	45.9	45.9	Industrial plant engineering services
TDS Technology (Penang) Sdn Bhd(3)(8)	Malaysia	48.96	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
TDS Technology (KL) Sdn Bhd(3)(8)	Malaysia	48.96	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
PT TDS Technology(3)(8)	Indonesia	36.72	36.72	Trading and distribution of advanced industrial control and factory automation products
SDL Control (Penang) Sdn Bhd(3)	Malaysia	61.20	61.20	Provide project and system engineering services
SDL Control (KL) Sdn Bhd(3)	Malaysia	61.20	61.20	Provide project and system engineering services

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by ISDN Investments Pte Ltd				
Agri Source Pte Ltd(1)	Singapore	100	100	Hydroponics and high tech farming
RLM Pte Ltd(1)(8)	Singapore	50	50	Providing resource and logistics management and services relating to mining and natural resources business. Providing financing for resource and logistics management and services relating to mining and natural resources business
ISDN Resource Pte Ltd(1)	Singapore	100	100	Trading of coal and similar and/or related natural resources
ISDN Myanmar Energy Pte Ltd(1)	Singapore	100	100	Coal mining, processing and supply and the management of energy plants, including the joint ownership, development and management of coal-fired and other non-fossil power plants
ISDN Myanmar Power Pte Ltd(1)	Singapore	100	100	Business of joint ownership, development and management power plants in Myanmar
Aenergy Holdings Company Limited(2)	Hong Kong	55	100	Exploring investment opportunities in energy business in Indonesia
LAA Energy HK Company Limited(2)	Hong Kong	100	100	Investment into hydropower projects at the LAA River in Central Sulawesi, Indonesia
ISDN Myanmar Infrastructure Investment Pte. Ltd(2)(9)	Singapore	100	-	Investment in infrastructure projects, general construction services and other related services

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by Aenergy Holdings Company Limited				
PT Potensia Tomini Energi(2)	Indonesia	44	80	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Charma Paluta Energy(2)(10)	Indonesia	44	-	Constructing, operating and maintaining hydropower plants and the production of electric power
PT SDM Bahagia Sejahtera(2)(10)	Indonesia	52.25	-	Constructing, operating and maintaining hydropower plants and the production of electric power
Held by LAA Energy HK Company Limited				
PT LAA Energy(2)(9)	Indonesia	90	-	Constructing, operating and maintaining hydropower plants and the production of electric power
Held by Agri Source Pte Ltd				
Agri Source Farms Sdn Bhd(3)	Malaysia	100	100	Hydroponics and high tech farming
Agri Source Suzhou Co., Ltd(2)	PRC	100	100	Hydroponics and high tech farming
Dietionary Farm Holding Pte Ltd(1)	Singapore	51	51	Hydroponics and high tech farming
Held by Dietionary Farm Holding Pte Ltd				
Dietionary Farms Sdn Bhd(3)	Malaysia	51	51	Manufacturers, wholesalers, retailers, traders of all leafy and fruit vegetables and relevant farm products

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd[7]	PRC	49	49	Manufacturing and sale of industrial locks, hinges and enclosure products
Suzhou D Snap Technologies Co., Ltd[7]	PRC	49	49	Manufacturing and sales of industrial locks, hinges and enclosure products and applications
Taiwan Dirak Co., Ltd[7]	Republic of China (Taiwan)	29.89	29.89	Sale of industrial locks, hinges and enclosure products
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd[7]	PRC	31.85	31.85	Sale of industrial locks, hinges and enclosure products
Held by Leaptron Engineering Pte Ltd				
PT Leaptron Engineering[2][9]	Indonesia	100	-	Distribution of industrial automation products

* Less than $1,000

(1) Audited by Moore Stephens LLP Singapore

(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes

(3) Audited by member firms of Moore Stephens International Limited in the respective countries

(4) Audited by Kannan and Alamelu

(5) Audited by A.S.K.N. International Audit Services

(6) Audited by AS Auditing Company

(7) Audited by Ernst & Young LLP Singapore (Note 2(b)(iii))

(8) Deemed to be a subsidiary as the Group controls the entity via substantive rights

(9) Incorporated during the financial year (see details below)

(10) Acquired during the financial year (see details below)

(11) De-registered during the financial year

16 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interest

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		FY2014	FY2013	FY2014 S$'000	FY2013 S$'000	FY2014 S$'000	FY2013 S$'000
Dirak Asia subgroup	Singapore	51%	51%	533	320	5,453	4,882
Aenergy subgroup	Hong Kong	45%	-	(291)	-	4,056	-
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")	PRC	50%	50%	2,073	1,940	3,162	3,248
Individual immaterial subsidiaries with non-controlling interests				1,222	41	4,983	3,643
Total				3,537	2,301	17,654	11,773

The summarised financial information for the Dirak Asia subgroup, Aenergy subgroup and Maxon Suzhou are set out below. The summarised financial information below represents amounts before intergroup eliminations.

	Dirak Asia subgroup		Aenergy subgroup		Maxon Suzhou	
	FY2014 S$'000	FY2013 S$'000	FY2014 S$'000	FY2013 S$'000	FY2014 S$'000	FY2013 S$'000
Summarised statement of comprehensive income						
Revenue	17,607	15,035	-	-	31,359	25,722
Profit/(loss) before income tax	1,499	994	(647)	(73)	5,553	5,268
Income tax expense	(455)	(367)	-	-	(1,406)	(1,388)
Profit/(loss) after tax and total comprehensive income/(loss)	1,044	627	(647)	(73)	4,147	3,880
Summarised balance sheets						
Current						
Assets	12,981	13,956	7,735	891	12,720	12,245
Liabilities	(3,790)	(5,858)	(1,331)	(1,692)	(6,562)	(5,990)
Net current assets/(liabilities)	9,191	8,098	6,404	(801)	6,158	6,255
Non-current						
Assets	1,501	1,474	2,609	738	167	240
Liabilities	-	-	-	-	-	-
Net non-current assets	1,501	1,474	2,609	738	167	240
Net assets/(liabilities)	10,692	9,572	9,013	(63)	6,325	6,495

16 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interest (cont'd)

	Dirak Asia subgroup		Aenergy subgroup		Maxon Suzhou	
	FY2014	**FY2013**	**FY2014**	**FY2013**	**FY2014**	**FY2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Other summarised information						
Cash flow generated from/(used in) operating activities	609	90	(633)	(162)	3,288	4,979
Dividends paid to non-controlling interests during the year	126	-	-	-	2,213	1,963
Acquisition of property, plant and equipment	631	469	2,253	738	29	30

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of S$2,503,000 (2013: S$3,563,000) held by Maxon Suzhou in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

(a) Incorporation of subsidiaries

During the current financial year, the Group, through its wholly-owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investment"), incorporated a new wholly-owned subsidiary, ISDN Myanmar Infrastructure Investment Pte. Ltd. ("ISDN Myanmar Infrastructure") in Singapore, with registered share capital of S$1.00. ISDN Myanmar Infrastructure will be principally engaged in the businesses of exploration and investment in infrastructure projects in Myanmar.

During the current financial year, the Group, through its wholly-owned subsidiary, LAA Energy HK Company Limited ("LAA Energy HK") and its local Indonesia partner, PT Petasia Energy, incorporated a new subsidiary, PT LAA Energy ("PT LAA") with a registered share capital of IDR140,100,000,000 and paid-up capital of IDR100,000,000 (equivalent to S$10,000). PT LAA will be principally engaged in the business of building, owning and operating hydroelectric plants and related business.

During the current financial year, the Group, through its wholly-owned subsidiary, Leaptron Engineering Pte Ltd ("Leaptron Engineering") and Motion Control Group Pte Ltd ("Motion Control"), incorporated a new wholly-owned subsidiary, PT Leaptron Engineering ("PT Leaptron") in Indonesia, with registered share capital of US$400,000. PT Leaptron will be principally engaged in the businesses of distribution of industrial automation products in Indonesia.

16 Subsidiaries (cont'd)

(b) Acquisition of PT Charma Paluta Energy ("PT Charma")

During the current financial year, Aenergy Holdings Company Limited ("Aenergy"), a subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 80% equity interest in PT Charma from third parties for an aggregate consideration of approximately S$568,000. Accordingly, PT Charma became a subsidiary of the Group with an effective interest of 44%. The principal activity of PT Charma is that of constructing, operating and maintaining hydropower plants and the production of electric power.

The impact of the acquisition on the cash flows of the Group are as follows:

	2014 **S$'000**
Freehold land	308
Cash and cash equivalent	4
Other receivables	825
Liabilities	(427)
Total identifiable net assets at fair value	710
Consideration transferred - cash	568
Plus: non-controlling interest	142
Less: fair value of identifiable net assets acquired	(710)
Goodwill arising on acquisition	-

PT Charma was acquired to allow the Company to diversify and embark into the business of constructing, operating and maintaining hydropower plants. Non-controlling interest is measured at the non-controlling interest's proportionate share of the identifiable net assets.

From the acquisition date, no revenue was generated by PT Charma and it incurred costs of S$163,000 for the year. If the business combination had taken place at the beginning of the year, there would be no material impact on the financial performance of the Group.

(c) Acquisition of PT SDM Bahagia Sejahtera ("PT SDM")

During the current financial year, Aenergy, a subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 95% equity interest in PT SDM from third parties for an aggregate consideration of approximately S$11,000. Accordingly, PT SDM became a subsidiary of the Group with an effective interest of 52.25%. The principal activity of PT SDM is that of constructing, operating and maintaining hydropower plants and the production of electric power.

PT SDM has no material book value and net tangible asset value at the point of acquisition. The purchase price was arrived at willing buyer and willing seller basis.

From the acquisition date, no revenue was generated by PT SDM and it incurred costs of S$81,000 for the year. If the business combination had taken place at the beginning of the year, there would be no material impact on the financial performance of the Group.

16 Subsidiaries (cont'd)

(d) Share subscription of Aenergy Holdings Company Limited ("Aenergy")

During the year, the Company, through its subsidiaries, ISDN Investments Pte Ltd ("ISDN Investments") and Aenergy Holdings Company Limited ("Aenergy"), entered into investment agreements with Mr Robert Alexander Stone ("Mr Robert") and SHS Limited ("SHS"), to divest 20% and 25% of its shareholdings held in Aenergy for an additional capital injection of US$6.4 million (equivalent to S$7.9 million) and US$8.0 million (equivalent to S$9.9 million) respectively. As at 31 December 2014, the total investment in Aenergy by Mr Robert and SHS amounting to S$4.9 million has been received by the Group. Consequently, Aenergy remains a subsidiary of the Company with a non-controlling interest of 45%.

17 Associates

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Equity shares, at cost	1,798	1,688	*	*
Share of post-acquisition profits	3,748	2,731	-	-
Share of dividends paid	(707)	(509)	-	-
Share of pre-acquisition losses on acquisition	(142)	(142)	-	-
Disposal of interest	(25)	-		
Translation adjustment	(132)	(143)	-	-
	4,540	3,625	-	-
Loans to associates	88	88	31	31
	4,628	3,713	31	31

* Less than S$1,000

As at 31 December 2014, investment in associates includes goodwill of S$125,000 (2013: S$125,000).

During the financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.37 per ordinary share in respect of the financial year ended 31 December 2013. In previous financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.37 per ordinary share in respect of the financial year ended 31 December 2012.

Schneeberger Linear is 50:50 owned by a wholly-owned subsidiary of the Company, MCG and Schneeberger Holding AG ("Schneeberger Holding"). Under an agreement entered into by MCG and Schneeberger Holding, each of the parties were granted with Put Options and Call Options (collectively "Options") over the shareholding in Schneeberger Linear. Under these Options, MCG and Schneeberger Holding are obliged to sell or purchase their shareholdings in the associate company when certain criterions are met.

The directors are of the view that fair values of the Options are not material.

Loans to associates are unsecured, interest-free and settlement is neither planned nor likely to be settled in the foreseeable future.

17 Associates (cont'd)

During the financial year, Schneeberger Linear Technology Pte Ltd ("Schneeberger Linear") declared and paid a tax-exempt (one-tier) final dividend of S$276.04 per ordinary share in respect of the financial year ended 31 December 2013. Subsequently, the Company and Schneeberger Linear have converted this final dividend to loan to associate (Note 19(d)). In previous financial year, Schneeberger Linear declared and paid a tax-exempt (one-tier) final dividend of S$450.74 per ordinary share in respect of the financial year ended 31 December 2012.

The summarised financial information of the associates that are not individually material, not adjusted for the percentage of equity interest held by the Group, is as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Assets and Liabilities:		
- total assets	20,902	16,776
- total liabilities	10,393	8,588
Results:		
- revenue	33,062	27,508
- profit for the year	2,630	1,670

The activities of the associates are strategic to the Group activities. The associates of the Group as at the balance sheet date are set out below:

Name	**Country of incorporation/ principal place of business**	**Cost of investment**		**Effective equity interest held by the Group**		**Principal activities**
		2014	**2013**	**2014**	**2013**	
		S$'000	**S$'000**	**%**	**%**	
Held by the Company						
W2Energy Pte Ltd[2]	Singapore	*	*	35	35	Dormant
Held by Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd[2][11]	Republic of China (Taiwan)	117	117	50	50	Engaging in offering of Maxon motor motion control solutions

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2014 S$'000	2013 S$'000	2014 %	2013 %	
Held by Motion Control Group Pte Ltd						
DKM South Asia Pte Ltd[8]	Singapore	105	105	35	35	Provision of DKM integrated engineering solutions and services
Servo-matic Technology (M) Sdn Bhd[8][10][11]	Malaysia	-	25	-	50	Carrying on all kinds of automation business, engineering works, trading import export design and servicing of industrial automation parts and all related fields
Precision Motion Control Phils. Inc.[4]	Philippines	9	9	40	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd[5]	Singapore	700	700	33.33	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd[6]	Singapore	175	175	37.5	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions
JM Vistec System Pte Ltd[1]	Singapore	445	445	40	40	Trading and supplying of vision related products and industrial automation solutions
Schneeberger Linear Technology Pte Ltd[7][11]	Singapore	50	50	50	50	Marketing, sale, customisation, application engineering, technical support and after sale services for Schneeberger brand of motion control products
Held by TDS Technology (S) Pte Ltd						
TDS Technology (Thailand) Co., Ltd[3]	Thailand	197	62	28.15	30	Trading of electrical and electronic equipment

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2014	2013	2014	2013	
		S$'000	S$'000	%	%	
Held by JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd[(2)]	PRC	-	-	40	40	Trading and supplying of vision related products and industrial automation solutions
JM Vision Technologies Co., Ltd[(2)]	Republic of China (Taiwan)	-	-	40	40	Trading and supplying of vision related products and industrial automation solutions
C True Vision Pte Ltd[(1)]	Singapore	-	-	40	40	Supplying, import and export of vision related product and industrial automation solution
JM Vistec System (Thailand) Co., Ltd[(9)]	Thailand	-	-	19.6	19.6	Trading of machine vision components
		1,798	1,688			

* Less than $1,000

(1) Audited by Moore Stephens LLP Singapore

(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes

(3) Audited by member firms of Moore Stephens International Limited in the respective countries

(4) Audited by SGV & Co

(5) Audited by Ong Teh & Co

(6) Audited by Ecovis Trustnet Alliance LLP

(7) Audited by Subraco LLP

(8) Audited by ASQM

(9) Audited by Smile Audit Co

(10) Disposed during the financial year

(11) No management control over the financial and operating policy decisions

Significant restrictions:

Cash and cash equivalents held in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

18 Inventories

	Group	
	2014	2013
	S$'000	S$'000 (Restated)
Components parts	14,490	13,276
Finished goods	23,973	21,547
Work-in-progress	1,046	1,912
Goods-in-transit (finished goods)	748	123
Total inventories at cost	40,257	36,858
Less: allowance for inventory obsolescence	(5,645)	(5,121)
Total inventories at the lower of cost and net realisable value	34,612	31,737
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	168,644	121,680

The amounts of inventory obsolescence written-back and made during the year are disclosed in Note 5 and Note 7, respectively.

19 Trade and Other Receivables

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000 (Restated)	S$'000	S$'000
Trade receivables, net of impairment (a):				
- note receivables (b)	7,174	5,814	-	-
- third parties	42,531	34,673	-	-
- associates	2,012	1,330	-	-
- related parties	650	857	-	-
	52,367	42,674	-	-
Other receivables:				
Funding to investee company (c)	6,394	1,847	-	246
Advances paid to				
- suppliers	3,762	3,327	-	-
- associates (d)	197	567	-	-
- subsidiaries	-	-	-	43
- related parties (d)	12	114	-	-
Deposits	707	327	-	-
Loans to associates (e)	479	341	-	-
Amount owing from a non-controlling interest (f)	83	209	-	-
Tax recoverable	125	116	-	-
Sundry debtors	2,833	2,022	62	87
	14,592	8,870	62	376
Prepayments	1,068	651	3	5
	68,027	52,195	65	381

19 Trade and Other Receivables (cont'd)

(a) Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables at 31 December 2014 were trade receivables from third parties amounting to S$692,000 (2013: Nil) under Account Receivables Bulk Factoring arrangement (Note 25) via a bank facility agreement entered by a subsidiary of the Company. These factored trade receivables was included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

(b) The note receivables from banks mature at varying dates within the next twelve months.

(c) (i) During the financial year ended 31 December 2013, a funding amount of US$330,000 (equivalent to S$406,000) was provided by the Group's wholly-owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investment"), to PT Putra Perkasa Indah ("PT PPI"), a company incorporated in Indonesia, under an Investment Agreement in which ISDN Investment proposed to acquire 51% equity interests of PT PPI, for its mining business in Indonesia. The funding is secured by personal guarantees and shares pledged by the existing shareholders of PT PPI and the amount is refundable on demand with 10% guaranteed return per annum. No substantial updates on the proposed acquisition.

(ii) In previous year, ISDN Investment, a wholly-owned subsidiary of the Group, funded S$974,000 to PT Charma Paluta Energy ("PT Charma") under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

During the financial year, acquisition of PT Charma has been completed and consequently it became a subsidiary of the Group (Note 16(b)).

During the financial year ended 31 December 2014, the Company and ISDN Investment has made additional advances of S$55,000 to PT Jodo Alam Titra under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

The fundings shall be refunded to the Group at no interests if the investment risk or returns profile is not in favour to the Group.

(iii) In previous financial year, the Group's wholly-owned subsidiary, ISDN Investment, provided US$135,000 (equivalent S$166,185) to PT Prisma Karun Energy ("PT PKE") as working capital pursuant to the signing of term sheet dated August 2012.

ISDN Investments entered into a conditional subscription and shareholders' agreement ("SSHA") dated 8 March 2013 with Chang Power Development Pte Ltd ("CPD") and Prisma Karun (HK) Pte Ltd ("PKHK") pursuant to which ISDN Investments and CPD agreed to subscribe for an aggregate of 749,400 and 720,000 new shares respectively, in the capital of PKHK for an aggregate subscription price of US$749,400 (equivalent to approximately S$933,550) and US$720,000 (equivalent to approximately S$897,120) respectively. Therefore, the Group's effective equity interest to be held in PKHK would be 51%.

PKHK holds a 80% equity interest in PT Prisma Karun Energy ("PTPKE"), a company incorporated in Indonesia which is engaged in the business of constructing, operating and maintaining hydropower plants and the production of electric power ("Hydropower Business"). The Group will engage in the Hydropower Business through PTPKE.

19 Trade and Other Receivables (cont'd)

(c) (cont'd)

(iii) (cont'd)

In 2013, ISDN Investments made additional advances of US$231,170 (equivalent to approximately S$301,048) to PT PKE.

ISDN Investment entered into a Deed of Novation with Aenergy Holdings Company Ltd ("Aenergy"), a 55% owned subsidiary of ISDN Investment, to take over the rights and obligation of ISDN Investment under the conditional subscription and shareholders' agreement signed with CPD.

During the financial year, Aenergy has mutually agreed with CPD and PKHK not to further pursue the hydropower business. As a result, CPD and PKHK agreed to transfer the receivables of US$366,170 (equivalent to approximately S$467,000) to PT SDM Bahagia Sejahtera ("PT SDM"), a subsidiary of the Group.

(iv) During the financial year ended 31 December 2014, Aenergy Holdings Company Limited ("Aenergy"), a 55% owned subsidiary of the Group, funded S$1,287,000 and S$1,121,000 to two Indonesia-based companies under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

The fundings shall be refunded to the Group at no interests if the investment risk or returns profile is not in favour to the Group.

(v) During the financial year ended 31 December 2014, ISDN Resource Pte Ltd ("ISDN Resource"), a wholly-owned subsidiary of the Group entered into mining operation agreement with PT Gema Energy Indonesia ("Gema") and PT Bun Yan Hasanah ("Bun Yan") to which ISDN Resource will provide financing and other management related services to Gema and Bun Yan. ISDN Resource provided US$2,847,830 (equivalent to approximately S$3,492,127) as loan and advances for working capital pursuant the signing of the agreement.

(d) The advances to associates and related parties are non-trade, unsecured, interest-free, and are repayable on demand in cash.

(e) The loans to associates bear interest of 5% to 6% per annum, and are unsecured and repayable on demand in cash.

(f) The amount owing from non-controlling interests is non-trade, unsecured, interest-free and repayable on demand in cash.

20 Cash and Cash Equivalents

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000 (Restated)	S$'000	S$'000
Cash and bank balances	33,170	31,535	327	3,710
Fixed deposits	4,323	10,019	-	-
	37,493	41,554	327	3,710
Effective interest rate per annum	0.03%	0.03%	-	-

The fixed deposits have a maturity period of 1 to 12 months (2013: 1 to 12 months).

For the purposes of presentation in the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	Group	
	2014	2013
	S$'000	S$'000 (Restated)
Cash and bank balances	33,170	31,535
Fixed deposits	4,323	10,019
	37,493	41,554

21 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2014	2013	2014 S$'000	2013 S$'000
Group and Company				
Balance at 1 January	361,049,950	301,319,950	63,925	44,855
Placement of shares	-	59,730,000	-	18,892
Transfer of performance shares	-	-	-	178
Balance at 31 December	361,049,950	361,049,950	63,925	63,925

Ordinary shares of the Company do not have any par value. 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 restrictions and rank equally with respect to the Company's residual assets.

The numbers of ordinary shares includes treasury shares as disclosed in Note 23.

22 Warrants Issue

	No. of ordinary shares		Amount	
	2014	2013	2014 S$'000	2013 S$'000
Group and Company				
Balance at 1 January and 31 December	179,972,475	179,972,475	3,384	3,384

In 2013, the Company issued a renounceable non-written rights issue of 179,972,475 warrants at an issue price of S$0.02 for each warrant. Each warrant carries the right to subscribe to one new ordinary share of the Company at an exercise price of S$0.60 for each new share, on the basis of one warrant for every 2 existing ordinary shares, to be exercised at any time during the period commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 13 November 2013. There was no exercise of warrants during the current financial year. As at 31 December 2014, the number of outstanding warrants amounted to 179,972,475.

23 Treasury Shares

	No. of ordinary shares		Amount	
	2014	2013	2014 S$'000	2013 S$'000
Group and Company				
Balance at 1 January	1,105,000	1,105,000	162	162
Purchase of treasury shares	5,260,000	-	1,355	-
Balance at 31 December	6,365,000	1,105,000	1,517	162

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the financial year ended 31 December 2014, the Company acquired 5,260,000 (2013: Nil) shares in the Company through purchases for a consideration of approximately S$1,355,000. The shares are presented under treasury shares as a component within shareholders' equity.

24 Reserves

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000 (Restated)	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	602	313	-	-
Other reserves (c)	4,478	3,767	(178)	(178)
Retained earnings	41,639	36,348	3,097	2,841
	46,283	39,992	2,919	2,663

Movements in reserves for the Group are set out in the consolidated statement of changes in equity.

(a) The merger reserve arose from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation in the restructuring as described in the Group's financial statements for the financial period ended 31 December 2005.

(b) The exchange translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of group entities whose functional currencies are different from that of the Group's presentation currency.

(c) In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC are required to set aside a statutory reserve fund by way of appropriation of 10% of their profit after tax as reported in the PRC statutory financial statements each year.

The statutory reserve fund may be used to offset any accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the relevant PRC authorities. The appropriation is required until the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital. The statutory reserve is not available for dividend distribution to shareholders.

25 Bank Borrowings

		Group					
		2014			2013		
	Note	Unsecured S$'000	Secured S$'000	Total S$'000	Unsecured S$'000 (Restated)	Secured S$'000	Total S$'000 (Restated)
Bank loan #1	(a)	-	-	-	195	-	195
Bank loan #2	(b)	-	-	-	-	833	833
Bank loan #3	(b)	-	-	-	-	1,250	1,250
Bank loan #4	(b)	-	-	-	-	33	33
Bank loan #5	(c)	-	2,746	2,746	-	3,382	3,382
Bank loan #6	(d)	-	1,101	1,101	-	972	972
Bank loan #7	(e)	-	-	-	92	-	92
Bank loan #8	(f)	330	-	330	-	-	-
Bank loan #9	(g)	200	-	200	-	-	-
		530	3,847	4,377	287	6,470	6,757
Short-term loans #1	(h)	6,813	-	6,813	5,775	-	5,775
Short-term loans #2	(i)	322	-	322	-	-	-
		7,135	-	7,135	5,775	-	5,775
Trust receipts #1	(j)	-	-	-	149	-	149
Trust receipts #2	(k)	888	-	888	696	-	696
		888	-	888	845	-	845
Account receivables bulk factoring	(l)	692	-	692	-	-	-
Total borrowings		9,245	3,847	13,092	6,907	6,470	13,377
Non-current liabilities							
Repayable later than one year and not later than five years		162	-	162	-	814	814
Current liabilities							
Repayable not later than one year		9,083	3,847	12,930	6,907	5,656	12,563
		9,245	3,847	13,092	6,907	6,470	13,377

25 Bank Borrowings (cont'd)

(a) Bank loan #1 granted to a subsidiary is repayable in 48 instalments commencing June 2010. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5% (2013: 5%) per annum. The loan was fully repaid during the financial year.

(b) Bank loan #2, bank loan #3 and bank loan #4 are secured by a legal mortgage over the leasehold properties of a subsidiary (Note 11), investment properties of three subsidiaries (Note 12) and corporate guarantees provided by the Company.

- Bank loan #2 was originally granted as a 4-year term loan repayable in 6 half-yearly instalments with its first instalment due in February 2010. Each instalment payable was S$1,666,667 with the last instalment being S$1,666,665. During the previous financial year, the loan tenor was extended by another 1.5 years from the date of acceptance and was restructured as a 5 half-yearly principal instalments of S$833,333.34 each commencing from August 2011 and a final instalment of S$833,333.29. Interest is charged at cost of funds plus 2.35% (2013: cost of funds plus 2.35%) per annum. The loan was fully repaid during the financial year.

- Bank loan #3 is a 3-year term loan repaid over 11 fixed quarterly principal instalments with its first instalment due in November 2011. Each instalment payable is S$416,666.67 and a final instalment of S$416,666.63. Interest is charged at 2.35% per annum over the applicable 3 months SWAP Offer Rate (SOR) or 2.35% per annum over the applicable 3-month Cost of Funds (COF), whichever is the higher or at such other rates as the bank may stipulate from time to time at its absolute discretion. The loan was fully repaid during the financial year.

- Bank loan #4 is a 5-year commercial property loan repayable in 60 monthly instalments with its first instalment due in March 2009. Interest is charged at 0.75% (2013: 0.75%) over the commercial financing rate per annum. The loan was fully repaid during the financial year.

(c) Bank loan #5 was originally granted as a 5-year term loan of RMB28 million (equivalent to S$5.47 million) granted to a subsidiary, which was repayable in 8 equal half-yearly instalments of RMB3.5 million (equivalent to S$683,200) each with its first instalment started in March 2011.

In 2011, the repayment amount was revised and the outstanding drawn down amount of RMB24 million (equivalent to S$5.02 million) as at 31 December 2011 will be repaid in five half-yearly instalments of RMB1.96 million (equivalent to S$408,278) each with its last instalment of RMB14.28 million (equivalent to S$2.97 million).

During the financial year, the repayment amount was revised and the outstanding drawn down amount of RMB16 million (equivalent to S$3.49 million) as at December 2013 will be repaid in six half-yearly instalments of RMB1.5 million (equivalent to S$322,320) each with its last instalment of RMB6.8 million (equivalent to S$1,456,886). This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and other subsidiaries of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 108% (2013: 115%) of the People's Bank of China's base rate per annum.

25 Bank Borrowings (cont'd)

(d) Bank loan #6 is a 5-year term loan of RMB5.5 million (equivalent to S$1.16 million) granted to a subsidiary, which is repayable in 9 half-yearly instalments of RMB375,000 (equivalent to S$79,270) each and last instalment of RMB2,500,000 (equivalent to S$528,468). Its first instalment starts in June 2014.

The loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and other subsidiaries of the Group. Interest is charged at 120% (2013: 120%) of the People's Bank of China's base rate per annum.

(e) Bank loan #7 granted to a subsidiary is secured by corporate guarantees provided by the Company. The loan is repayable in 36 instalments commencing July 2011. Interest is charged at 4.25% (2013: 4.25%) per annum. The loan was fully repaid during the financial year.

(f) Bank loan #8 granted to a subsidiary is secured by corporate guarantees provided by the Company and personal guarantee by Director of the subsidiary. The loan is repayable in 36 instalments commencing January 2014. Interest is charged at 3.00% per annum.

(g) Bank loan #9 granted to a subsidiary is secured by corporate guarantees provided by the Company. The loan is repayable in 12 instalments commencing April 2014. Interest is charged at 2.90% per annum.

(h) Short-term loans #1 granted to subsidiaries are secured by corporate guarantees provided by the Company and other subsidiaries of the Group. Interests are charged at a range of rate between 2.98% and 4.15% (2013: 2.90% and 7.26%) per annum.

(i) Short-term loans #2 granted to a subsidiary were secured by corporate guarantees provided by the Company. Interest is charged at 120% of the People's Bank of China's base rate per annum.

(j) The facility for trust receipts #1 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 1.70% to 1.80% (2013: 1.38% to 2.55%) per annum. The trust receipts were fully repaid during the financial year.

(k) The facility for trust receipts #2 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.54% to 5.00% (2013: 2.66% to 5.00%) per annum.

(l) The facility for account receivables bulk factoring of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at the higher of 3.25% per annum over the bank's cost of funds or 3.25% per annum over applicable SWAP Offer Rate prevailing from time to time.

The weighted average effective interest rate of the Group's bank borrowings is 5.86% (2013: 5.39%) per annum.

26 Finance Leases

	Group 2014 S$'000	Group 2013 S$'000
Minimum lease payments payable:		
- due not later than one year	156	65
- due later than one year and not later than five years	467	238
- due later than five years	3	3
	626	306
Finance charges allocated to future years	(68)	(35)
Present value of minimum lease payments	558	271
Non-current liabilities		
Due later than one year	418	214
Current liabilities		
Due not later than one year	140	57
	558	271

The weighted average effective interest rate of the Group's finance leases is 4.92% (2013: 5.93%) per annum.

Finance leases relate to motor vehicles and office equipment with varying lease terms. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligation under finance leases are secured by the lessors' title to the leased assets.

27 Deferred Tax Assets/Liabilities

	Group 2014 S$'000	Group 2013 S$'000 (Restated)
Deferred tax assets/(liabilities)		
- to be settled within one year	94	(49)
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	(49)	30
Credited to profit or loss (Note 9)		
- under/(over) provision in respect of prior year	106	(85)
Translation adjustment	37	6
Balance at 31 December	94	(49)

The deferred tax liabilities represent tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

28 Trade and Other Payables

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000 (Restated)	S$'000	S$'000
Trade payables (a):				
- note payables (b)	1,075	1	-	-
- third parties	17,742	14,574	-	-
- associates	383	95	-	-
- related parties	3,769	4,998	-	-
	22,969	19,668	-	-
Advances received from:				
- customers	5,300	4,638	-	-
- subsidiaries (c)	-	-	141	518
Accrued operating expenses	10,318	8,841	3,333	2,540
Amount owing to directors of subsidiaries (d)	28	68	-	-
Amount owing to non-controlling interests (d)	2,260	832	-	-
Other payables (e)	4,263	4,789	126	135
	45,138	38,836	3,600	3,193

(a) Trade payables are non-interest bearing and are usually settled within 30 - 90 days term.

(b) Note payables to banks mature at varying dates within the next twelve months.

(c) Advances received from subsidiaries are non-trade, unsecured, interest-free and are repayable on demand in cash.

(d) The amounts owing to directors of subsidiaries and non-controlling interests are non-trade, unsecured, interest-free, and are repayable on demand in cash.

(e) Included in other payables was an amount of S$449,000 (2013: S$602,000) being dividend payable to non-controlling interests.

29 Dividends

	Group and Company	
	2014	2013
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share (2013: 0.5 cents) paid in respect of the previous financial year	1,440	1,800

The Board of Directors of the Company has recommended a tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share to be approved by the Company's shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2014, subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

29 Dividends (cont'd)

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2013: Nil).

30 Segment Information

The business of the Group is organised into the following business segments:

- Provision of Engineering Solutions - Motion Control
- Other Specialised Engineering Solutions
- Industrial Computing Solutions
- Others

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without allocation of corporate expenses, rental income, share of profit of associates, interest income and finance costs, and income tax expense. Segment assets/liabilities are all operating assets/liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance. Segment revenue includes transfer between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. No operating segments have been aggregated to form the reportable segments above.

Others include the investment holding; land investments; development and management of power plants; and hydroponic and high tech farming.

30 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions- Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000 (Restated)
Revenue												
External sales	172,861	124,592	51,988	40,599	5,601	4,360	68	4,196	-	-	230,518	173,747
Inter-segment sales	1,711	588	1,604	1,527	60	40	-	-	(3,375)	(2,155)	-	-
	174,572	125,180	53,592	42,126	5,661	4,400	68	4,196	(3,375)	(2,155)	230,518	173,747
Results												
Segment results	14,398	12,268	2,384	(83)	440	(33)	(2,159)	(1,379)	-	-	15,063	10,773
Share of profit of associates	1,054	604	-	-	-	-	-	-	-	-	1,054	604
Corporate expenses											(774)	(1,108)
Rental income											585	370
Interest income											190	161
Finance costs											(881)	(1,030)
Profit before income tax											15,237	9,770
Income tax											(4,632)	(2,992)
Profit for the year											10,605	6,778
Assets												
Segment assets	95,218	92,258	27,972	27,696	3,127	2,568	13,832	5,213	(4,517)	(13,263)	135,632	114,472
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	4,628	3,713	-	-	-	-	-	-	-	-	4,628	3,713
Investment properties											570	590
Cash and cash equivalents											37,493	41,554
Consolidated total assets											190,009	172,015
Liabilities												
Segment liabilities	34,634	38,745	9,092	10,585	1,039	716	3,231	566	(4,517)	(13,263)	43,479	37,349
Bank borrowings and finance leases											13,650	13,648
Income tax liabilities											1,492	570
Others unallocated corporate liabilities											1,659	1,536
Consolidated total liabilities											60,280	53,103

30 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000 (Restated)	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Other information												
Capital expenditure on												
- Property, plant and equipment	1,835	1,533	699	608	16	2	113	69	-	-	2,663	2,212
- Progress payments for properties under development	-	-	-	-	-	-	1,915	738	-	-	1,915	738
Depreciation of properties, plant and equipment	1,381	1,254	625	687	2	24	119	131	-	-	2,127	2,096
Depreciation of investment properties	17	19	-	-	-	-	-	-	-	-	17	19
Other non-cash expenses												
- amortisation of intangible assets	-	23	-	-	-	-	-	-	-	-	-	23
- amortisation of land use rights	35	35	-	-	-	-	-	-	-	-	35	35
- trade receivables written off	18	83	25	1	-	-	-	-	-	-	43	84
- allowance for inventory obsolescence	474	589	61	77	23	23	-	-	-	-	558	689
- allowance for impairment of trade receivables	148	129	245	146	-	-	-	-	-	-	393	275
- property, plant and equipment written off	21	2	89	3	-	-	302	-	-	-	412	5
- inventories written off	110	74	31	3	-	-	-	-	-	-	141	77
- write back of allowance of trade receivables	(16)	(5)	(31)	(85)	-	-	-	-	-	-	(47)	(90)
- write back of allowance of inventory obsolescence	(31)	(14)	(3)	-	-	-	-	-	-	-	(34)	(14)

30 Segment Information (cont'd)

(b) Geographical Information

The Group operates in three principal geographical areas - Singapore (country of domicile), the PRC and Malaysia.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue from external customers		Non-current Assets	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000 (Restated)**	**S$'000**	**S$'000 (Restated)**
Singapore	35,472	27,573	20,631	19,869
PRC	176,744	126,326	27,870	25,466
Malaysia	7,930	6,366	433	572
Others	10,372	13,482	943	622
	230,518	173,747	49,877	46,529

(c) Information about Major Customers

The Group's revenue from any single external customer is less than 10%.

31 Operating Lease Commitments

Where the Group is a lessor

The Group leases out investment properties and sub-let of office/warehouse premises under non-cancellable operating leases. These leases have varying terms and renewal rights.

At the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of the Group's investment properties are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000 (Restated)**
Future minimum lease payment receivable:		
- not later than one year	419	634
- later than one year and not later than five years	295	475
	714	1,109

The remaining tenure period of the aforesaid operating leases are within 1 to 2 years (2013: 1 to 4 years).

31 Operating Lease Commitments (cont'd)

Where the Group is a lessee

The Group leases various office spaces and office equipments under non-cancellable operating leases. These leases have varying terms and renewal rights.

At the balance sheet date, commitments in respect of non-cancellable operating leases for the Group's rental of office premises and office equipment are as follows:

	Group	
	2014	2013
	S$'000	S$'000 (Restated)
Future minimum lease payment payable:		
- not later than one year	1,915	1,346
- later than one year and not later than five years	2,094	1,236
	4,009	2,582

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2013: 1 to 5 years).

32 Capital Commitments

Other than as disclosed in the financial statements, there are no other capital commitments entered into by the Group as at 31 December 2014.

33 Corporate Guarantees and Letters of Credit

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	-	-	13,093	13,329
	-	-	13,093	13,329
Letters of credit	-	118	-	-

The corporate guarantees disclosed above were not recorded at fair value, as in the opinion of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is not material.

34 Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions of the Group with related parties at mutually agreed amounts during the financial year:

	Group	
	2014	2013
	S$'000	S$'000 (Restated)
Sales to associates	(1,300)	(1,541)
Sales to related parties	(3,412)	(3,378)
Purchases from associates	1,520	366
Purchases from related parties	26,694	20,394
Administrative income charged to associates	(31)	(43)
Rental charged to associates	(5)	(5)
Rental charged to a related party	(123)	-
Interest charged to associates	(52)	(47)
Interest charged by a related party	25	33
Management fee charged to related party	(43)	-
Other expenses charged by related parties	339	(162)
Other income charged to associates	(3)	(21)
Other income charged to a related party	(176)	(132)

The remuneration of the Group's key management personnel, which includes the directors, are disclosed in Note 8.

35 Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's activities expose it to foreign currency risk, interest risk, credit risk and liquidity risk. The Group's overall risk management strategy, which remains unchanged from prior year, seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's expense to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank borrowings that are denominated in a currency other than the respective functional currencies of the entities of the Group. The currencies giving rise to this risk are primarily Renminbi (RMB), United States Dollars (USD), Swiss Franc (CHF) and Euro.

To manage the foresaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk (cont'd)

In addition, the Group adopts the use of forward currency contracts to mitigate the foreign currency risk where viable. Under the Group risk management policy, any hedging transaction amount up to S$100,000 in equivalent requires prior approval from the Managing Director of the Company. Any hedging transaction amount more than S$100,000 in equivalent requires prior approval from the Audit Committee. As at balance sheet date, the Group did not have any outstanding forward currency contracts.

The Group's foreign currency exposure based on the information provided to key management is as follows:

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
2014				
Financial assets				
Trade and other receivables	37,694	4,843	1,660	1,187
Cash and cash equivalents	13,949	9,436	820	1,890
	51,643	14,279	2,480	3,077
Financial liabilities				
Bank borrowings	4,170	6,043	-	-
Trade and other payables	21,989	5,339	3,058	(250)
	26,159	11,382	3,058	(250)
Net financial assets/(liabilities)	25,484	2,897	(578)	3,327
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(25,484)	-	-	-
Currency exposure	-	2,897	(578)	3,327
2013 (Restated)				
Financial assets				
Trade and other receivables	31,567	5,157	1,257	1,697
Cash and cash equivalents	12,224	4,427	728	1,639
	43,791	9,584	1,985	3,336
Financial liabilities				
Bank borrowings	5,885	3,623	-	149
Trade and other payables	19,396	1,661	3,968	1,198
	25,281	5,284	3,968	1,347
Net financial assets/(liabilities)	18,510	4,300	(1,983)	1,989
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(18,510)	-	-	-
Currency exposure	-	4,300	(1,983)	1,989

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk (cont'd)

If the following currencies strengthen by 5% (2013: 5%) against S$ at the balance sheet date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group	
	2014	**2013**
	Increase/(Decrease) Profit before tax S$'000	**Increase/(Decrease) Profit before tax S$'000 (Restated)**
USD	145	215
CHF	(29)	(99)
Euro	166	99

A 5% strengthens of S$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

No disclosures for foreign currency risk have been made for the Company as it was not a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currency as at financial year ended 31 December 2014 were not significant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rates arises relates primarily from interest-earning financial assets and interest-bearing financial liabilities.

Interest-earning financial assets primarily relates to fixed deposits that are short term in nature and are not held for speculative purposes but are placed to have better yield returns than cash at banks.

Interest-bearing financial liabilities mainly relates to bank borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/ decrease by 0.5% (2013: 0.5%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S$15,000, S$21,000 and S$30,000 respectively (2013: S$17,000, S$29,000 and S$19,000) as a result of higher/lower interest expense on these bank borrowings.

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers with an appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on an ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group level by management.

The Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised in the balance sheet resemble a large number of receivables from various customers. As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
By geographical areas		
Singapore	11,269	10,708
PRC	35,200	29,015
Malaysia	1,694	1,337
Others	4,204	1,614
	52,367	42,674

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired at the balance sheet date are substantially creditworthy companies with a good collection record with the Group.

As at 31 December 2014, trade and other receivables which are neither past due nor impaired amounted to S$50,509,000 (2013: S$35,568,000).

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk (cont'd)

(ii) Financial assets that are past due but not impaired

There is no other class of the Group's financial assets that is past due but not impaired except for trade receivables as set out below. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Trade receivables past due:		
- not more than 3 months	6,645	6,335
- 3 to 6 months	1,854	2,284
- over 6 months	3,855	3,233
	12,354	11,852

Trade receivables which are past due at the end of the reporting period but against which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and customers are still paying progressively and/or having ongoing transactions with the Group. These are long time customers of the Group and the Group is regularly in close contact with them.

(iii) Financial assets that are past due and impaired

The Group's trade receivables that are determined to be individually impaired at the balance sheet date are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Trade receivables	971	818
Less: Allowance for impairment	(971)	(818)
	-	-

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk (cont'd)

(iii) Financial assets that are past due and impaired (cont'd)

The movements in the allowance account used to record the impairment are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Balance at 1 January	818	619
Allowance for the year	393	275
Write back of allowance for the year	(47)	(90)
Amount written off	(109)	(21)
Translation	(84)	35
Balance at 31 December	971	818

Trade receivables which are impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted in payments. These trade receivables are not secured by any collateral.

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S$'000	Contractual cash flows S$'000	Within one year S$'000	Within two to five years S$'000	Over five years S$'000
Group					
2014					
Bank borrowings	13,092	13,776	13,609	167	-
Finance leases	558	626	156	467	3
Trade and other payables	39,838	39,838	39,838	-	-
	53,488	54,240	53,603	634	3
2013 (Restated)					
Bank borrowings	13,377	13,706	12,877	829	-
Finance leases	271	306	65	238	3
Trade and other payables	34,198	34,198	34,198	-	-
	47,846	48,210	47,140	1,067	3
Company					
2014					
Trade and other payables	3,600	3,600	3,600	-	-
2013					
Trade and other payables	3,193	3,193	3,193	-	-

The table below shows the contractual expiry by the maturity profile of the Company's corporate guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Within one year S$'000	Within two to five years S$'000	Total S$'000
Company			
2014			
Financial guarantee contracts	12,930	162	13,092
2013			
Financial guarantee contracts	12,563	814	13,377

35 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk (cont'd)

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

In addition, the Group maintains the following lines of credit:

(i) S$0.30 million of overdraft facilities;

(ii) S$2.83 million of foreign exchange contract hedging limit. Limit in excess of S$2.83 million is determined at the discretion of some banks when entering into each contract;

(iii) S$50.90 million of other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc); and

(iv) S$4.38 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2014 amounted to approximately S$42.03 million (2013: S$50.08 million).

(b) Fair Value

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

35 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

Fair value of assets and liabilities that are not measured at fair value on recurring basis but fair value disclosures are required as follows:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000	Carrying amount S$'000
2014					
Assets					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	666	-	666	501
Commercial property unit located in Malaysia (refer Note 12)	-	170	-	170	69
	-	836	-	836	570
Liabilities					
Bank borrowings	-	166	-	166	162
Finance leases	-	406	-	406	418
	-	572	-	572	580

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000	Carrying amount S$'000
2013					
Assets					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	904	-	904	517
Commercial property unit located in Malaysia (refer Note 12)	-	96	-	96	73
	-	1,000	-	1,000	590
Liabilities					
Bank borrowings	-	778	-	778	814
Finance leases	-	214	-	214	214
	-	992	-	992	1,028

35 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

The following summarises the significant methods and assumptions used in estimating the fair values of the financial instruments of the Group.

Other financial assets and liabilities

The fair values of other financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables, cash and cash equivalents, trade and other payables, and short-term bank borrowings are assumed to approximate their carrying amounts because of the short term period of maturity.

Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate S$166,000 (2013: S$778,000), as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

The fair value of finance leases approximate the present value of payments as disclosed in Note 26.

36 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 2013.

As disclosed in Note 24, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a net debt-to-equity ratio, which is net debt divided by total equity. The Group includes within net debt, bank borrowings and finance leases, trade and other payables, less cash and cash equivalents. Total equity includes equity attributable to the equity holders of the Company.

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(Restated)
Net debt	21,295	10,930
Total equity	129,729	118,912
Net debt-to-equity ratio	16%	9%

37 Subsequent Events

(a) On 14 January 2015, the Company announced that it has entered into a sale and purchase agreement with Perusahaan Daerah (Holding Company) Gowa Mandiri to acquire, through its subsidiary, PT SDM, 49% of the entire issued and paid-up share capital in PT Punggawa Datara Energy ("PT PDE") (the "Acquisition"). The consideration for the Acquisition is US$563,500 (approximately IDR7,043,750,000) (the "Consideration") which will be satisfied by cash upon completion of the Acquisition. No valuation was conducted as the parties were able to reach an agreement on the Consideration which was arrived at on willing buyer, willing seller basis, based on:

- PT PDE has not commenced business; and
- No profits are attributable to the Sale Shares.

Following the completion of the Acquisition, the Company will hold 46.55% of the effective interest in PT PDE.

(b) On 21 January 2015, the Company announced that it has entered into a sale and purchase agreement with Mr Muhammad Isa Indrawan to acquire, through its subsidiary Aenergy HK, 49% of the entire issued and paid-up share capital in PT Izmi Power Mandiri ("PT Izmi") (the "Acquisition"). The consideration for the Acquisition is IDR3.854 billion (approximately US$0.304 million) (the "Consideration") which will be satisfied by cash upon completion of the Acquisition. No valuation was conducted as the parties were able to reach an agreement on the Consideration which was arrived at on willing buyer, willing seller basis, based on:

- PT Izmi has not commenced business; and
- No profits are attributable to the Sale Shares.

38 Comparative Figures

As disclosed in Note 2(b), the change in accounting policy has been applied retrospectively in accordance with the transitional provision in FRS 110. The assets, liabilities and non-controlling interests in Dirak Asia are measured as if Dirak Asia had been consolidated from the date when the Group obtained control in 2007.

38 Comparative Figures (cont'd)

The effects of adoption of the financial statements are as follows:

(a) Consolidated Statement of Comprehensive Income

	2013 (Restated) S$'000
Changes in consolidated statement of comprehensive income:	
Revenue	8,895
Cost of sales	(4,845)
Gross profit	4,050
Other operating income	(42)
Distribution costs	(1,700)
Administrative expenses	(1,719)
Other operating expenses	(9)
Finance costs	(11)
Share of profit of associates	-
Profit before income tax	569
Income tax	(205)
Profit for the year	364
Other comprehensive income:	
Items that may be subsequently reclassified to profit or loss	
- Exchange differences on translation of foreign operations	188
Total comprehensive income for the year	552
Profit for the year attributable to:	
Equity holders of the Company	-
Non-controlling interests	364
	364
Total comprehensive income for the year attributable to:	
Equity holders of the Company	-
Non-controlling interests	552
	552
Earnings per share:	
Basic	*
Diluted	*

* Less than S$0.01

38 Comparative Figures (cont'd)

(b) Consolidated Balance Sheet

	As at 31 December 2013 (Restated) S$'000	As at 1 January 2013 (Restated) S$'000
Changes in consolidated balance sheet:		
ASSETS		
Non-current Assets		
Property, plant and equipment	738	711
Investment properties	-	-
Intangible assets	-	-
Land use rights	-	-
Goodwill	-	-
Associates	-	-
Deferred tax assets	-	30
Total non-current assets	738	741
Current Assets		
Inventories	3,270	2,879
Trade and other receivables	3,595	2,260
Cash and cash equivalents	857	1,257
Total current assets	7,722	6,396
Total Assets	8,460	7,137
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	-	-
Warrants issue	-	-
Treasury shares	-	-
Reserves	(5)	(5)
	(5)	(5)
Non-controlling interests	5,139	4,587
Total Equity	5,134	4,582
Non-current liabilities		
Bank borrowings	-	-
Finance leases	-	2
Deferred tax liabilities	37	(7)
Total non-current liabilities	37	(5)
Current Liabilities		
Bank borrowings	47	190
Finance leases	-	3
Trade and other payables	3,182	2,309
Current tax liabilities	60	58
Total current liabilities	3,289	2,560
Total Liabilities	3,326	2,555
Total Liabilities and Equity	8,460	7,137

38 Comparative Figures (cont'd)

(c) Consolidated Statement of Cash Flows

	2013 As restated S$'000
Changes in consolidated statement of cash flow:	
Net cash generated from operating activities	(14)
Net cash used in investing activities	(236)
Net cash generated from financing activities	(148)
Net increase in cash and cash equivalents	(398)
Cash and cash equivalents at the end of the year	857

39 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement of Directors.

SHAREHOLDERS' INFORMATION

AS AT 09 MARCH 2015

Issued and fully paid-up capital	:	S$63,925,000
Number of Issued Shares	:	354,684,950
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share

TREASURY SHARES

Number of treasury shares held by the Company: 6,365,000

Percentage of treasury shares held by the Company against the total number of issued shares excluding treasury shares: 1.79%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Assetraise Holdings Limited	129,572,250	36.53	–	–
Teo Cher Koon	–	–	129,572,250(1)	36.53
Karl Walter Braun	20,000,000	5.56	–	–
Tan Thiam Chye	28,448,000	8.02	30,000(2)	0.01
Cheng Siew Heah	15,930,000	4.49	12,548,000(3)	3.54

Note:

(1) Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon. As such, Mr Teo Cher Koon is deemed to have an interest in 129,572,250 shares held by Assetraise Holdings Limited.

(2) Mr Tan Thiam Chye is deemed to have an interest in 30,000 shares held by his spouse, Mdm Cheng Siew Heah.

(3) Mdm Cheng Siew Heah is deemed to have an interest in 12,548,000 shares held by here spouse, Mr Tan Thiam Chye.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 09 March 2015, approximately 49.11% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 09 MARCH 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	381	22.72	2,186	0.00
100 - 1,000	56	3.34	47,698	0.01
1,001 - 10,000	421	25.10	2,931,021	0.83
10,001 - 1,000,000	797	47.53	61,261,112	17.27
1,000,001 AND ABOVE	22	1.31	290,442,933	81.89
TOTAL	**1,677**	**100.00**	**354,684,950**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	147,131,650	41.48
2	RAFFLES NOMINEES (PTE) LIMITED	21,629,000	6.10
3	RHB SECURITIES SINGAPORE PTE. LTD.	21,076,000	5.94
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,158,504	3.99
5	UOB KAY HIAN PRIVATE LIMITED	13,247,168	3.73
6	OCBC SECURITIES PRIVATE LIMITED	13,032,622	3.67
7	TRITECH INTERNATIONAL HOLDINGS PTE LTD	12,600,000	3.55
8	PHILLIP SECURITIES PTE LTD	6,660,924	1.88
9	WONG KOON CHUE @ WONG KOON CHUA	5,819,000	1.64
10	DBS NOMINEES (PRIVATE) LIMITED	5,218,543	1.47
11	HONG LEONG FINANCE NOMINEES PTE LTD	4,817,000	1.36
12	CHU MENG CHEE	4,500,000	1.27
13	TAN THIAM CHYE	3,408,000	0.96
14	GOH YEO HWA	2,394,000	0.67
15	KONG DEYANG	2,050,000	0.58
16	TAN CHIN HOCK	1,963,200	0.55
17	CHIENG YOU PING	1,933,000	0.54
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,927,522	0.54
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,835,000	0.52
20	LAI TAT CHAI	1,774,800	0.50
	TOTAL	**287,175,933**	**80.94**

STATISTICS OF WARRANTHOLDINGS

AS AT 09 MARCH 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	3	0.62	18	0.00
100 - 1,000	100	20.66	96,734	0.05
1,001 - 10,000	197	40.70	951,718	0.53
10,001 - 1,000,000	163	33.68	18,742,675	10.42
1,000,001 AND ABOVE	21	4.34	160,181,330	89.00
TOTAL	**484**	**100.00**	**179,972,475**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,625,125	34.24
2	RHB SECURITIES SINGAPORE PTE. LTD.	16,453,578	9.14
3	TAN CHIN HOCK	10,889,369	6.05
4	ONG CHUAN SAN	10,000,000	5.56
5	RAFFLES NOMINEES (PTE) LIMITED	9,426,302	5.24
6	OCBC SECURITIES PRIVATE LIMITED	9,099,000	5.06
7	GOH YEU TOH	7,606,500	4.23
8	GOH YEO HWA	6,578,956	3.66
9	TAN THIAM CHYE	5,352,000	2.97
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,177,638	1.77
11	PHILLIP SECURITIES PTE LTD	2,958,529	1.64
12	LIM & TAN SECURITIES PTE LTD	2,707,000	1.50
13	ASSETRAISE HOLDINGS LIMITED	2,500,000	1.39
14	UOB KAY HIAN PRIVATE LIMITED	2,488,332	1.38
15	TRITECH INTERNATIONAL HOLDINGS PTE LTD	1,700,000	0.94
16	FOO SEK LOCK	1,540,000	0.86
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,402,000	0.78
18	WONG KOON CHUE @ WONG KOON CHUA	1,317,000	0.73
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,285,001	0.71
20	PEK CHOON HENG	1,050,000	0.58
	TOTAL	**159,156,330**	**88.43**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "**Company**") will be held at 12 Kallang Way #02-01, Nova Building, Singapore 349216 on Monday, 27 April 2015 at 9.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one tier) dividend of 0.40 Singapore cents per ordinary share for the year ended 31 December 2014. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Kong Deyang **(Resolution 3)**
   Mr Lim Siang Kai **(Resolution 4)**

   *Mr. Lim Siang Kai, upon re-election will continue to serve as Chairman of the Board and Audit Committee and a member of the Nominating and Remuneration Committees of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

4. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2015 (2014: S$100,000). **(Resolution 5)**

5. To re-appoint Moore Stephens LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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 in the capital of the Company ("Shares") - Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

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

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

   (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new Shares arising from the conversion or exercise of convertible securities;

   (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to allot and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Plan**

"That the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the ISDN Holdings Share Option Scheme and the ISDN Performance Share Plan (the "**Schemes**") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Schemes provided always that the aggregate number of shares to be issued pursuant to the Schemes shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time."
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 7 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of he Company at the time the Ordinary Resolution 8 is passed.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Schemes.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at **10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175** not less than forty-eight hours (48) before the time appointed for holding the Annual General Meeting.

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ISDN HOLDINGS LIMITED

(Incorporated In the Republic of Singapore

(Company Registration No. 200416788Z)

IMPORTANT:

1. For investors who have used their CPF monies to buy ISDN Holdings Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (name) of ______________________________

(address) ____

being a member/members of ISDN Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 12 Kallang Way #02-01 Nova Building, Singapore 349216 on Monday, 27 April 2015 at 9.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' and Auditors' Report and Audited Accounts of the Company for the year ended 31 December 2014		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Kong Deyang as Director of the Company		
4	Re-election of Mr Lim Siang Kai as Director of the Company		
5	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2015		
6	Re-appointment of Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration		
7	Authority to allot and issue new shares		
8	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Plan		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this ____________ day of ________________

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

....

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.

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 instead of him.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **10 Kaki Bukit Road, #01-30 KB Industrial Building, Singapore 416175** not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or 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.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. 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 Annual General 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 48 hours before the time appointed for holding the Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.

The sum of all parts - each individual commitment adds up to excellent teamwork - Isdn's defining difference.

COMPANY REGISTRATION NO: 200416788Z

NO 10 KAKI BUKIT ROAD 1
#01-30 KB INDUSTRIAL BUILDING
SINGAPORE 416175

Designed
& Produced by
+65 6880 2828 Xpress