

# Automating *Asia's Future*



**ISDN Holdings**  
LIMITED

Incorporated in Singapore with limited liability  
Singapore Stock code : 107.SI  
Hong Kong Stock code : 1656

Annual Report  
**2021**

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*\* In case of any discrepancies between the English version and the Chinese version, the English version shall prevail.*



# OUR VISION

## **We're building Asia's smart industrial future.**

Our solutions help customers unlock new industrial capability, productivity, and sustainability to support the next generation of Asia's industrial growth.

We partner closely with customers to deliver clear business value, while growing our business sustainably for all ISDN shareholders and stakeholders.

# OUR BUSINESS

ISDN Holdings Limited ("**ISDN**" or the "**Company**") offers a full range of advanced automation solutions and services ranging from precision components and engineering services to full machine and cloud solutions.

ISDN is committed to sustainable industrial growth, and is helping to build Asia's sustainable future through its dedicated clean industry solutions and its clean energy portfolio.

ISDN was founded in 1987 and was listed on the Mainboard of The Singapore Exchange Securities Trading Limited (the "**SGX-ST**", Singapore Stock code : I07.SI) on 24 November 2005, and subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**", Hong Kong Stock code : 1656) on 12 January 2017. ISDN employs over 1,050 employees in over 50 locations throughout Asia-Pacific.

# OUR VALUES

Our values reflect a comprehensive stakeholder approach to building our vision. We seek:

- To be a recognised leader in all the markets we serve.
- To build lasting relationships with customers and partners.
- To be an employer of choice that inspires and rewards excellence.
- To build value for shareholders through business, financial and earnings growth.
- To grow sustainably for all business and community stakeholders.

# ISDN AT A GLANCE

## OUR SCALE

**\$440.1m**

FY2021 revenue,  
an all-time record

**\$25.5m**

FY2021 profit to  
shareholders,  
an all-time record

**\$62bn+**

addressable market  
for Industrial  
Automation in Asia

## OUR GROWTH

**+74%**

FY2021 net profit  
growth over FY2020

**490%+**

5-year growth in  
profit to shareholders

**270%+**

3-year share return  
from 1 Jan 2019 to  
31 Dec 2021

## OUR REACH

**10,000+**

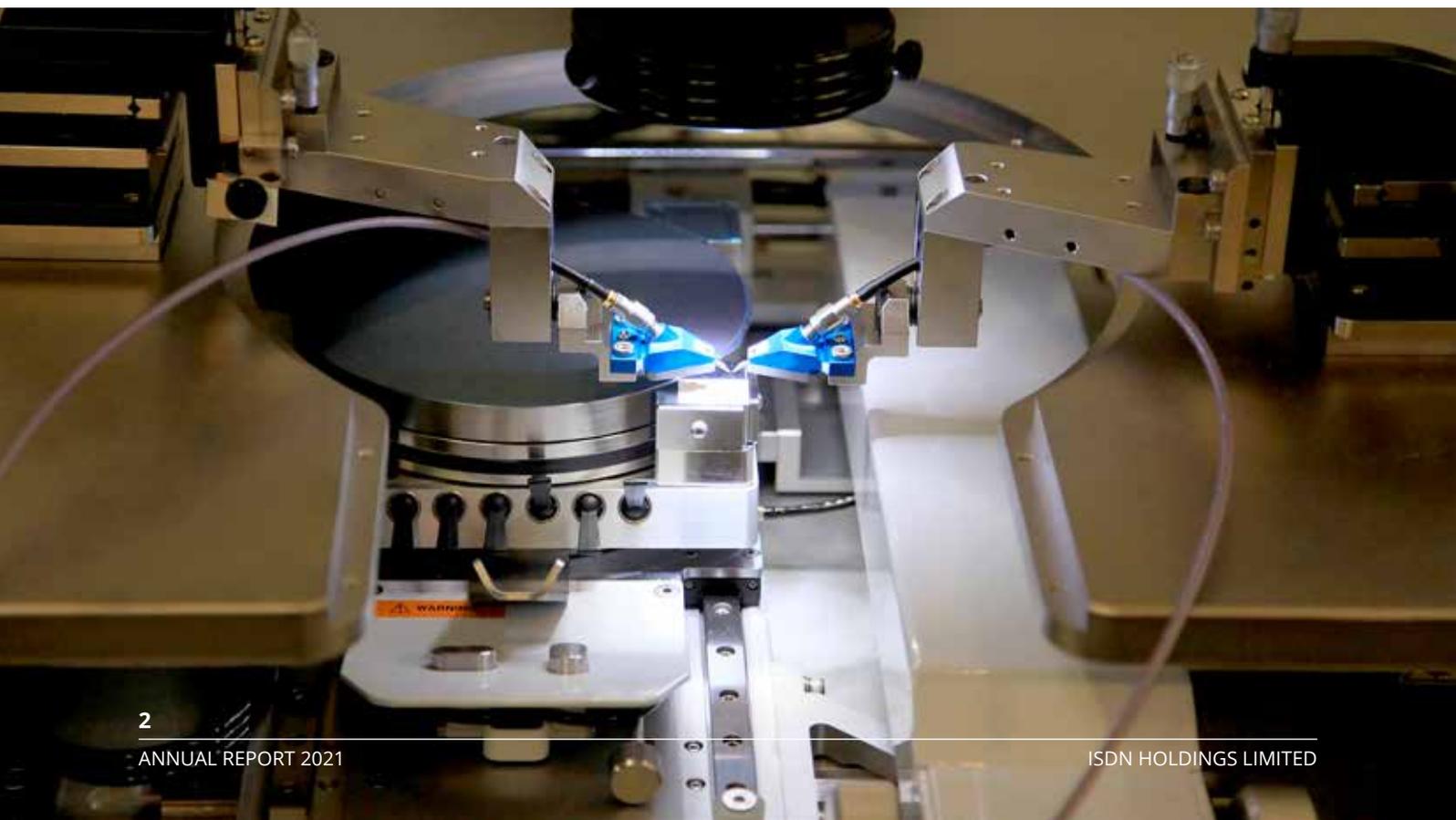
enterprise customers  
throughout Asia

**50+**

locations  
throughout Asia

**1,050+**

employees,  
of whom over  
31% are engineers



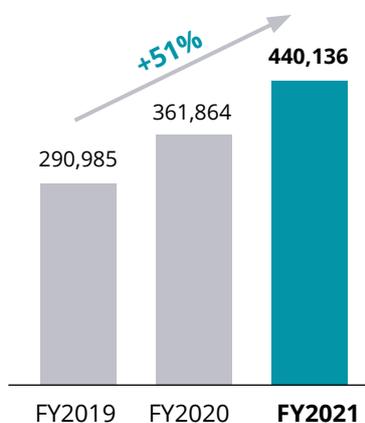


# BUILDING SHAREHOLDER GROWTH

We've strengthened our business with resolve, and are well-positioned for sustainable growth

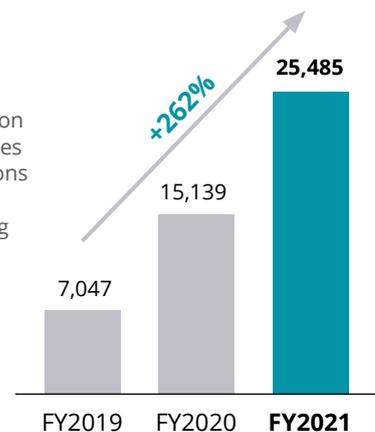
## REVENUE (S\$'000)

Growing breadth and depth of ISDN solutions portfolio. Driving solid, diversified growth that capitalises on Asia's multi-year shift to Industry 4.0 automation



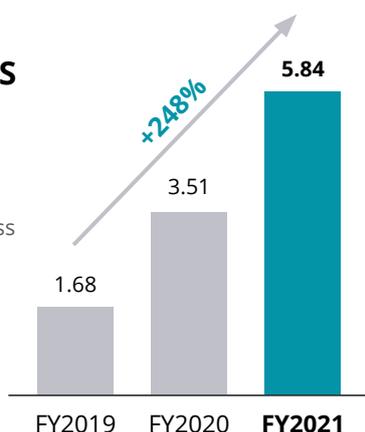
## PATMI (S\$'000)

Strategic transformation of operations: 5 centres of excellence, operations & infrastructure upgrades, and growing productivity and economies of scale



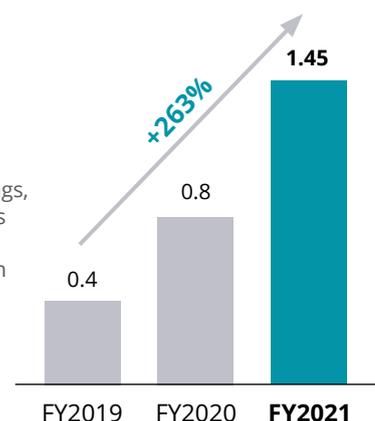
## BASIC EARNINGS PER SHARES

(Singapore cents)  
+248% 3-year growth, driven by fundamental improvements to business growth and profitability



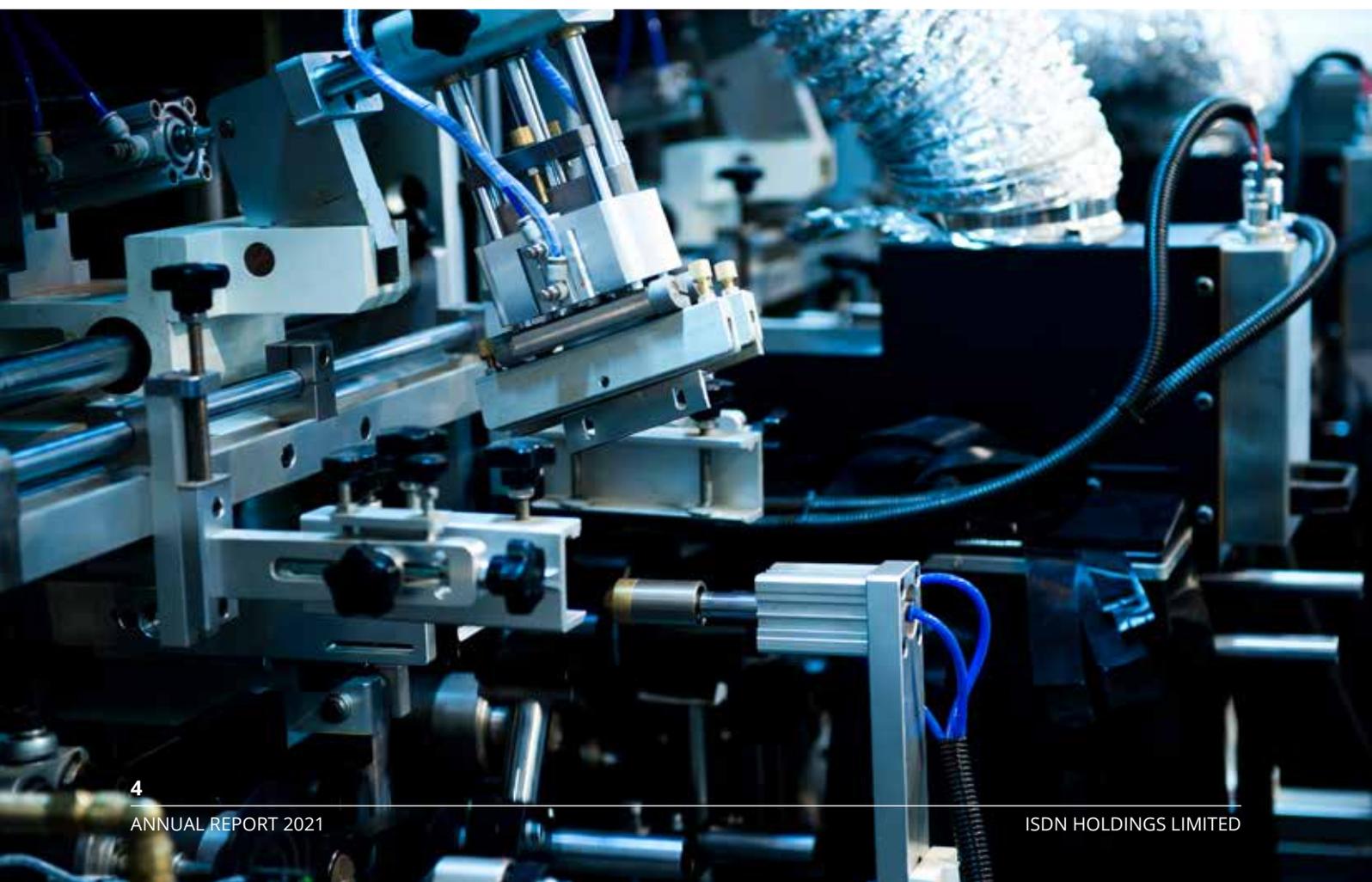
## DIVIDEND TREND

(Singapore cents)  
Dividends continue to grow alongside earnings, providing distributions to shareholders while retaining prudent cash for strategic growth investments



# 5-YEAR FINANCIAL SUMMARY

	2021 S\$'000	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000
Revenue	440,136	361,864	290,985	301,990	291,963
Gross profit	120,384	95,573	77,425	80,549	73,765
Profit before income tax	52,473	31,992	20,222	23,696	18,749
Profit attributable to equity holders ("PATMI")	25,485	15,139	7,047	10,946	9,489
Equity attributable to owners of the Company	197,136	170,020	152,745	143,751	136,620
Non current assets	157,546	140,970	98,829	89,816	59,522
Current assets	257,719	217,015	202,933	198,895	177,626
Current liabilities	150,180	129,068	94,132	88,170	84,815
Non current liabilities	18,110	11,293	9,060	12,723	507
Cash and cash equivalents	59,021	51,440	31,168	37,255	38,053
<b>Financial Ratios</b>					
Net Assets per Share (Singapore cents)	44.94	39.05	35.56	36.42	38.47
Basic Earnings per Share (Singapore cents)	5.84	3.51	1.68	2.77	2.41



# A SUSTAINABLE FUTURE

We're committed to building Asia's sustainable future

## ISDN SUSTAINABLE TECHNOLOGIES

We're helping customers build the next generation of cleaner and more productive industrial output



### Sustainable energy

Solar generation, energy storage, electric vehicle charging



### Sustainable agriculture

Industry 4.0 agri-automation, high-yield / low waste production



### Sustainable spaces

Certified biodegradable disinfectants



### Sustainable machines

ISDN solutions for automated waste and maintenance reduction; and machine upgrade and re-use vs replacement

## ISDN CLEAN HYDROPOWER PORTFOLIO

A carbon-offsetting portfolio of clean mini-hydropower plants readying for profitable commercial operations



### Sisira 4.6MW

operating since 3Q 2021.  
commercialisation soon.



### Angocci 10MW

operating since 3Q 2021.  
commercialisation soon.



### Lau Biang 10MW

mid-phase, good momentum  
strong progress expected in 2022

# PRESIDENT'S MESSAGE

## Dear Shareholders,

The past few years have been trying for the global economy, with global trade tensions, the COVID-19 pandemic, supply chain disruptions, inflation fears, and now the Ukraine crisis.

At ISDN, we've taken a different perspective on this series of disruptions and challenges. We know that every global shock arrives as a setback, but becomes an opportunity for ISDN to test our convictions and to move forward quickly while other companies are buffeted by uncertainty. We're grateful to have developed this perspective over 30 years of experience with growing with our customers and partners, and weathering many economic disruptions and cycles before.

Indeed, our approach of testing our convictions and moving forward while others are set back has allowed us to deliver **8 successive quarters of record growth for ISDN during these turbulent years, including financial year ended 31 December 2021 ("FY2021") results that represent all-time records for revenue, shareholder profits, and dividends.**

More importantly, even while delivering record earnings, we have invested to transform our capabilities. We've expanded our technology solutions, upgraded our operational infrastructure, established our 5 pillars of excellence, and grown our productivity. These strategic

efforts have strengthened our growth prospects for the coming years, and we look forward to reporting our continued progress to shareholders.

## Building momentum through disruption

Our core beliefs have helped us to deliver results throughout the volatile global environment. We've tested and redoubled our confidence in:

- The powerful growth of advanced automation as Asia shifts towards Industry 4.0
- The strength of our relationships with customers and partners, built over many years
- The resilience of our diversified solutions, partners and customers
- The solid foundations of our 5 pillars of business excellence

“

**ISDN is emerging with growing thought leadership and growing credibility in our market: we're not just helping customers build future industries in Asia with automation, but also embodying sustainable industry ourselves as a company.**

”



This confidence allowed ISDN to move quickly when the COVID-19 pandemic first broke, to protect employees, our customers and our financial health. We were able to move quickly again towards the fast-breaking opportunity in our core sector: we saw how important industrial automation would become in a pandemic environment beset by labour disruptions, and within weeks we were supplying customers again. As a result, **ISDN became one of the early industrial companies to return to growth during the pandemic, delivering rebounding performance by the 2<sup>nd</sup> quarter of 2020.**

Throughout 2020 and 2021, we used our convictions to lean into a comprehensive strategic transformation, upgrading our production capacity, infrastructure and technology capabilities. These initiatives allowed us to serve the record growing demand for our solutions, while also staying one step ahead to position ISDN for continued growth in the future with better technology capabilities, IT systems, and employee productivity.

In 2021, continued to look ahead with our convictions. **We are seeing a global shift in consciousness towards sustainable industry, and ISDN is ready.** We anticipated this shift years ago when we began investments in clean industry capabilities, including clean energy solutions, machine lifecycle upgrades, and clean hydropower plant investments.

With the growing shift towards sustainable industry, our core business is converging with our clean industry portfolio. ISDN is emerging with growing thought leadership and growing credibility in our market: **we're not just helping customers build future industries in Asia with automation, but also embodying sustainable industry ourselves as a company.**

## Financial Performance

ISDN and its subsidiaries (collectively, the "Group") has reported strong financial performance for FY2021. The Group's revenue increased by 21.6% year-on-year ("YoY") to reach an **all-time high of S\$440.1 million in FY2021**. Our gross profit increased by 26.0% YoY to reach S\$120.4 million while gross margin expanded by one percentage point to reach 27.4%.

Our investments in upgrading operational infrastructure and productivity enabled profits to climb faster than revenues. ISDN delivered **net profit growth of 73.6% YoY to reach an all-time high of S\$39.1 million in FY2021**. Our solid financial performance and cash and bank balance of S\$61.7 million as at 31 December 2021 allowed us to declare a final dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per share.

## Outlook for 2022 and beyond

For 2022 and beyond, we see the continued "super-cycle" in demand for industrial automation as the pandemic recovery, inflation pressures, and supply

shortages accelerate demand for automation and smart operations. The Asia Pacific factory automation and industrial controls market represents an opportunity of over US \$60 billion today<sup>1</sup>, and is expected to grow at a CAGR of 10.87% between 2021 and 2026<sup>2</sup>.

Innovation continues to grow irreversibly, and our 5 ISDN pillars of excellence position us well to keep expanding our technology capabilities to serve the growing needs of customers across Asia. Reflecting our commitment to growing our capabilities, we appointed Mr. Tay Geok Kee as Group Chief Technology Officer for ISDN on 1 January 2022. Mr. Tay contributes over 30 years of industrial automation experience to ISDN, including building automation and software cloud solutions for some of the largest industrial companies in Asia.

The Group continues to grow capabilities to expand its market reach. In addition to growing revenues in software and systems solutions in 2021, the Group acquired Whizpace, a wireless industrial networking company that expands ISDN's capabilities in large-area industrial automation including Industrial Internet of Things (IIoT) and distributed automation.

In 2022, the Group is looking to increase production capabilities to meet growing demand by constructing another building in our People's Republic of China ("PRC") Industrial Park campus, providing for an almost +39% increase in gross floor area at the campus.

We also see the continued convergence between industry and sustainability worldwide, a trend that ISDN is well-positioned for as our clean industry solutions business continues to grow and our mini hydropower plants near commercial operations.

## Our valued stakeholders

Our sustained performance would not be possible without the longstanding support and efforts of our employees, customers, business partners, suppliers and shareholders. We are grateful to all of our stakeholders for their support and trust in us, and we hope to keep growing alongside this valuable community for years to come.

I would also like to thank the Board of Directors at ISDN who have helped resolve our convictions and direction over this period of growth.

We look forward to meeting you, our shareholders, at our investor meetings this year, and reporting on our continued progress as we build ISDN for sustained growth.

## Teo Cher Koon

*Managing Director and President  
ISDN Holdings Limited*

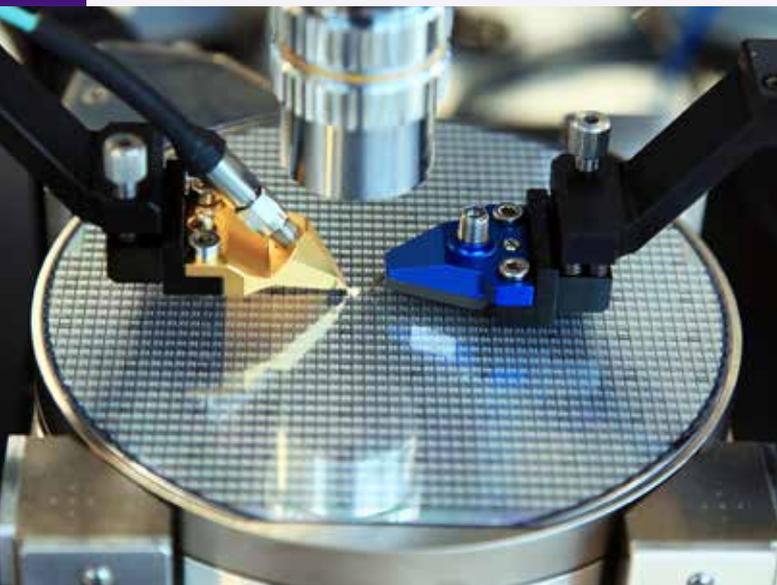
<sup>1</sup> Business Wire: Factory Automation and Industrial Controls - World Markets, Forecast to 2026

<sup>2</sup> Mordor Intelligence: Asia Pacific Factory Automation and Industrial Controls Market

# OUR FIVE PILLARS OF EXCELLENCE

Our five pillars of excellence represent over 30 years of accumulated experience for ISDN. Each pillar represents a powerful platform consolidating ISDN's best capabilities and talent to build thought leadership, drive innovation, and unlock economies of scale as we deliver our solutions to customers.

Our pillars drive the reliable execution of our vision. By concentrating our best experience into these global centres of excellence, we're able to translate the strategic promises of Industry 4.0 and Asia's sustainable industrial future into concrete technologies, solutions, and services that help customers to build their industrial future.



## ISDN Motion Control

Motion control is a foundation technology for virtually all forms of industrial automation. Industries rely on motion control technologies to manufacture and move products with ever greater precision, quality, and production scale over time. ISDN offers the full gamut of motion control solutions from the conceptualisation, design and prototyping to production, installation, testing, and after-sales service. Our global supply, service and engineering network provides engineering and commercial support for our solutions throughout their lifecycle.

Our customers typically approach us with their expectations on design, functionality, technical specifications, compatibility and/or budget, and rely on ISDN to recommend and procure the necessary combinations of engineering parts, systems and components to deliver a solution tailored for each customer's specific industrial application.

## ISDN Systems

As our customer needs have grown over time, we have expanded our capabilities to include full systems engineering and production. ISDN is able to provide design, engineering, production, integration and lifecycle services for complete systems that integrate hardware, software, networking and intelligence.

Today, ISDN has delivered systems across diverse industries from manufacturing to advanced agriculture, renewable energy, and civil transportation.



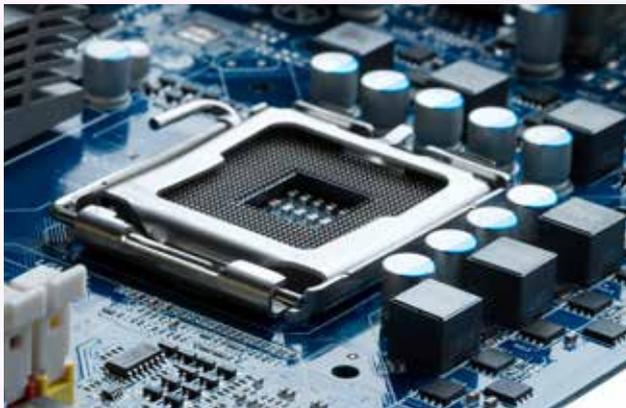
## ISDN Precision Manufacturing

ISDN's precision manufacturing capabilities provide attractive vertical integration capabilities for the Group. Today, ISDN manufactures a range of in-house products for its Motion Control business including linear motors, positioning stages, precision gearboxes, and transmission elements.

Additionally, ISDN produces high-specification hinge and lock products under the Dirak brand, used for mission-critical applications including data centres, telecommunications, transportation, and the global 3C market.

ISDN also provides specialised metal injection moulding manufacturing capabilities for industrial customers in the computing, telecommunications and electronics industries.

Our manufacturing capabilities are concentrated in our industrial campuses in Suzhou and Huzhou Zhejiang, allowing ISDN to share manufacturing resources to improve economies of scale. ISDN's manufacturing platforms include in-house precision machining, metal injection, stamping, die casting, and product assembly.



## ISDN Renewable Energy

ISDN seeks to build Asia's clean industrial future, and has developed a portfolio of renewable energy solutions to help customers shift or grow sustainable industrial practices.

ISDN offers engineering and technology solutions for solar energy, energy storage, advanced agriculture, industrial disinfectants, building energy management, and energy smart grids.

In addition to its growing solutions portfolio, ISDN has invested in 3 mini hydropower plants in Southeast Asia to embody a corporate commitment to a sustainable future for Asia's industry. Today, ISDN provides renewable hydro energy, jobs, and infrastructure in collaboration with the Anggoci, Sisira and Lau Biang communities of Indonesia.



## ISDN Software

As industrial automation advances towards Industry 4.0, ISDN has seen growing demand for software to provide connectivity, intelligence, and analysis to support industrial processes. Examples of software applications include machine connectivity, supervisory control and data acquisition (SCADA) systems, manufacturing execution systems (MES), and advanced industrial analytics and cloud-based intelligent systems.

ISDN's Software pillar of excellence utilises proven industrial software platforms to provide a full range of automation, intelligence, analytics, and control software offerings that can be tailored to the specific needs of industrial customers. Our capabilities include full edge-to-cloud integration, advanced visualisation tools, wide area industrial connectivity, and machine analytics and intelligence.



# BOARD OF DIRECTORS



**1. Mr. Lim Siang Kai**  
(林汕鏢)  
*Chairman and  
Independent  
Non-executive Director*



**2. Mr. Teo Cher Koon**  
(張子鈞)  
*Managing Director and  
President*



**3. Mr. Kong Deyang**  
(孔德揚)  
*Executive Director and  
Senior Vice President –  
PRC Operations*

1. Mr. Lim Siang Kai (林汕鏢), aged 65, is the Chairman and an independent non-executive Director. Mr. Lim is also the Chairman of the Audit Committee and the Risk Management Committee of the Company to the Board of ISDN. Mr. Lim was appointed to the Board of ISDN on 26 September 2005. Prior to joining the Group, 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. Mr. Lim is also the chairman and independent non-executive director of Samurai 2K Aerosol Limited (a company listed in Singapore) since 16 January 2017. Mr. Lim ceased to be an independent non-executive director of Joyas International Holdings Ltd (a company listed in Singapore) and Beijing Gas Blue Sky Power Holdings Ltd (a company listed in Hong Kong) in March and December 2021 respectively as well as the Chairman and non-independent non-executive director of D'nounce Technology BHD (a company listed in Malaysia) in December 2021.

Mr. Lim holds a Bachelor of Arts from the National University of Singapore, and a Bachelor of Social Sciences with Honours from the National University of Singapore which he obtained in May 1980 and May 1981 respectively. Mr. Lim also holds a Master of Arts in Economics from the University of Canterbury which he completed in 1983.

2. Mr. Teo Cher Koon (張子鈞), aged 63, is the President, Managing Director and Controlling Shareholder of the Company and was appointed to the Board of ISDN on 28 December 2004. Mr. Teo joined Servo Dynamics as a sales administration manager in July 1987 and in November 1989, he was appointed as a Director of Servo Dynamics. He has amassed more than 30 years of experience in the motion control and industrial computing industries and is experienced in all aspects of our business. Under Mr. Teo's leadership, our Group grew steadily from a local start-up supplier of servo motors to our Group as it is today, with 85 subsidiaries and 55 sales offices all over Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2021. Mr. Teo is responsible for formulating our corporate strategy, general management and providing technical advice to our Group, and is particularly active in the procurement and marketing activities of our Group.

Mr. Teo obtained a Bachelor of Engineering (Mechanical) from the National University of Singapore in June 1987 and a Technician Diploma in Mechanical Engineering from Ngee Ann Technical College in April 1978.

Mr. Teo is the sole director of Assetraise Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO").

3. Mr. Kong Deyang (孔德揚), aged 61, is an executive Director of the Company, and was appointed to the Board of ISDN on 26 September 2005. 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 the PRC. Mr. Kong joined Maxon Suzhou as its vice general manager in June 1995, and he has since August 2001 been serving as a director and been in charge of the day-to-day operations of some of our subsidiaries in the PRC which are involved in the motion control and other specialised engineering solutions businesses.

Mr. Kong graduated from the Beijing Technical University in July 1982 with a Degree in Optical Engineering and was awarded the "Young and Middle-aged State-ranking Experts with Outstanding Contribution" award by the PRC state council in January 1994.

4. Mr. Toh Hsiang-Wen Keith, aged 47, is a non-executive Director of the Company, and was appointed to the Board of ISDN on 10 May 2019. Mr. Toh is a Partner at Novo Tellus Capital Partners, a private equity fund focused on technology and industrials investments in Southeast Asia. Mr. Toh is also an executive Director and President of Novo Tellus Alpha Acquisition, and an alternate non-executive Director of Procurri Corporation Limited, each of which is listed on the Mainboard of the SGXST. Mr. Toh was formerly a Principal at Francisco Partners L.P., a leading global technology-focused private equity fund. Mr. Toh focuses on investments in global technology sectors including advanced manufacturing, software and cloud infrastructure, semiconductors, sustainable IT, internet platforms, and optical communications. He has held numerous board positions over the last decade for technology companies worldwide including directorships at Source Photonics Inc, an optical components manufacturer; Aconex Ltd., a company formerly listed on the Australian Stock Exchange and acquired by Oracle Corporation in 2017; AEM Holdings Ltd, a company listed on the Mainboard of SGX-ST; Numonyx BV, a semiconductor memory manufacturer; and Mincom Pty Ltd, a global enterprise software company. Previously, Mr. Toh was a product lead at Trilogi, an enterprise software company, and held engineering research roles at Stanford University and the Singapore Ministry of Defense.

Mr. Toh holds a Bachelor of Science in Electrical Engineering from Stanford University.

5. Mr. Soh Beng Keng (蘇明慶), aged 68, is an independent non-executive Director of the Company and was appointed to the Board of ISDN on 26 September 2005. Mr. Soh has more than 20 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. From September 1997 to November 2004, he served as the director of Heeton Management

Pte Ltd, a company which provides administrative and management services, and from September 2003 to 2004, he served as a director in charge of the finance functions of Heaton Holdings Limited, a company listed on the Mainboard of the SGX-ST which is engaged in property development, property investment, and ownership, lease and operation of wet markets and retail outlets. Mr. Soh served as the financial controller of Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in the marine and oil related industries, from July 2005 to August 2006, and the financial controller of Miclyn Offshore Pte. Ltd., a Singapore company involved in the business of owning and chartering of ships, from August 2006 to February 2007. From March 2007 to April 2009, Mr. Soh was the chief financial controller of P99 Holdings Limited (previously known as China Fashion Holdings Limited) (delisted from SGX-ST since 21 October 2017), a public company listed in Singapore principally engaged in the manufacturing and sales of men's fashion wear. He was the lead independent director of (i) BM Mobility Ltd, a PRC raw material producer and supplier of import substitution products as well as green energy business listed on the SGX-ST (delisted from SGX-ST on 12 November 2020), from August 2009 to August 2019; (ii) Sino Grandness Food Industry Group Limited, a company principally engaged in the production and distribution of beverage and canned food products listed on the SGX-ST, from November 2009 to December 2019; (iii) Yamada Green Resources Limited (BJV), a supplier of self-cultivated edible fungi and manufacturer of processed food products listed on the SGX-ST, from September 2010 to October 2013; and (iv) China Haida Ltd., a leading manufacturer of aluminum panels in the PRC, which is listed on the Mainboard of the SGX-ST, from April 2007 to June 2020.

Mr. Soh is also a full member of the Singapore Institute of Directors since October 2004 and a fellow of the Institute of Singapore Chartered Accountants since January 2010. He obtained his Bachelor of Commerce from the Nanyang University in August 1979.

6. Mr. Tan Soon Liang (陳順亮), aged 49, is an independent non-executive Director of the Company, and was appointed to the Board of ISDN on 18 August 2016. Currently, he serves as the managing director of Ti Ventures Pte. Ltd. since May 2009, which invests in growing businesses and provides business and management consultancy services, M&A and corporate development advisory services in

respect of company growth and transformation. He is also a director of Ti Investment Holdings Pte. Ltd., which invests in growth companies, since June 2010 and a managing director of Omnibridge Capital Pte. Ltd., a company which focuses on early stage angel and venture capital investments in startups and fast-growing companies and involved in corporate development and advisory services, since December 2014.

Mr. Tan serves as an independent director in Catalyst-listed Clearbridge Health Limited (1H3), a healthcare company with focus on delivery of precision medicine in Asia and its vision to empower clinicians and healthcare professionals to make more reliable and accurate diagnoses, since November 2017. He is also serving as an independent director in Catalyst-listed Choo Chiang Holdings Limited (42E), a leading retailer and distributor of electrical products and accessories in Singapore, since August 2018 and Mr. Tan serves as an independent director in Catalyst-listed GDS Global Limited (5VP), a leading specialist provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region since March 2020. Mr. Tan also serves as an independent director in Catalyst-listed Colex Holdings Limited (567), an investment holding company, provides waste management services in Singapore, since April 2021. Mr. Tan also serves as an independent director in ValueMax Group Limited, a company listed on the Mainboard of the SGX-ST under stock code T6I, which provides pawnbroking and secured moneylending services and retailing and trading of pre-owned jewellery and gold since January 2022. Mr. Tan served as an independent director in Catalyst-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions from June 2016 to April 2019.

Mr. Tan is also a director of Spectra Secondary School since January 2022 and he also serve as a Vice President (Corporate Engagement and Careers) of Nanyang Technological University, Nanyang Business School Alumni Association Executive Committee, since October 2021.

Mr. Tan holds a Bachelor of Business (Honours) Degree from Nanyang Technological University which he obtained in July 1997 and a Master of Business Administration Degree from the University of Hull, United Kingdom in February 2001. Mr. Tan is also a CFA charterholder since September 2000 as well as a member of the Singapore Institute of Directors since June 2011.



**4. Mr. Toh Hsiang-Wen Keith**  
Non-executive Director



**5. Mr. Soh Beng Keng**  
(蘇明慶)  
Independent  
Non-executive Director



**6. Mr. Tan Soon Liang**  
(陳順亮)  
Independent  
Non-executive Director

## JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn and Ms. Tung Wing Yee Winnie are the joint company secretaries of our Company during the year.

**Ms. Gn Jong Yuh Gwendolyn** (鄭鐘毓), aged 50, was appointed as our company secretary on 5 February 2007. She is currently a partner of Shook Lin & Bok LLP and specializes in the areas of corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment.

Ms. Gn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial

institutions on corporate governance, regulatory and corporate compliance issues. Ms. Gn was admitted as an Advocate & Solicitor, Singapore in April 1995 and obtained an LLB (Hons) from the National University of Singapore in July 1994.

**Ms. Tung Wing Yee Winnie** (龔穎怡), was appointed as one of our joint company secretaries on 28 February 2020. She is a senior corporate secretarial manager of Boardroom Corporate Services (HK) Limited. Ms. Tung is currently a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia. Ms. Tung also has over 20 years' experience in the fields of company secretarial, financial management and corporate finance.

# DIRECTORSHIP

## LIM SIANG KAI

### Group companies

ISDN Holdings Limited

### Other companies

Samurai 2K Aerosol Limited

## TEO CHER KOON

### Group companies

ISDN Holdings Limited

Agri Source Farms Sdn Bhd

Agri Source Pte Ltd

C True Version Pte Ltd

DBASIX Malaysia Sdn Bhd

DBASIX Singapore Pte Ltd

Dietionary Farm Holding Pte Ltd

Dietionary Farms Sdn Bhd

Dirak Asia Pte Ltd

Dirak Taiwan Co., 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 Bantaeng Pte Ltd

ISDN Energy Pte. Ltd.

ISDN Enterprise Management (Wu Jiang) Co., Ltd.

ISDN Investments Pte Ltd

ISDN Road & Belt Energy Pte. Ltd.

ERST Asia Pacific Pte. Ltd.

ISDN Resource Pte Ltd

Jin Zhao Yu Pte Ltd

JM Vistec System Pte Ltd

JM Vision (Suzhou) Co., Ltd

JM Vision Technologies Co., Ltd

Leaptron Engineering Pte Ltd

Maxon Motor International Trading (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

Servo Dynamics (H.K.) Limited

Servo Dynamics (Thailand) Co., Limited

Servo Dynamics Pte Ltd

Servo Dynamics Sdn Bhd

Servo Dynamics Philippines, Inc.

Shanghai DBASIX M&E Equipment Co.,Ltd

Suzhou Dirak Co., Ltd

Suzhou PDC Co., Ltd

Su Zhou Servo Dynamics Co., Ltd.

Zhuzhou Dirak Technology Co., Ltd.

AR Technologies Pte. Ltd.

AR Biotech Pte. Ltd. *(formerly known as ISDN NBA Resources Pte. Ltd)*

Maxon motor SEA Pte. Ltd.

PT Charma Paluta Energy

PT Alabama Energy

ISDN Software Business Pte. Ltd.

ISDN Energy (Cambodia) Co., Ltd.

ISDN (Zhejiang) Precision Technology Co., Ltd.

COTRUST SYSTEM Co., Ltd

Performance Leadership Pte Ltd

Prima Infrastructure Sdn Bhd

### Other companies

Assetraise Holdings Limited

Sand Profile (HK) Co., Ltd

Sand Profile (Suzhou) Co., Ltd

## KONG DEYANG

### Group companies

ISDN Holdings Limited

Beijing Junyizhicheng Technology Developing Co., Ltd

Eisele Asia Co., Ltd

Excel Best Industries (Suzhou) Co., Ltd

ISDN Enterprise Management Co., Ltd

JAPV Mechanical Technology (Wujiang) Co., Ltd

Gateway Motion (Shanghai) Co., Ltd

Maxon Motor International Trading (Shanghai) Co., Ltd.

Maxon Motor (Suzhou) Co., Ltd

SEJINIGB (China) Co., Ltd

Su Zhou Servo Dynamics Co., Ltd.

Shenzhen Servo Dynamics Co., Ltd

Shanghai DBASIX M&E Equipment Co.,Ltd

Suzhou PDC Co., Ltd

Weiyi M&E Equipment (Shanghai) Co., Ltd

## SOH BENG KENG

### Group companies

ISDN Holdings Limited

## TAN SOON LIANG

### Group companies

ISDN Holdings Limited

### Other companies

Ach Investors Pte Ltd

Allin Holdings Pte Ltd

Omnibridge Capital Ltd

Omnibridge Capital Pte Ltd

Omnibridge Investments Ltd

Omnibridge Investments Pte Ltd

Omnibridge Investment Partners Pte Ltd

Ti Investment Holdings Pte Ltd

Ti Ventures Pte Ltd

Clearbridge Health Limited

Choo Chiang Holdings Limited

GDS Global Limited

Colex Holdings Limited

ValueMax Group Limited *(Appointed on 1 January 2022)*

Spectra Secondary School *(Appointed on 7 January 2022)*

## TOH HSIANG-WEN KEITH

### Group companies

ISDN Holdings Limited

### Partner

Novo Tellus Capital Partners

### Other companies

Novo Tellus Alpha Acquisition

Procurri Corporation Limited

# KEY MANAGEMENT

**Mr. Lau Choon Guan** (劉俊源),  
aged 57, Vice President – sales (motion control) of our Group.

Mr. Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. In September 1990, he was appointed as a foreman in Matsushita Electronics Components (S) Pte Ltd, which manufactures electrical components. In August 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 in November 2005. Given his years of experience with our Group, Mr. Lau is experienced in all areas of the motion control business. From 2014 to 2016, Mr. Lau was a committee member of the Smart Automation Technology Industry Group (formerly known as Automation Technology Industry Group, a division of the Singapore Manufacturing Federation). Mr. Lau obtained a Technician Diploma in Electrical Engineering from the Singapore Polytechnic in June 1985.

**Mr. Sim Leong Seang** (沈龍祥),  
aged 63, Vice President – technical support (motion control) of our Group.  
(Resigned on 5 August 2021)

Mr. Sim served our Group from April 1992 to August 2021 and is responsible for managing the pre and post product and application sales capabilities of our Group. Since joining our Group, Mr. Sim has contributed to the technical and applications capabilities of the technical department to meet the rapid development in the motion control technology market. He is also actively involved in the adoption of new software engineering tools and standards. Mr. Sim was a production supervisor with Hipak Industries Pte Ltd, a polythene bag production factory, where he was responsible for the efficient running of the production systems from June 1979. When Hipak Industries Pte Ltd was acquired by Lamipak Industries Pte Ltd, he was promoted to the post of superintendent in October 1981, where he was responsible for the efficient running of the expanded production facilities. Mr. Sim left Lamipak Industries Pte Ltd in February 1984 to pursue his studies and serve his national service thereafter. Mr. Sim obtained a Diploma in Electronics Engineering from the French-Singapore Institute in March 1986.

**Mr. Tay Geok Kee** (鄭業基),  
aged 59, Chief Technology Officer of our Group (Promoted on 1 January 2022)

Mr. Tay joined our Group as a General Manager of ISDN Software Business Pte. Ltd. in May 2019 and subsequently

promoted as a Chief Technology Officer of our Group, since January 2022. He is responsible on growing opportunities to grow ISDN's thought leadership and capability in Industry 4.0 technologies; deepen integration of ISDN's many technology offerings throughout Asia; and extend ISDN's market presence in software, cloud, and systems as the Group continues to expand its core business. From 2009 to 2019, Mr. Tay was the Technical Director of Aveva Software Singapore Pte. Ltd., lead a team of domain experts, who are based across the region responsible for working with regional sales leadership to support and contribute during the sales process through domain knowledge and expertise. In 2000, he joined Wonderware Singapore as a Technical Manager in charge of all pre and post sales technical activities. Mr. Tay obtained a Master of Science in Electrical Engineering from the National University of Singapore in April 1994 and a Bachelor of Science in Electrical Engineering from Ohio Northern University in March 1990.

**Mr. Cheng Hock Kiang** (鍾福強),  
aged 53, Vice President in sales (industrial computing, hardware) of our Group.

Mr. Cheng joined our Group as a sales engineer of Servo Dynamics in April 1997 and was subsequently employed as a business development manager of our subsidiary, Portwell, since January 1998. 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 obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in August 1988 and a Degree of Bachelor of Science with Second Class Honours (Upper) in Information and Communications Technology from SIM University in March 2010.

**Mr. Wong Kwok Whye Peter** (黃國偉),  
aged 54, Vice President

Mr. Wong is responsible for developing the corporate growth strategies of Leaptron, and leads a team of engineering staff to support customers. Mr. Wong is also responsible for conducting trainings both to internal staff and customers, such as organizing workshops and training seminars. He has more than 20 years of experience in the area of marketing, sales, product development, technical support and training in the motion control industry. Mr. Wong joined our subsidiary, Servo Dynamics as an application manager in July 1996, where he was in charge of the development of the technical and training

team for our "Wonderware" software program. Mr. Wong obtained a Master of Technology (Software Engineering) from the National University of Singapore in June 2009, a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University in June 1995 and a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore, where he was also awarded a Certificate of Merit for Outstanding Performance in the Electronic Engineering Course, in August 1989.

**Mr. Chow Ka Man** (周嘉文),  
aged 47, Vice President – Hong Kong operations

Mr. Chow joined our group as a sales manager of SD Hong Kong in February 1995, and has been a director of SD Hong Kong since December 1995. 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. Mr. Chow obtained his Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1994.

**Ms. Ho Ting Wai Christine** (何霆蔚),  
aged 47, Chief Financial Officer

Ms. Ho joined our Group in June 2016 and she was responsible for the financial management, financial reporting and internal control functions of the Group since. She was also involved in the coordination, preparation of financial information and investors relations activities such as attending road shows and conference in the preparation of listing of the Company's shares on the Main Board of SEHK in January 2017. Ms. Ho has been promoted to Chief Financial Officer of the Group and will be responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters. She has more than 15 years of experience in auditing, accounting and corporate finance in private and listed companies in Singapore. Prior to joining the Group, she was formerly a financial controller of Hysendal Enterprises Pte. Ltd. From 2011 to 2013, she was the group financial manager of Weiye Holdings Limited (delisted from SGX-ST since 24 August 2018), a company listed on the Main Board of the SGX-ST and SEHK. In 2006, she joined KPMG LLP, Singapore as an audit senior associate, where she was eventually promoted to audit manager and she specialized in US GAAP, SOX and US GAAS. She graduated from the University of Essex in United Kingdom with first-class Honours Degree in Accounting in 2000.

# MANAGEMENT DISCUSSION AND ANALYSIS



**In FY2021 the Group delivered all-time records for revenue, profit before tax, and net profit to shareholders.**



## BUSINESS REVIEW

In FY2021, the Group reported a +21.6% YoY growth in revenue to S\$440.1 million, from S\$361.9 million in FY2020. The revenue growth was driven primarily by continued broad-based demand for industrial automation across both of (1) the geographies the Group serves in the PRC and in Southeast Asia; and (2) the diversified industries the Group serves including the medical, semiconductor, automotive, manufacturing, electronics and other sectors.

As noted in the Business Outlook section, the Group believes its revenue growth benefits from a broader multi-year growth in demand for industrial automation across Asia. Businesses in Asia are increasingly looking to automation to help drive greater productivity, better products, lower labour dependence, and greater overall competitiveness.

The Group notes that the COVID-19 pandemic has generally accelerated the pace of digitalisation for both consumers and enterprises around the world. Faster

digitalisation has in turn driven accelerated demand for industrial automation which underpins the production of digital technologies worldwide.

The Group's gross profit grew faster than revenue at +26.0% YoY to reach S\$120.4 million in FY2021, up from S\$95.6 million in FY2020. Overall, gross profit margin increased by 1.0 percentage points, from 26.4% to 27.4% in FY2021.

During FY2021, the Group's core industrial automation business continued to contribute the majority of revenues, accounting for approximately 97.8% of the Group's total revenue. Geographically, the PRC contributed the largest share (70.5%) of the Group's revenue by country.

The Group continues to reap the benefits of its investments to expand its solutions portfolio. By reorganising its business into five pillars of excellence (motion control, systems, precision manufacturing, software, and renewable energy), the Group has been able to increase focus and tap greater economies of scale across its many employees, customers and facilities. The Group has also invested in growing productivity more broadly, by upgrading IT systems, consolidating its administrative and finance teams, and integrating its Singapore businesses more closely into a single corporate headquarters. As a result, the Group's productivity has increased significantly and profits have grown significantly faster than revenues in FY2021.

Reflecting the strong business momentum and productivity growth, the Group recorded +73.6% YoY growth in net profit after tax in FY2021, the highest annual profit in its history.

In addition to the strong results in its core business, the Group's emerging hydropower generation business in Indonesia is also progressing well towards full commercialisation.

As a result of the strong financial performance, the Group's cash and bank balances also increased to S\$61.7 million as at 31 December 2021. The Board has also proposed a final dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per share for FY2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OUTLOOK

The Group continues to see growing demand for industrial automation across its diversified Asia geographies and industries. The Group believes demand is driven by many factors including:

- Rising labour costs throughout Asia, resulting in the need to reduce labour costs through automation;
- The need for companies to grow overall business productivity through automation;
- The need for companies to increase the quality and/or performance of products by using technology production to remain competitive;
- The growing use of technology worldwide, most of which must be manufactured with advanced automated production;
- The growing incidence of cybercrime<sup>1</sup>, which compels enterprises to invest behind securing industrial production and automating risk and threat management to increase vigilance and response times; and
- Continuing innovations in technology which provide new opportunities for enterprises to invest in automation with technologies such as artificial intelligence, the industrial internet of things (IIoT), and big data analytics.

During the COVID-19 pandemic, the Group benefited from an acceleration of digitalisation globally as enterprises used automation to telecommute, produce, distribute, and support business products and services.

Emerging from COVID-19, the Group has benefited from the global economic acceleration as the Asian economy expands production capacity to address global demand for goods and services. With many technology products sold out and backlogged, the Group sees continued growth opportunity with helping companies to expand and upgrade industrial production across Asia.



The progression of Industry 4.0 continues to create long-term demand for the Group's products and services. Today, the Company's industrial automation solutions are already used in advanced factories, electronics and semiconductor manufacturing, digital transportation, connected and intelligent machines, advanced medical devices, 5G and cloud hardware and software that underpin the global digital economy. The Group believes these advanced industrial segments and applications will continue to grow in the future.

The recent partnership between Singapore Institute of Technology (SIT) and Siemens to advance Industry 4.0<sup>2</sup> exemplifies the growing public and private support for adopting Industry 4.0.

While the Group has benefited from the groundswell of demand for industrial automation in Asia, it also continues to invest to broaden and deepen its portfolio of solutions. In recent years, the Group has invested in expanding its offerings into software, systems, Internet of Things (IoT) connectivity while also deepening its market presence by growing its engineering and manufacturing capacities. The Group has seen significant benefits from these strategic investments and intends to continue growing its portfolio to serve the ever-advancing technology needs of Asia's industrial economy.

<sup>1</sup> Cybersecurity and automation: What will 2022 bring?: <https://securitybrief.asia/story/cybersecurity-and-automation-what-will-2022-bring>  
<sup>2</sup> SIT collaborates with Siemens to develop degree specialisation in Industry 4.0: <https://www.businesstimes.com.sg/government-economy/sit-collaborates-with-siemens-to-develop-degree-specialisation-in-industry-40>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and Gross Profit Margin

	FY2021 S\$'000	FY2020 S\$'000	% change + / (-)
<b>Industrial Automation Solutions</b>			
Revenue	430,658	336,719	27.9%
Gross profit	119,682	93,711	27.7%
Gross profit margin	27.8%	27.8%	0 ppt
<b>Construction Revenue</b>			
Revenue	9,478	25,145	-62.3%
Gross profit	702	1,862	-62.3%
Gross profit margin	7.4%	7.4%	0 ppt
<b>Total</b>			
Revenue	440,136	361,864	21.6%
Gross profit	120,384	95,573	26.0%
Gross profit margin	27.4%	26.4%	1.0 ppt

The Group's revenue for FY2021 came in higher by approximately S\$78.3 million or 21.6% from S\$361.9 million in financial year ended 2020 ("FY2020") to S\$440.1 million in FY2021.

Overall revenue for the Group was higher mainly driven by the continued strong demand for industrial automation in both the PRC and in Southeast Asia, including Hong Kong, Malaysia, and Vietnam. Through our diversified business model and planning agility, the Group continued to grow amidst the global semiconductor shortage, as we remain committed to partnering closely with customers to help them advance their industrial capabilities. The Group believes the strength in demand is driven by key post COVID-19 shifts in Industry 4.0 automation, industrial and consumer digitalisation, and cleaner economies. The Group's core industrial automation segment continued to drive approximately 97.8% of the Group's total revenue for FY2021. In addition, the Group recognised construction revenue of approximately S\$9.5 million for FY2021 from the construction of mini-hydropower plants in Indonesia.

In line with growing revenue, gross profit for FY2021 increased by S\$24.8 million or 26.0% as compared to FY2020. Overall, gross profit margin increased by 1.0 percentage point, from 26.4% to 27.4% for FY2020 and FY2021 respectively. Excluding the gross profit arising from the construction of mini-hydropower plant under the service concession arrangement, gross profit margin would have been maintained at 27.8% in FY2021 and FY2020 respectively.

### Other operating income

For FY2021, other operating income increased by S\$4.6 million to S\$9.0 million. The increase was mainly due to gain on disposal of properties for our Singapore offices of S\$2.2 million, increase in net foreign exchange gain of S\$2.2 million, increase in technical service income of S\$0.3 million, increase in property management income of S\$0.2 million, increase in miscellaneous income of S\$0.1 million and increase in interest income of S\$0.1 million. This was partially offset by decrease in government grant of S\$0.4 million and decrease in write back of allowances of inventories obsolescence of S\$0.1 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

**The Group's revenue for FY2021 came in higher by approximately S\$78.3 million or 21.6% from S\$361.9 million in FY2020 to S\$440.1 million in FY2021.**



## Distribution costs

In FY2021, distribution costs increased by \$4.7 million, or 18.7% to S\$30.0 million. The increase was mainly due to increase in staff and related costs of S\$3.0 million from higher staff commission to sales personnel which is in line with the increase in revenue, lesser Jobs Support Scheme (“JSS”) grants from the Singapore government and absence of the PRC government’s COVID-19 support in FY2021 and accrual of share-based payment that aims to recognise exceptional achievements and retains talents within the Group. Furthermore, there was also an increase in sales and marketing expenses of S\$1.7 million which is in line with the increase in revenue and business activities and increase in travelling expenses of S\$0.4 million due to the relaxed business travel restriction in our business segments; partially offset by the decrease in office and other expenses of S\$0.4 million.

## Administrative expenses

For FY2021, administrative expenses increased by S\$11.1 million, or 35.6% to S\$42.3 million. The increase was mainly due to increase in salary and related cost of S\$8.9 million due to higher provision of performance bonus which is in line with the better business performance, accrual of share-based payment that aims to recognise exceptional achievements and retains talents within the Group and significant reduction of JSS grants from the Singapore government and absence of the PRC government’s COVID-19 support in FY2021. Furthermore, an increase in office and other expenses of S\$1.6 million and increase in professional fees of S\$0.4 million and increase in travelling expenses of S\$0.2 million.

## Net impairment losses on financial assets

Net impairment losses on financial assets decreased by S\$3.1 million or 67.0% for FY2021 were mainly due

# MANAGEMENT DISCUSSION AND ANALYSIS

to the lower impairment loss for funding to investee companies.

## Other operating expenses

In FY2021, other operating expenses decreased by S\$3.4 million, or 56.5% to S\$2.6 million. The decrease was mainly due to absence of net foreign exchange loss and lower provision of legal cost of S\$3.0 million and S\$1.5 million respectively. Furthermore, there was a decrease in bad debts written off of S\$0.3 million and property, plant and equipment written off of S\$0.1 million. This was partially offset by an increase in allowance for inventories obsolescence of S\$0.8 million, allowance for impairment loss on investment in an associates of S\$0.6 million.

## Finance costs

Finance costs decreased by S\$0.3 million, or 14.9% to S\$1.5 million for FY2021, which was mainly due to lower interest rate of bank borrowings.

## Income tax expense

Income tax expense increased by S\$3.9 million, or 41.2% to S\$13.4 million for FY2021. The increase was mainly due to higher taxable profits.

## Property, plant and equipment

Property, plant and equipment increased by S\$6.1 million, or 9.9% as at 31 December 2021. The increase was mainly due to recognition of right-of-use assets of S\$5.9 million which arose mainly from the recognition of land lease agreement for a leasehold property in Singapore, purchase of plant and machinery of S\$1.9

million, recognition of construction costs incurred of S\$1.7 million for the construction of hydropower plant in Indonesia, renovation of leasehold properties S\$1.7 million, furniture and fitting of S\$0.9 million and motor vehicles of S\$0.6 million. In addition, there was also translation gain of S\$1.1 million arising from the strengthening of Renminbi ("RMB") against S\$ in FY2021. This was partially offset by the depreciation charge of S\$4.8 million, disposal of properties with net book value of S\$2.8 million and property, plant and equipment written off of S\$0.1 million.

## Associates

Interests in associates decreased by S\$0.4 million, or 7.4% as at 31 December 2021 mainly due to allowance for impairment loss on investment in an associate of S\$0.6 million, change in the Group's interest of S\$0.5 million in TDS Technology (Thailand) Company Limited ("TDS Thailand") from an associate to subsidiary as the Group has significant control over TDS Thailand, dividend from associates of S\$0.3 million, and disposal of an associate of S\$0.1 million; offset by share of profit of associates of S\$1.1 million.

## Service concession receivables

Service concession receivables increased by S\$10.8 million, or 18.5% to S\$69.4 million as at 31 December 2021. This was mainly due to recognition of construction revenue of S\$9.5 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$1.3 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Inventories

Inventories increased by S\$21.9 million or 39.5% to S\$77.5 million as at 31 December 2021 primarily due to the fulfilment of customer orders for FY2022.

## Trade and other receivables

Trade and other receivables increased by S\$15.6 million or 15.1% to S\$118.5 million as at 31 December 2021 mainly due to increase in trade receivables of S\$17.3 million, increase in advances paid to trade suppliers of S\$1.8 million and increase in prepayment of S\$0.5 million. Furthermore, in June 2021 the Group extended a loan of S\$0.7 million to Whizpace Pte Ltd who is our strategic partner to deliver wide-area Industry 4.0 and internet of things (IoT) solutions globally. The partnership extends the reach of ISDN's leading Industrial Automation solutions into exciting frontiers of automation where intelligent devices are connected over wide spaces such as farms, oil fields, ships, forests and mines. This was partially offset by decrease in amount owing from non-controlling interest of S\$4.6 million following the completion of acquisition of PT Bukit Lau Energi.

Subsequent receipt of about S\$24.6 million was received from customers as at 31 January 2022. The collection represented approximately 24.0% of trade receivables as at 31 December 2021.

## Trade and other payables

Trade and other payables increased by S\$12.5 million or 14.8% to S\$96.9 million as at 31 December 2021, which was mainly due to increase in trade payables of S\$3.9 million arose from increase in trade purchase during the financial period, increase in accrual of construction cost relating to construction of mini-hydropower plants of S\$4.0 million, increase in accrued salaries and bonuses of S\$3.1 million and accrual of share-based payment of S\$1.7 million, increase in loan from non-controlling interest of S\$1.4 million for construction of mini



hydropower plants, increase in other payable of S\$0.9 million; partially offset by decrease in accrued operating expenses of S\$2.5 million.

## Contract liabilities

The increase in contract liabilities of S\$2.4 million or 14.2% to S\$19.5 million was mainly due to advances received from customers for sales of goods largely from our China subsidiaries to mitigate credit risk exposure on sales. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

## Bank borrowings (current and non-current)

Bank borrowings increased by S\$8.4 million or 26.5% to S\$40.1 million as at 31 December 2021. The Group obtained Temporary Bridging Loan ("TBL") of S\$5.0 million in FY2021 which was initiated by the Singapore government to help local companies' working capital needs. The loan tenure of the TBL is 5 years with fixed interest rate. In addition, the Group also drew down term loans of S\$3.4 million for financing of our capital expenditure investments for our mini-hydropower plant projects.



# MANAGEMENT DISCUSSION AND ANALYSIS

**The partnership with Whizpace Pte Ltd extends the reach of ISDN's leading Industrial Automation solutions into exciting frontiers of automation where intelligent devices are connected over wide spaces such as farms, oil fields, ships, forests and mines.**

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

On 25 January 2021, the Company's wholly-owned subsidiary, Motion Control Group Pte Ltd ("**MCG**") had subscribed for 54,122 ordinary shares in Performance Leadership Pte. Ltd. ("**PL**") at a subscription price of S\$1 per share for an aggregate cash consideration of S\$54,000, representing 51% of the total issued and paid-up capital of PL. Following the completion of the share subscription, PL has become a subsidiary of MCG and an indirectly owned subsidiary of the Company. PL is principally engaged in corporate training services and motivational course providers, professional training to organisations and public and human resource consultancy services.

On 3 June 2021, the Company's wholly-owned subsidiary, Servo Dynamics Pte. Ltd. ("**Servo Singapore**") had subscribed for 2,336,000 ordinary shares in a subsidiary, Servo Dynamics Engineering Company Limited ("**Servo Vietnam**") for an aggregate consideration of VND 2,336,000 (approximately US\$102,000) by way of declaration of final dividend of US\$102,000 (equivalent to S\$139,000) for the financial year ended 31 December 2019 to Servo Singapore. Following the capital injection by way of final dividend, the Group's effective interest in Servo Vietnam remains unchanged at 51%.

On 23 June 2021, the Company's indirect owned subsidiary DBASIX Singapore Pte. Ltd. ("**DBASIX Singapore**") had made a capital injection of US\$300,000 (equivalent to S\$409,000) in a wholly-owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd. ("**Shanghai DBASIX**") for working capital purpose.

On 29 June 2021, the Company's indirectly wholly-owned subsidiary, Servo Dynamics Co., Ltd. ("**Servo Dynamics**"), a company incorporated under the laws of the PRC, had been placed under members' voluntary liquidation under the laws of the PRC, and the voluntary liquidation had been completed on 29 June 2021 (the "**Liquidation**") as part of the Company's internal restructuring exercise. Following the Liquidation, all the assets and liabilities including the share capital of Servo Dynamics had been transferred to the Company's indirectly wholly-owned subsidiary, Su Zhou Servo Dynamics Co., Ltd., a company incorporated under the laws of the PRC (together with the "**Liquidation**", referred to as the "**Internal Restructuring Exercise**"). Following the Internal Restructuring Exercise, the registered capital of Su Zhou Servo Dynamics Co., Ltd. had increased from US\$600,000 to US\$3,000,000.

On 26 August 2021, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") incorporated a wholly-owned subsidiary in the PRC to be known as Bei Cheng Information Technology (Tianjin) Co., Ltd. ("**Bei Cheng Tianjin**") with a registered capital of RMB10,000,000. Beijing Bei Cheng has made initial capital contribution of RMB300,000 (equivalent to approximately S\$62,000) ("**Initial Capital Contribution**"). Bei Cheng Tianjin will be principally engaged in the business of providing information technology such as technical service, technical development, software development, artificial intelligence application software development, network and information development, sales of electronic products and industrial computing solutions.

On 6 September 2021, the Company's indirect 67.1%-owned subsidiary, Aenergy Holdings Company Limited ("**Aenergy**") acquired a total of 195 shares, representing 39% of the total issued share capital

# MANAGEMENT DISCUSSION AND ANALYSIS

of PT Potensia Tomini Energi ("**PT Potensia**"), a company incorporated in Indonesia, at a consideration of IDR3,900,000,000 (equivalent to S\$351,000). Following the completion of the acquisition of PT Potensia, Aenergy's shareholding interest has increased from 49% to 88%.

On 6 September 2021, the Company's indirect 67.1%-owned subsidiary, Aenergy acquired a total of 780 shares, representing 39% of the total issued share capital of PT Galang Hidro Energi ("**PT Galang**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S\$702,000). Following the completion of the acquisition of PT Galang, Aenergy's shareholding interest has increased from 49% to 88%.

On 6 September 2021, the Company's indirect 67.1%-owned subsidiary, Aenergy Holdings Company Limited ("**Aenergy**") acquired a total of 780 shares, representing 39% of the total issued share capital of PT Abantes Energi ("**PT Abantes**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S\$702,000). Following the completion of the acquisition, Aenergy's shareholding interest has increased from 49% to 88%.

On 6 September 2021, the Company's indirect 67.1%-owned subsidiary, Aenergy acquired a total of 1,980 shares representing 99% of the total issued share capital of PT Bukit Lau Energi ("**PT Bukit Lau**"), a company incorporated in Indonesia, at a consideration of IDR19,800,000,000 (equivalent to S\$1,782,000). Following the completion of the acquisition, PT Bukit Lau became an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Aenergy.

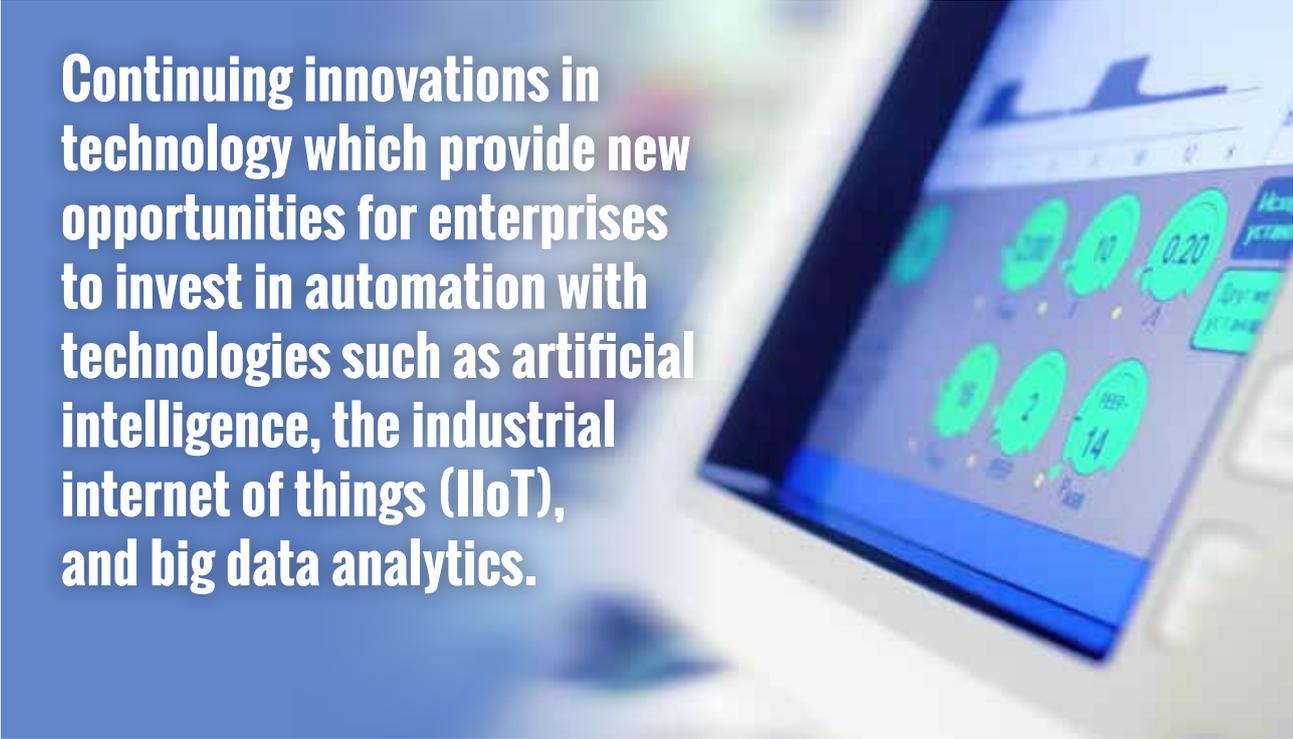
On 6 September 2021, the Company's indirect 63.8%-owned subsidiary, PT SDM Bahagia Sejahtera ("**PT SDM**") acquired a total of 20 shares representing 1% of the total issued share capital of PT Bukit Lau, a company incorporated in Indonesia, at a consideration of IDR200,000,000 (equivalent to S\$18,000).

## LIQUIDITY AND FINANCIAL RESOURCES

During FY2021, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2021, cash and bank balances amounted to approximately S\$61.7 million, which increased by approximately 5.5% as compared to S\$58.5 million as at 31 December 2020. The quick ratio of the Group was approximately 1.2 times (31 December 2020: 1.3 times).



# MANAGEMENT DISCUSSION AND ANALYSIS



**Continuing innovations in technology which provide new opportunities for enterprises to invest in automation with technologies such as artificial intelligence, the industrial internet of things (IIoT), and big data analytics.**

As at 31 December 2021, the Group has long and short-term bank borrowings of approximately S\$40.1 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$27.4 million (31 December 2020: S\$22.1 million) while the bank borrowings due after one year amounted to approximately S\$12.8 million (31 December 2020: S\$9.6 million).

As at 31 December 2021, the weighted average effective interest rates on bank borrowings is 3.2 % (31 December 2020: 4.8%) per annum. The Group obtained the TBL of S\$5.0 million in FY2021 which was initiated by the Singapore government to help local companies' working capital needs. The term of the TBL is 5 years with fixed interest rate. Other than the above, the Group does not have fixed rate bank borrowings as at 31 December 2021 and 31 December 2020. Together with the obligation under finance leases of approximately S\$0.4 million (31 December 2020: S\$0.2 million), the Group's total borrowings amounted to S\$40.5 million (31 December 2020: S\$31.9 million).

## **GEARING RATIO**

During FY2021, the gearing ratio of the Group was about 20.5% (2020: 18.8%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). The increase in gearing ratio was mainly due to the increase in bank borrowings.

## **TREASURY POLICIES**

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the FY2021. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the FY2021, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States Dollar ("USD"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of the subsidiaries of the Company have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During FY2021, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

## CAPITAL EXPENDITURES

During FY2021, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$6,842,000 (2020: S\$10,512,000).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, there were 1,052 (2020: 950) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

The Company adopted ISDN share option scheme 2016 ("ISDN ESOS 2016") and ISDN performance share plan ("ISDN PSP") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

The ISDN performance share plan has expired and lapsed on 16 February 2022.

## SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during FY2021.

## RISK MANAGEMENT

### Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at FY2021.

### Charge on the Group's Assets

As at 31 December 2021, the Group's cash and cash equivalents, net book value of property, plant and equipment and land use rights of approximately S\$2.7 million, S\$21.7 million and S\$1.2 million, respectively (31 December 2020: S\$2.9 million, S\$24.2 million and S\$1.2 million) were pledged to banks to secure banking facilities granted to the Group.

## PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per ordinary share for FY2021. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Friday, 29 April 2022 (the "AGM") at 9:30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on or about Friday, 26 August 2022 to the Shareholders whose names shall appear on the register of members of the Company on Thursday, 7 July 2022.

The Directors propose that the Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) SGX-ST and the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Monday, 18 July 2022. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on Friday, 26 August 2022.

# CORPORATE INFORMATION

## COMPANY REGISTRATION NUMBER

200416788Z

## BOARD OF DIRECTORS

Lim Siang Kai (*Chairman*)  
Teo Cher Koon  
Kong Deyang  
Soh Beng Keng  
Tan Soon Liang  
Toh Hsiang-Wen Keith

## REGISTERED OFFICE

101 Defu Lane 10  
Singapore 539222

## JOINT COMPANY SECRETARIES

Gn Jong Yuh Gwendolyn  
LLB (*Hons*)  
1 Robinson Road  
#18-00 AIA Tower  
Singapore 048542

Tung Wing Yee Winnie  
(*FCCA, CPA (Aust.)*)  
31/F., 148 Electric Road  
North Point  
Hong Kong

## AUDIT COMMITTEE

Lim Siang Kai (*Chairman*)  
Soh Beng Keng  
Tan Soon Liang

## REMUNERATION COMMITTEE

Tan Soon Liang (*Chairman*)  
Lim Siang Kai  
Soh Beng Keng

## NOMINATING COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

Lim Siang Kai (*Chairman*)  
Soh Beng Keng  
Tan Soon Liang

## SINGAPORE PRINCIPAL SHARE REGISTRAR

Boardroom Corporate &  
Advisory Services Pte Ltd  
1 Harbourfront Avenue  
Keppel Bay Tower #14-07  
Singapore 098632

## HONG KONG BRANCH SHARE REGISTRAR

Boardroom Share Registrars  
(HK) Limited  
Room 2103B, 21/F  
148 Electric Road  
North Point  
Hong Kong

## AUDITOR

Moore Stephens LLP  
10 Anson Road  
#29-15, International Plaza  
Singapore 079903  
Partner-in-charge:  
Ms. Lao Mei Leng  
Appointment since the financial  
year ended 31 December 2019  
Number of Years in-charge: 3

# CORPORATE GOVERNANCE REPORT

The Board is committed to ensure that the highest standards of corporate governance are practiced throughout the Company and 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 6 August 2018 (the “2018 Code”) and the 2018 Code applies to annual reports covering financial years with effect from 1 January 2019. The Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST Listing Manual”) requires listed companies to describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the 2018 Code. The Company must comply with the principles of the 2018 Code. Where the Company’s practices vary from any provisions of the 2018 Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This report outlines the Company’s corporate governance framework in place throughout FY2021 with specific references made to each of the principles and the accompanying provisions to each principle of the 2018 Code and the relevant Practice Guidance of the SGX-ST (the “Practice Guidance”). The Company has complied with the principles set out in the 2018 Code. Where there are deviations, appropriate explanations have been set out on how our practices are consistent with the aim and philosophy of the principle in question.

The Company’s ordinary shares have been listed (the “Listing”) on the Main Board of the SEHK since 12 January 2017. From the date of Listing, the Company is required to comply with, among others, the applicable code provisions of the Corporate Governance Code (the “HK CG Code”) as set out in Appendix 14 to the SEHK Listing Rules. The Group has complied with the HK CG Code for the FY2021.

## BOARD MATTERS

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

*The Company is headed by an effective Board which is collectively responsible and works with the Management for the long-term success of the Company.*

The primary functions of the Board are to provide entrepreneurial leadership for the Company and its subsidiaries, to establish and promulgate the Group’s values and standards, and to enhance and protect long-term returns and value for the Shareholders. In addition to 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 reviews the performance of the management of the Group (the “Management”), oversees the management of the Group’s business affairs and conducts periodic reviews of the Group’s financial performance, and implements policies relating to financial matters, which include risk management, internal controls, sustainability issues and compliance.

In accordance with D.1.3 of the HK CG Code, the Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. As of the date of the independent auditor’s report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

All Directors must objectively make decisions in the interests of the Group as fiduciaries and hold the Management accountable for performance. The Board has established a code of conduct and ethics, expressed appropriate tone-from-the-top and desired organisational culture, and ensured proper accountability within the Company. Directors facing a conflict of interest must recuse themselves from discussions and decisions involving the issue of conflict.

# CORPORATE GOVERNANCE REPORT

The Directors of the Company are as follows:

<b>Name of Director</b>	<b>Age</b>	<b>Date of first appointment</b>	<b>Date of last re-election</b>	<b>Designation</b>
Teo Cher Koon	63	28/12/2004	30/04/2019	Executive Director, Managing Director and President
Kong Deyang	61	26/09/2005	30/04/2021	Executive Director
Toh Hsiang-Wen Keith	47	10/05/2019	29/06/2020	Non-executive Director
Lim Siang Kai	65	26/09/2005	30/04/2021	Independent Non-executive Director and Chairman
Soh Beng Keng	68	26/09/2005	30/04/2021	Independent Non-executive Director
Tan Soon Liang	49	18/08/2016	29/06/2020	Independent Non-executive Director

## **Newly appointed directors**

The Board ensures that newly appointed Directors are familiar with their duties, obligations and the Group's businesses and corporate governance practices to facilitate the effective discharge of their duties. The Board seeks to appoint Directors with accounting, legal, or industry-specific skills required to work effectively with the Management and advance the interests of Shareholders. The Board makes training courses and seminars available to all Directors, both upon appointment and as a matter of continuing education. Upon appointment, Directors are provided with formal letters setting out their duties and obligations, including matters reserved for the Board's decision. Newly appointed Directors are given guidance and orientation (which includes management presentations) to allow them to understand the Group's business operations, strategic directions and policies, corporate functions and corporate governance practices. Training will be provided to Directors who have no prior experience as a director of a listed company in the roles and responsibilities of a listed company Director.

## **Existing Directors**

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities at the Company's expense. Changes to regulations and accounting standards are monitored closely by the Management and by the Company's advisers. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and provisions from the SGX-ST Listing Manual and the SEHK Listing Rules that affect the Company and/ or the Directors in discharging their duties. During FY2021, the Directors were provided informative and updates on the 2018 Code and the Practice Guidance.

The shares of the Company have been dual listed on the SEHK for trading on 12 January 2017, and the Company is required to fully comply with the SEHK Listing Rules. In order to comply with Code Provision A.6.5 of the HK CG Code to the SEHK Listing Rules after the dual listing of the Company on the SEHK, the Company has arranged for sufficient training of continuous professional development to the Directors to develop and refresh their knowledge and skills in relation to the SEHK Listing Rules during FY2021. All the Directors have provided their training records for FY2021 to the Company.

# CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the requirement of the HK CG Code on continuous professional development during FY2021:

	<b>Reading materials</b>
<b><u>Executive Directors</u></b>	
Teo Cher Koon	Reading materials
Kong De Yang	Reading materials
<b><u>Non-Executive Director</u></b>	
Toh Hsiang-Wen Keith	Reading materials
<b><u>Independent Non-Executive Directors</u></b>	
Lim Siang Kai (Chairman)	Reading materials
Soh Beng Keng	Reading materials
Tan Soon Liang	Reading materials

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 half-year and full year results and interested person transactions of a material nature. The Board also has guidelines setting forth clear directions to the Management on matters that must be approved by the Board. These guidelines have been clearly communicated to the Management in writing. Further, matters requiring the Board's approval are disclosed in the annual report.

## **Board Committees**

To assist the Board in the discharge of its responsibilities, the Board has established four (4) Board Committees, namely the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**"), the Remuneration Committee (the "**RC**") and the Risk Management Committee (the "**RMC**") (collectively, the "**Board Committees**"). These Board Committees function within clearly defined terms of reference (which sets out the compositions, authorities and duties of each committee) and operating procedures, which are reviewed on a regular basis.

The details of the Board Committees are set out below:

- (i) Nominating Committee (Principle 4);
- (ii) Remuneration Committee (Principle 6);
- (iii) Audit Committee (Principle 10); and
- (iv) Risk Management Committee (Principle 9).

# CORPORATE GOVERNANCE REPORT

The attendance of the Directors at the formal Board and Board Committee meetings held during FY2021 is as follows:

Name of Director	Board Committees									
	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teo Cher Koon	4	4	4	4	1	1	1	1	1	1
Kong Deyang	4	3	4	3	1	1	1	1	1	1
Lim Siang Kai	4	4	4	4	1	1	1	1	1	1
Soh Beng Keng	4	4	4	4	1	1	1	1	1	1
Tan Soon Liang	4	4	4	4	1	1	1	1	1	1
Toh Hsiang-Wen Keith	4	4	4	4	1	1	1	1	1	1

Directors with multiple board representations would ensure that sufficient time and attention are given to the affairs of the Company by actively participating in the Board meetings and Board Committee meetings. The NC conducts an annual review on whether a Director with multiple Board representations adequately carried out his or her duties as a Director of the Company based on internal guidelines. Further details are set out in the disclosure under Provision 4.5 of the 2018 Code below.

## Board meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given. The Board meets at least four (4) times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. The notice and schedule of all the regular Board and Board Committees meetings for the calendar year is usually given to all Directors well in advance in accordance with the terms of references of the respective Board Committees, the 2018 Code and the SEHK Listing Rules. Ad-hoc meetings will be held when circumstances require. The Company's Constitution also provides for telephone conference and video conference meetings.

During the year under review, the Company held four regular Board meetings as required under the code provision A.1.1 of the HK CG Code. Board meetings were held to consider and approve, among other things, the annual results and interim results of the Group.

The draft agenda of each Board meeting is provided in advance to all Directors, together with the notice of each Board meeting. The Directors may then contribute any additional agenda items for discussion at each upcoming Board meeting. Board papers together with all appropriate, complete and reliable information including materials relating to the transactions to be discussed in the Board meeting are provided to all Directors at least three (3) days before each Board meeting to enable them to make informed decisions at the Board meeting. The Board papers include minutes of the previous meetings to be tabled and confirmed at the Board meeting, financial results announcements, reports from the internal auditors and external auditors, reports from the Board Committees, and related materials, background or explanatory information relating to the matters to be raised at the Board meeting.

The Directors are regularly updated by the Management on the developments within the Group and are supplied with such other information so that they are equipped to participate fully at the Board meetings.

# CORPORATE GOVERNANCE REPORT

The Management has taken a pro-active approach of informing the Directors on a timely basis of important corporate actions to be taken by the Company and events that will affect the Company, even if such developments may not require the approval of the Board.

The Directors have separate and independent access to the Management, the joint company secretaries and external advisers (where necessary) at the Company's expense.

The appointment and removal of the joint company secretaries is a matter for the Board to decide as a whole. The joint company secretaries or his or her representative administers, attends and prepares minutes of the Board and Board Committee meetings and assists the Chairman of the Board, AC, NC, RC and RMC in ensuring proper procedures at such meetings are complied with so that the Board and the Board Committees function effectively.

## Principle 2: Board Composition and Guidance

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

The Board comprises of the following Directors:

Name of Directors	Board	Date of First Appointment	Date of Last Re-Election	AC	NC	RC	RMC
Teo Cher Koon	Executive Director	28/12/2004	30/04/2019	-	Member	-	-
Kong Deyang	Executive Director	26/09/2005	30/04/2021	-	-	-	-
Toh Hsiang-Wen Keith	Non-executive Director	10/05/2019	29/06/2020	-	-	-	-
Lim Siang Kai	Independent Non-executive Director	26/09/2005	30/04/2021	Chairman	Member	Member	Chairman
Soh Beng Keng	Independent Non-executive Director	26/09/2005	30/04/2021	Member	Chairman	Member	Member
Tan Soon Liang	Independent Non-executive Director	18/08/2016	29/06/2020	Member	-	Chairman	Member

There has been no financial, business, family or other material relationship amongst the Directors.

The independence of each Director is reviewed annually by the NC, in accordance with Rule 210(5)(d) of the SGX-ST Listing Manual (where applicable), Provision 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules. Pursuant to Provision 2.1 of the 2018 Code, the Board considers an "independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders (a shareholder who has an interest in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the Company, in line with the definition set out in section 2 of the Securities and Futures Act 2001 of Singapore) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company. No individual or small group of individuals is allowed to dominate the Board's decision-making.

# CORPORATE GOVERNANCE REPORT

Pursuant to Rules 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual, the Board and the NC consider that a director is not independent under any of the following circumstances:

- (i) if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and
- (ii) if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC.

Rule 210(5)(d)(iii) of the SGX-ST Listing Manual provides that a director is not independent if he or she has been a director for an aggregate period of more than nine (9) years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officer.

Pursuant to B.2.3 of the HK CG Code, if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.

Mr. Lim Siang Kai and Mr. Soh Beng Keng were appointed as Independent Non-executive Directors on 26 September 2005 and have served as Independent Non-executive Directors for more than 15 years. Mr. Lim Siang Kai and Mr. Soh Beng Keng were subject to re-election pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which were duly approved at the annual general meeting of the Company held on 30 April 2021.

Given that Mr. Lim Siang Kai and Mr. Soh Beng Keng have served on the Board as Independent Non-executive Directors for more than nine (9) years, the question of whether each of them is independent was subject to more rigorous scrutiny in accordance with Rule 210(5)(d)(iii) and A.4.3 of the HK CG Code. The Board, in consultation with the NC considers Mr. Lim Siang Kai and Mr. Soh Beng Keng to be independent as each of them has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with their familiarity with the business of the Group, have proven themselves to be valuable members of the Board.

The Board notes that Mr. Lim Siang Kai and Mr. Soh Beng Keng have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Non-executive Directors with the utmost commitment in upholding the interest of the non-controlling Shareholders. Mr. Lim Siang Kai and Mr. Soh Beng Keng have expressed individual viewpoints, debated issues, and objectively scrutinised and challenged Management. Mr. Lim Siang Kai and Mr. Soh Beng Keng have sought clarification as and when they deemed necessary, and have direct access to Management. As such, the Board believes that the continued appointment of Mr. Lim Siang Kai and Mr. Soh Beng Keng as Independent Non-executive Directors will contribute to the stability and diversity of the Board, notwithstanding their tenure on the Board.

Accordingly, the NC has reviewed and determined that Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang are independent in accordance with the SGX-ST Listing Manual, the 2018 Code and the SEHK Listing Rules and are able to exercise independent judgement.

In addition, no individual or small group of individuals is allowed to dominate the Board's decision-making. The Company has received a written annual confirmation from each Independent Non-executive Director of his independence pursuant to the SGX-ST Listing Manual, Provision 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the SEHK Listing Rules, the SGX-ST Listing Manual and the 2018 Code.

# CORPORATE GOVERNANCE REPORT

The Company does not have any alternate Directors on the Board and did not appoint any alternate Directors during FY2021. The Company will avoid the appointment of alternate Directors, unless for limited periods in exceptional cases such as when a Director has a medical emergency.

The Board has complied with Rule 3.10A of the SEHK Listing Rules that requires at least one third of the Board to be comprised of Independent Non-executive Directors, and in accordance with Rule 3.10 of the SEHK Listing Rules that at least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

In addition, the new requirements of Rule 210(5)(c) of the SGX-ST Listing Manual which came into effect on 1 January 2022. Pursuant to Rule 210(5)(c), the Board must have at least two non-executive directors who are independent and free of any material business or financial connection with the Company. Independent directors must comprise at least one-third of the Board. In the event of any retirement or resignation which renders the issuer unable to meet any of the foregoing requirements, the Company should endeavour to fill the vacancy within two months, but in any case not later than three months.

As at the date of the independent auditor's report, half of the Board is independent. The Chairman of the Board, Mr. Lim Siang Kai, is independent. The Independent Non-executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board. Key information on the Directors can be found in the "Board of Directors" section of the annual report.

As at the date of the independent auditor's report, the Board comprises two (2) Executive Directors, one (1) Non-executive Director, and three (3) Independent Non-executive Directors. Presently, there is a good balance between the Executive Directors, Non-executive Director and Independent Non-executive Directors. The Non-Executive Directors make up a majority of 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. The NC would ensure that the Board comprises of Directors with competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. In addition to the above factors, the Board would also take into consideration the appropriate balance and mix of skills, knowledge and experience and diversity of skills, age, experience, gender and education background to avoid groupthink and to foster constructive debate. The ultimate decision will be made upon the merits and contribution of the selected candidates.

The Company recognises and embraces the benefits of diversity of Board members. Therefore, the Company has established the board diversity policy to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard to the benefits of diversity of the Board members.

The Independent Non-executive Directors and the Non-executive Director constructively challenge and help to develop proposals on strategy, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on the Management, the Independent Non-executive Directors and the Non-Executive Director have met once without the presence of the Management during FY2021. The chairperson of such meetings provides feedback to the Board and/or Chairman as appropriate.

The Company complied with Code Provision C.1.8 of the HK CG Code by arranging appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

# CORPORATE GOVERNANCE REPORT

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

*There is a clear division of responsibilities between the leadership of the Board and Management and no one individual has unfettered powers of decision-making.*

The Chairman and the Managing Director and President of the Group are separate persons. Mr. Lim Siang Kai is the Independent Non-executive Director and Chairman while Mr. Teo Cher Koon is the Managing Director and President. This ensures that there is an appropriate balance of power between the Chairman of the Board and the Managing Director and President, thereby allowing increased accountability and greater capacity of the Board for independent decision-making.

The Board has established and set out in writing the division of responsibilities between Mr. Lim Siang Kai (the Independent Non-Executive Director and Chairman) and Mr. Teo Cher Koon (the Managing Director and President).

Mr. Lim Siang Kai, the Independent Non-executive Director and Chairman, is consulted on the business of the Board and the Board Committees. Whereas 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. Mr. Teo Cher Koon is assisted by an experienced and qualified team of executive officers of the Group.

The Company does not have a lead independent director as (i) the Chairman is independent and (ii) the Chairman and the Managing Director and President of the Group are separate persons. The Chairman is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

## **Principle 4: Board Membership**

*The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.*

The Board has established a NC with terms of reference which clearly sets out the authorities and duties of the NC. The NC makes recommendations to the Board on relevant matters relating to the following:

- (i) to review the succession plans of the directors, in particular for the appointment and/or replacement of the Chairman, the Managing Director and President and key management personnel, being persons having authority and responsibility for planning, directing and controlling the activities of the Company;
- (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (iii) the review of training and professional development programmes for the Board and its Directors; and
- (iv) the appointment and re-appointment of Directors (including alternate Directors, if any).

## **Nominating Committee**

The NC comprises one (1) Executive Director and two (2) Independent Non-executive Directors, one (1) of whom is also the Chairman of the NC, namely:

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

# CORPORATE GOVERNANCE REPORT

During FY2021, the NC held 1 meeting and has, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; and (iii) recommended to the Board for consideration the reappointment of the retiring Directors at the forthcoming AGM.

## Nomination Policy

The NC has in place a selection and nomination process for the appointment of new Directors. For appointment of new Directors to the Board the NC would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The NC does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, and assesses whether this need can be fulfilled by the appointment of one (1) person and if not, then to consult the Board with respect to the appointment of two (2) persons.

The NC will then source through their network or engage external professional assistance for potential candidates and resumes for review, undertake background checks on the resumes received, narrow this list of resumes and finally to invite the shortlisted candidates to an interview. This interview may include a briefing of the duties required to ensure that there is no expectations gap, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have. The NC will take an open view in sourcing for candidates and does not solely rely on current Directors' recommendations or contacts, and is empowered to engage professional search firms. The NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The NC, in considering the re-appointment of any Director, had considered, *inter alia*, the attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possesses which are crucial to the Group's business.

## Appointments, Re-election and Removal of Directors

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 AGM and they shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Regulation 89 of the Company's Constitution requires one third of the Board, including 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 (3) years.

Each Executive Director has entered into a service contract with the Company for a term of three (3) years, while each Non-executive Director and Independent Non-executive Director is engaged for three (3) years.

In accordance with Regulation 89 of the Company's Constitution, Mr. Teo Cher Koon and Mr. Tan Soon Liang (collectively, the "**Retiring Directors**"), shall retire at the forthcoming AGM.

The NC recommended that the Retiring Directors be nominated for re-election at the forthcoming AGM. In reviewing the nomination of the Retiring Directors, the NC evaluated each of their performance and contributions during FY2021, considering their attendance and participation at Board and Board Committee meetings as well as time and effort devoted to the Group's business and affairs.

The Board has accepted the NC's recommendation; and the Retiring Directors, being eligible, will be offering themselves for re-election at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

For good corporate governance, the Retiring Directors have abstained from voting at the relevant Board meeting on the respective resolutions in relation to their re-election as Directors.

Please refer to pages 55 to 70 of this annual report for the detailed information as required under Appendix 7.4.1 of the SGX-ST Listing Manual of the Retiring Directors who will be standing for re-election at the AGM.

## Independence of a Director

The NC reviews and affirms the independence of the Company's Independent Non-Executive Directors annually. Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the provisions provided in the 2018 Code and the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules, and requires each Director to assess whether he/she considers himself/herself independent despite being involved in any of the relationships identified in the 2018 Code, the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules. The NC then reviews the Director's independence checklist to determine whether each Director is independent.

The NC has reviewed the annual confirmation of independence of Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang for FY2021 and has confirmed that these Independent Directors are independent in accordance with the 2018 Code, the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules and they do not have any relationships with the Company, its related corporations, its substantial shareholders or its officers which may affect their independence.

The NC has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board during the FY2021.

The NC determines annually in relation to whether the Director is independent in accordance with Rule 3.13 of the SEHK Listing Rules as well.

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. All Directors are required to declare their board representations in other listed companies and other principal commitments. Please refer to the section entitled "Directorship" of this annual report for a list of the listed company directorships and principal commitments of each Director of the Company.

The NC ensures that new directors are aware of their duties and obligations. The NC also 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 based on internal guidelines. 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.

## Company Secretaries

The joint company secretaries of the Company (the "Joint Company Secretaries") are Ms. Gn Jong Yuh Gwendolyn ("Ms. Gn") and Ms. Tung Wing Yee Winnie ("Ms. Tung") during FY2021. Ms. Gn, a qualified advocate and solicitor in Singapore specialising in corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions, has been working as our Company Secretary since 2007. Ms. Tung, a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia, was appointed as one of the Joint Company Secretaries with effect from 28 February 2020.

# CORPORATE GOVERNANCE REPORT

For FY2021, Ms. Tung and Ms. Gn have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the SEHK Listing Rules. Ms. Gn's professional and continuing training are in relation to Singapore laws. The primary person at the Company with whom the Joint Company Secretaries have been contacting in respect of company secretarial matters is Ms. Ho Ting Wai Christine, chief financial officer of the Company.

The Joint Company Secretaries are responsible to keep minutes of all Board and Board Committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each Board and Board Committee meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Constitution contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board meetings for approving transactions in which such Directors or any of their associates have a material interest.

## **Principle 5: Board Performance**

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that each of its Board Committees and individual directors.*

The Board has established a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution of the individual Directors to the effectiveness of the Board.

The NC decides and recommends for the Board's approval a set of objective performance criteria and its evaluation in relation to the Board and Board Committees' performance as well as the contribution by the Chairman and each individual Director to the Board.

The objective performance criteria taken into consideration in the process of evaluation are as follows:

- (i) Timely guidance to the Management;
- (ii) Attendance at Board/Board Committee meetings;
- (iii) Participation at Board/ Board Committee meetings;
- (iv) Commitment to Board activities;
- (v) Board performance in discharging principle functions including enhancing long-term shareholder value;
- (vi) Board Committee performance;
- (vii) Independence of Independent Non-executive Directors;
- (viii) Appropriate complement of skill, experience and expertise on the Board;
- (ix) Return on assets / equity;
- (x) Return on investment; and
- (xi) Company's share price and performance over a five-year period.

# CORPORATE GOVERNANCE REPORT

A Board evaluation and individual Director evaluation is conducted annually whereby Directors complete 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 are reviewed and discussed 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, to appoint new Director(s) to the Board or to seek the resignation of existing Directors.

The NC has assessed the overall performance of the current Board, Board Committees and each individual Director and is of the view that the performance of the Board as a whole, each Board Committee and each individual Director has been satisfactory and met its performance objectives for FY2021. No external facilitator was used in the evaluation process.

## Remuneration Matters

### Principle 6: Procedures for Developing Remuneration Policies

*The Board has a formal and transparent procedure for developing policy on director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel.*

The role of the RC is to review and recommend remuneration policies and packages for Directors and key management personnel 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.

Their role covers all aspects 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 or any of his associates is involved in deciding his own remuneration.

Primary functions to be performed by the RC:

- (i) review and recommend to the Board, a formal and transparent framework of remuneration for the Board and key management personnel;
- (ii) review and recommend to the Board the specific remuneration packages for each Director as well as for the key management personnel;
- (iii) review the level of remuneration that are appropriate to attract, retain and motivate the Directors and key management personnel whilst linking rewards to the Group or corporate and individual performance;
- (iv) ensure adequate disclosure on Directors' remuneration;
- (v) review and administer the ISDN ESOS 2016 and employee performance share plan (collectively, the "**Schemes**") adopted by the Group and decides on the allocations and grants of options and/or share awards to eligible participants under the Schemes;

# CORPORATE GOVERNANCE REPORT

- (vi) review and approve 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
- (vii) recommend 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.

Pursuant to the Code Provision E.1.5 of the HK CG Code, the remuneration of the executive officers / senior management by band for the FY2021 is set out below:

	<b>2021</b>	<b>2020</b>
	<b>Number of individuals</b>	
S\$0 to S\$100,000	1	-
S\$100,001 to S\$200,000	1	2
S\$200,001 to S\$300,000	1	3
S\$300,001 to S\$400,000	1	-
S\$400,001 to S\$500,000	1	1
S\$700,001 to S\$800,000	1	-
	<hr/> <b>6</b>	<hr/> <b>6</b>

Details of the remuneration of each Director and the five (5) individuals with the highest emoluments in the Group for FY2021 are set out in Note 9 of the financial statements.

The RC comprises three (3) Independent Non-executive Directors, one (1) of whom is also the Chairman of the RC, namely:

Tan Soon Liang (Chairman)	Independent Non-executive Director
Lim Siang Kai (Member)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director

During FY2021, the RC held 1 meeting and has reviewed all aspects of remuneration, including but not limited to termination terms, Directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes, including share schemes and benefits-in-kind. Recommendations of remuneration packages for each director as well as for the key management personnel were made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director or any of his associates was involved in deciding his own remuneration.

In setting the remuneration packages, the RC 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 FY2021.

# CORPORATE GOVERNANCE REPORT

## **Principle 7: Level and Mix of Remuneration**

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.*

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 (6) 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 Non-executive Director and Independent Non-executive 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 Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. The Directors' fees for FY2021 were recommended by the Board for approval at the last AGM of the Company.

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.

## **Principle 8: Disclosure on Remuneration**

*The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, and the relationships between remuneration, performance and value creation.*

### **Policy and criteria for setting remuneration**

The Company's compensation structure for its Directors and key management personnel is directly linked to corporate and individual performance 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's or key management personnel's performance and contribution in that financial year.

The Company does not have in place any termination, retirement and post-retirement benefits that may be granted to Directors, the Managing Director and President, and the top six (6) key management personnel (who are not Directors or the Managing Director and the President).

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

The Directors and senior management met their respective performance conditions for FY2021 relating to their remuneration packages.

# CORPORATE GOVERNANCE REPORT

Details of the level and mix of the remuneration and fees paid to the Directors for FY2021 are set out below:

	Basic salary	Director fees	Bonus	Benefits-in-kind	Retirement benefit scheme contribution	Fair value share of options granted	Total
	%	%	%	%	%	%	%
<b>Executive Directors</b>							
S\$5,000,001 to S\$5,500,000							
Teo Cher Koon	26	-	73	1	-	-	100
S\$2,000,001 to S\$2,500,000							
Kong Deyang	6	-	91	2	1	-	100
<b>Non-executive Director</b>							
Below S\$100,000							
Toh Hsiang-Wen Keith <sup>(1)</sup>	-	100	-	-	-	-	100
<b>Independent Non-executive Directors</b>							
Below S\$100,000							
Lim Siang Kai	-	100	-	-	-	-	100
Soh Beng Keng	-	100	-	-	-	-	100
Tan Soon Liang	-	100	-	-	-	-	100

Note:

(1) 75% of the director's fee was paid to Novo Tellus Capital Partners Pte Ltd.

Please refer to Note 9 of the financial statements for further details on the remuneration and fees paid to the Directors.

# CORPORATE GOVERNANCE REPORT

For FY2021, the Company identified six (6) key management personnel (who are not Directors or the President of the Company). The details of remuneration paid to the top six (6) key management personnel (who are not Directors or the President of the Company) for FY2021 is disclosed below:

	Salary	Bonus	Director Fees <sup>(1)</sup>	Other Benefits	Total
	%	%	%	%	%
<b><u>S\$700,001 - S\$750,000</u></b>					
Chow Ka Man	98	-	-	2	100
<b><u>S\$400,001 - S\$450,000</u></b>					
Lau Choon Guan <sup>(1)</sup>	90	3	5	2	100
<b><u>S\$300,001 - S\$350,000</u></b>					
Cheng Hock Kiang <sup>(1)</sup>	58	3	36	3	100
<b><u>S\$250,001 - S\$300,000</u></b>					
Ho Ting Wai Christine	70	30	-	-	100
<b><u>S\$100,001 - S\$150,000</u></b>					
Wong Kwok Whye Peter	94	-	-	6	100
<b><u>S\$50,001 - S\$100,000</u></b>					
Sim Leong Seang	85	14	-	1	100

Note:

- (1) Mr. Lau Choon Guan and Mr. Cheng Hock Kiang received directors' fees in his capacity as a director of a subsidiary of the Company.

The aggregate amount of the total remuneration paid to the top six (6) key management personnel (who are not Directors) of the Company was S\$2,009,000 in FY2021. As far as the Company is aware, the remuneration of the key management personnel is in line with industry practices.

The Board has considered Provision 8.1 of the 2018 Code, and after careful deliberation, has decided that disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions, where poaching has become commonplace. The Group, with its main operations currently in Singapore and the PRC, sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure of each Director's and key management personnel's remuneration above best preserves the business interests of the Group, and is sufficient to address the concerns of stakeholders in this area.

Details of the remuneration of the Directors and the five highest paid employees as required to be disclosed pursuant to Appendix 16.25 to the SEHK Listing Rules are set out in Note 9 of the financial statements.

# CORPORATE GOVERNANCE REPORT

No emoluments were paid by the Group to the five (5) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during FY2021.

The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a Director whose remuneration exceeds S\$100,000 for FY2021:

	<b>Salary</b>	<b>Bonus</b>	<b>Director Fees</b>	<b>Other Benefits</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Thang Yee Chin <sup>(1)</sup>	79	16	-	5	100

Note:

- (1) Ms. Thang Yee Chin is a director of twenty-four (24) subsidiaries of the Company and oversees the administrative function in these companies. She is the spouse of the Company's Managing Director and President, Mr. Teo Cher Koon. Her remuneration was between S\$350,001 to S\$400,000 for FY2021.

Save for the above, there are no other employees who are substantial shareholders of the Company, or who are immediate family members of a Director or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in FY2021.

## ISDN Performance Share Plan

The Company has implemented the ISDN PSP on 17 February 2012, which shall be valid and effective for a period of 10 years from the date of adoption until 16 February 2022. The amendments to the ISDN PSP were approved by Shareholders on 16 December 2016.

Since the implementation of the ISDN PSP, no awards have been granted to the Directors, controlling shareholders of the Company or associates of controlling shareholders of the Company, and no employee of the Group has received 5% or more of the total number of awards available under the ISDN PSP. There are no outstanding share awards issued under the ISDN PSP.

The ISDN PSP has expired and lapsed on 16 February 2022.

## ISDN Employee Share Option Scheme 2016

The Company has implemented the ISDN ESOS on 22 April 2016, which shall be valid and effective for a period of 10 years from the date of adoption until 22 April 2026.

Please refer to the section entitled "Directors' Statement" of this annual report for salient information on the ISDN ESOS. Further details are set out in the Company's circular dated 7 April 2016.

Since the implementation of the ISDN ESOS, no share options have been granted to the Directors, controlling shareholders of the Company or associates of controlling shareholders of the Company, and no employee of the Group has received 5% or more of the total number of share options available under the ISDN ESOS.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 9: Risk Management and Internal Controls

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

### Risk and Management Committee

The Board recognises that the internal control system provides reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, with the oversight of the RMC which was formed on 19 December 2016, is responsible for determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The RMC comprises three (3) Independent Non-executive Directors, namely:

Lim Siang Kai (Chairman)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director
Tan Soon Liang (Member)	Independent Non-executive Director

The RMC performs the following principal functions:

- (i) supervise the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks, compliance risks, information technology risks and reputation risks;
- (ii) monitor and evaluate the Group's exposure to international sanction law risks on an ongoing basis and, in particular, prior to entering into any agreement or conducting any business dealings with new customers;
- (iii) consider, review and approve the risk management strategy, policies and guidelines of the Group;
- (iv) decide on the risk profile, risk level, tolerance and capacity and related resource allocation;
- (v) review the risk reporting records of the Group and material risk management updates and reports of material breaches of risk limits and to assess the adequacy of proposals;
- (vi) engage external legal advisers with the necessary expertise and experience in international sanction law, and the general managers of each respective country to assist them in evaluating and monitoring international sanction law risks in the Group's day-to-day operations; and
- (vii) monitor and approve the use of monies deposited in the designated account for the purpose of deposit and deployment of all funds raised through the SEHK.

The Board recognises 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.

# CORPORATE GOVERNANCE REPORT

It should be noted that the Group's system of internal controls and risk management is designed to manage rather than to eliminate the risk not meeting the Group's business objectives. Such system of internal controls and risk management can only provide reasonable, not absolute, assurance against, *inter alia*, 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. Internal and external auditors conduct annual audits and highlight significant matters to the AC, the RMC and the Management.

The Management acts on the matters highlighted by the external and internal auditors to improve the internal controls of the Company. 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 against 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, the RMC and the AC for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

The Board, the AC and the RMC will be responsible for (a) monitoring the Group's risk of becoming subject to, or violating, any sanctions-related law or regulation; and (b) ensuring timely and accurate disclosures to SGX-ST and other relevant authorities.

The Board will, in line with the Regulator's Column released by the SGX-ST on 7 March 2022 titled "*What SGX expects of issuers in respect of sanctions-related risks, subject or activity*" in reviewing the adequacy and effectiveness of the internal controls and risk management systems, ensure that there are adequate safeguards to address and mitigate any financial, operating and compliance risks, including sanctions-related risks.

The Board has also received assurance from:

- (i) the Managing Director and President, and Chief Financial Officer ("**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
- (ii) the Managing Director and President, and other key management personnel who are responsible, that the Group's risk management systems and internal control systems are effective and adequate.

During FY2021, the RMC held one meeting to review the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance control as well as risk management functions. The RMC is satisfied with the effectiveness of the Group's risk management and internal control systems.

The AC has reviewed the Group's risk assessment, based on the audit reports and controls put in place by the Management, and have discussed with the internal auditors the effectiveness of the Group's internal controls. The AC is satisfied that the Group's internal controls are adequate and operating efficiently.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by the Management, the RMC, the AC and the Board, the Board and the AC are satisfied 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 2021.

# CORPORATE GOVERNANCE REPORT

## Principle 10: Audit Committee

*The Board has an Audit Committee which discharges its duties objectively.*

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance to safeguard the Company's assets and maintain adequate accounting records, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.

The AC is regulated by its written terms of reference which sets out the AC's authorities and duties. The primary functions performed by the AC are set out below:

- (i) reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (ii) reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems at least annually;
- (iii) reviewing the assurance from the President and CFO on the financial records and financial statements;
- (iv) making recommendations to the Board on the proposals to the shareholders on the appointment and removal of external auditors; and the remuneration and terms of engagement of the external auditors;
- (v) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (vi) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (vii) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;
- (viii) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board;
- (ix) discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- (x) review potential conflicts of interest (if any);
- (xi) review the independence of the internal and external auditors;
- (xii) review interested person transactions and continuing connected transactions;
- (xiii) review the internal control procedures and ensure co-operation given by the Management to the external auditors; and
- (xiv) undertake such other functions and duties as requested by the Board and as required by SGX-ST Listing Manual and the SEHK Listing Rules.

# CORPORATE GOVERNANCE REPORT

In addition to the above, the AC and the RMC will assess whether there is a need to obtain independent legal advice or appoint a compliance adviser in relation to the sanctions-related risks applicable to the Company and continuously monitor the validity of the information provided to shareholders and the SGX-ST.

The Company has set out its whistle-blowing policy on its intranet. The Company has designated an independent function to investigate whistleblowing reports made in good faith. Depending on the nature of the concern raised, an investigation may be conducted involving one or more the following persons – the AC, internal auditors, external auditors or the forensic professionals and if necessary, reports will be made to the police or the Commercial Affairs Department.

The Company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC. The Company ensures that the identity of the whistleblower is kept confidential. During FY2021 until the date of the independent auditor's report, there were no reports received through the whistleblowing mechanism.

The AC has reviewed and is satisfied with the policies and arrangements (including investigation and follow up action) for staff of the Group and any other persons who may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC will ensure that whistle blower is protected against detrimental or unfair treatment.

The AC has recommended to the Board that Messrs Moore Stephens LLP ("**Moore Stephens**") be nominated for reappointment as external auditors of the Group at the forthcoming AGM. The Company confirmed that Rule 13.88 of the SEHK Listing Rules had been complied with.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for FY2021 is disclosed under Note 8 of the financial statements. There were no non-audit fees paid or payable to the Company's auditors during FY2021. The AC has reviewed the audit services rendered by the external auditors for FY2021 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired.

The Company confirms compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms for the Group. Moore Stephens LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore and has been appointed as the external auditors of the Company and its Singapore-incorporated subsidiaries and significant associated companies. Member firms of Moore Global Network Limited have been engaged for the audit of the Group's significant foreign-incorporated subsidiaries.

During FY2021, the AC held 4 meetings, *inter alia*, to approve the results announcements and the financial statements of the Group, the AC discussed with the external auditors on the identified key audit matters and reviewed how those key audit matters have been addressed by the external auditors in their auditor's report. Having considered these, the AC is satisfied on the bases, estimates and judgements exercised by Management in relation to those identified key audit matters.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors.

The AC has the authority to investigate any matter within its terms of reference, gain full access to and cooperation by the 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 comprises three (3) Independent Non-executive Directors, one (1) of whom is also the Chairman of the AC.

# CORPORATE GOVERNANCE REPORT

The members of the AC as at the date of the independent auditor's report are as follows:

Lim Siang Kai (Chairman)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director
Tan Soon Liang (Member)	Independent Non-executive Director

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. All three (3) AC members have recent and relevant accounting or related financial management expertise or experience.

The members 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.

None of the AC members was a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

## Internal Auditors

The Board is cognisant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. The AC decides on the appointment, termination and remuneration of the head of the internal audit function.

For FY2021, the Company outsourced its internal audit function to Wensen Consulting Asia (S) Pte. Ltd. ("**WCA**"). WCA is headed by the Managing Director Mr. Edward Yap, who is a member of Malaysian Institute of Accountants (MIA), member of Institute of Singapore Chartered Accountants (ISCA), Fellow Member of the Association of Certified Chartered Accountants (FCCA) and Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). Further, assisted by engagement Director who has more than 10 years of experience in risk management and risk-based internal audit services. The engagement Director is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) of the United Kingdom. The internal audit function and its activities are carried out in accordance with the Internal Auditing Standards set forth in the International Professional Practices Framework issued by the Institute of Internal Auditors. The appointed internal auditor reports directly to the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group's internal control system. WCA conducted an internal audit in FY2021 and reports directly to the AC and AC Chairman and administratively to the Managing Director and President. WCA has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

At the same time, the Company has continued with the practice whereby it tasked two (2) 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 FY2021, the AC has reviewed the adequacy and effectiveness of the internal audit function performed by WCA and ensured that the internal audit function is independent, effective and adequately resourced. The AC has also reviewed the results of the internal audit performed by WCA. The Board, with the concurrence of the AC, is of the opinion that the risk management system and internal controls system, addressing the financial, operational, compliance and information technology controls risks faced by the Company, is adequate and effective 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 to perform internal audit for the year ending 31 December 2022.

# CORPORATE GOVERNANCE REPORT

The AC will meet with the external auditors without the presence of the Management at least once a year to review to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors. There are also meetings between the AC and internal auditors without the presence of the Management.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Principle 11: Shareholder Rights and Conduct of General Meetings

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders by placing strong emphasis on strengthening relationships with its shareholders and the investment community. The Company 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.

To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET and the website of the SEHK, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also posted onto the SGXNET and the website of the SEHK.

In order to provide ample time for the shareholders to review, the notice of any general meeting, together with the relevant annual report or circular, is despatched to all shareholders before the scheduled general meeting date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting in accordance with the SGX-ST Listing Manual and the SEHK Listing Rules for all resolutions tabled at the general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.

Pursuant to COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM in FY2021 was held by way of electronic means and shareholders were not able to attend the AGM held in FY2021 in person. To enable shareholders to participate in and vote effectively at the AGM held by way of electronic means, the Company set out detailed information on the arrangements relating to attendance at the AGM, submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to or at the AGM, and voting procedures for the AGM.

At general meetings of Shareholders, the Company tables separate resolutions on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. In this regard, the Company has complied with Provision 11.2 of the 2018 Code.

# CORPORATE GOVERNANCE REPORT

The Directors' attendance at the general meetings of the Company held in FY2021 are set out in the table below:

Name of Director	Annual General Meeting	
	No. of meetings held	No. of meetings attended
Teo Cher Koon	1	1
Kong Deyang	1	1
Toh Hsiang-Wen Keith	1	1
Lim Siang Kai	1	1
Soh Beng Keng	1	1
Tan Soon Liang	1	1

The Company's Constitution has been amended on 16 December 2016 to facilitate voting in absentia. If any shareholder who is not a relevant intermediary (as defined in the Companies Act) is unable to attend, he/ she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance as prescribed by the Company and in accordance with the requirements of the Companies Act and SEHK Listing Rules from time to time. A shareholder who is a relevant intermediary may appoint more than two (2) proxies to speak, attend and vote at general meetings.

Under the Company's Constitution, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act, however, Directors must notwithstanding anything in the Company's Constitution, on the requisition of shareholders holding not less than 10% of the total paid-up capital of the Company at the date of the deposit of the requisition, immediately proceed to convene an extraordinary general meeting to be held as soon as practicable but in any case not later than two (2) months after receipt by the Company of the requisition. In addition to the said right of requisition, two (2) or more shareholders holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may also call a general meeting of the Company.

In addition to the above, the Company meets with its institutional and retail investors at least once a year at the AGM to be held by electronic means where shareholders are invited and encouraged to express their views. Apart from announcements published via SGXNET and SEHK's website and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.

The Company publishes minutes of its general meetings of Shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments and queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

For the forthcoming AGM, minutes of the AGM, which will include substantial comments or queries from shareholders and responses from the Board and Management, will be published on SGXNET, the Company's corporate website and the website of the SEHK within one month after the AGM.

The Group has adopted a dividend policy that aims to provide Shareholders with a target annual dividend payout of 25% of the net profit attributable to Shareholders in any financial year, whether as interim and/or final dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate. For FY2021, the Company has declared a first and final tax-exempt (one-tier) dividend of 1.45 Singapore cents (equivalent to approximately 8.35 Hong Kong cents) per ordinary share.

# CORPORATE GOVERNANCE REPORT

## Principle 12: Engagement with Shareholders

*The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.*

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategies and growth plans. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

The Company is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST and SEHK, 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:

- (i) 21 clear days' or 20 clear business days' (whichever is longer) notice for any AGM and any extraordinary general meeting of the Company at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company and 14 clear days' or 10 clear business days' (whichever is longer) notice for all other extraordinary general meetings of the Company. 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, SGX-ST Listing Manual the SEHK Listing Rules and other relevant statutory and regulatory requirements;
- (ii) Price sensitive announcement of interim and full year results released through SGXNET and the website of the SEHK;
- (iii) Disclosures on the SGXNET and the website of the SEHK;
- (iv) Press releases;
- (v) Press and analysts' briefings as may be appropriate; and
- (vi) The Group's website ([www.isdnholdings.com](http://www.isdnholdings.com)) where shareholders and the public may access information on the Group.

The detailed voting results, including the total number of votes cast for or against each resolution tabled, will be announced immediately at the general meetings and via SGXNET and the website of the SEHK. Minutes of general meetings including the questions and answers and relevant comments raised at the meeting will be prepared and such minutes are published on the Company's corporate website as soon as practicable.

The Company has taken the following steps to solicit and understand the views of shareholders:

The Company has put in place dedicated investor relations support guided by an investor relations policy to help to disseminate material information in a timely and useful manner to shareholders, analysts, the media, and other investors and aims to raise awareness and understanding of the company's business amongst the investing public. The Company has a section on the Company's website at <https://www.isdnholdings.com/investor-relations> to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to maintain a regular dialogue channel with shareholders to gather views, inputs and address shareholder's concerns.

# CORPORATE GOVERNANCE REPORT

In addition, shareholders and other stakeholders may send their enquires and concerns to the Board by addressing them to the Joint Company Secretaries by post to the principal place of business of the Company at 101 Defu Lane 10, Singapore 539222. The Joint Company Secretaries will forward the enquires or concerns to the Managing Director and President or Chairman of the Board committees or senior management, as appropriate, within their area of responsibilities for handling.

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Joint Companies Secretaries by written requisition at 101 Defu Lane 10, Singapore 539222. Pursuant to the Company's Constitution, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Shareholders Rights" above.

## Principle 13: Engagement with Shareholders

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company holds analysts' briefings of its half-yearly results and an analysts briefing of its full year results. The half-yearly financial results are published through the SGXNET and the website of the SEHK, via press releases and on the Company's corporate website, to ensure fair dissemination to shareholders. The date of release of the results is announced through SGXNET and the website of the SEHK. The Company also conducts analysts' briefings and investor roadshows to maintain regular dialogue with shareholders as well as to solicit and understand the views of shareholders.

The detailed investor relation calendar is set out in the table below:

Period	Event
1 <sup>st</sup> Quarter 2021 (January – March 21)	<ul style="list-style-type: none"><li>• 2020 Full Year Financial Results Announcement, and Press Release</li><li>• Conference calls, meetings with analysts and investors</li></ul>
2 <sup>nd</sup> Quarter 2021 (April – June 21)	<ul style="list-style-type: none"><li>• Business and earnings update for 1Q2021</li><li>• Annual General Meeting</li><li>• Environmental, Social and Governance Report 2020</li><li>• Conference calls, meetings with analysts and investors</li></ul>
3 <sup>rd</sup> Quarter 2021 (July – September 21)	<ul style="list-style-type: none"><li>• 1H2021 Financial Results Announcement, and Press Release</li><li>• Payment of 2020 Final Dividends by cash and scrip dividend</li><li>• Conference calls, meetings with analysts and investors</li></ul>
4 <sup>th</sup> Quarter 2021 (October – December 21)	<ul style="list-style-type: none"><li>• Business earnings update for 3Q2021</li><li>• Conference calls, meetings with analysts and investors</li></ul>

The Company maintains a current corporate website, <https://www.isdnholdings.com/>, to communicate and engage with stakeholders.

# CORPORATE GOVERNANCE REPORT

## Material Contracts

No material contracts were entered into between the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder, which are either subsisting at the end of FY2021 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.

## Interested Person Transactions ("IPTs")

The Company 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 IPTs are subject to review by the AC to ensure compliance with established procedures.

In order to ensure that the Company complies with Chapter 9 of the SGX-ST Listing Manual and Chapter 14A of the SEHK Listing Rules on IPTs, the AC meets two (2) times a year to review all IPTs of the Company. However, if the Company enters into an IPT, the AC ensures compliance with the relevant rules under Chapter 9 of the SGX-ST Listing Manual and Chapter 14A of the SEHK Listing Rules.

For FY2021, there was no general mandate obtained by the Company in relation to any IPT.

There were no significant IPTs entered between the Group and interested persons during FY2021.

<b>Name of interested person</b>	<b>Nature of relationship</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
Not applicable	Nil	Nil	Nil

## Dealing in Company's Securities

In compliance with the best practices on dealings in securities set out in Rule 1207(19) of the SGX-ST Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code to provide guidance for the Company, Directors and all its officers in relation to their dealings in the Company's securities.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the SEHK Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors. The Company confirms that specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for FY2021.

# CORPORATE GOVERNANCE REPORT

Directors, officers and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of the Company prior to the announcement of a matter that involves material unpublished price-sensitive information. Officers are advised not to deal in the Company's securities on short-term considerations.

Directors, officers and employees are also prohibited from dealing in the Company's securities during the period commencing 30 days before the announcement of the Company's half-yearly financial statements and 60 days before the announcement of the Company's full-year financial statements.

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.

The Group has complied with Rule 1207(19) of the SGX-ST Listing Manual and the Model Code.

## Use of Proceeds from Issues of Securities

Use of net proceeds from the placement of 23,730,000 new ordinary shares in the capital of the Company at an issue price of S\$0.45 which was completed on 8 May 2013 (the "**Placement**").

The Group's utilisation of net proceeds of approximately S\$10,415,000 (after deducting expenses of approximately S\$263,500) from the Placement is set out below:

<b>Prospects/Future Plans</b>	<b>Amount of net proceeds allocated</b>	<b>Amount utilised from 08/05/2013 to 31/12/2021</b>	<b>Amount utilised during FY2021</b>	<b>Amount unutilised as at 31/12/2021</b>	<b>Expected timeline of full utilisation of unutilised proceeds</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	-	615	December 2023
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	-	6,100	December 2023
Exploration of power plant opportunities	2,000	2,000	-	-	N/A
<b>Total</b>	<b>10,415</b>	<b>3,700</b>	<b>-</b>	<b>6,715</b>	

The allocation and utilisation of the proceeds from the Placement is in accordance with the intended use.

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

Use of net proceeds from the issue of 26,987,295 new ordinary shares in the capital of the Company at the offer price of S\$0.20 (equivalent to approximately HK\$1.16) per share in connection with the subscription agreement entered with NTCP SPV VI ("**NTCP**") on 27 February 2019 (the "**Subscription**").

# CORPORATE GOVERNANCE REPORT

The Group's utilisation of the net proceeds of approximately S\$5,300,000 (after deducting expenses of approximately S\$62,000) from the Subscription is set out below:

<b>Prospects/Future Plans</b>	<b>Amount of net proceeds allocated</b>	<b>Amount utilised from 27/02/2019 to 31/12/2021</b>	<b>Amount utilised during FY2021</b>	<b>Amount unutilised as at 31/12/2021</b>	<b>Expected timeline of full utilisation of unutilised proceeds</b>
	<b>S\$'000</b>		<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Business development	4,770	289	-	4,481	December 2023
General working capital <sup>(1)</sup>	530	530	-	-	N/A
<b>Total</b>	<b>5,300</b>	<b>819</b>	<b>-</b>	<b>4,481</b>	

Note:

- (1) The general working capital consisted payroll related expenses, trade payables, administrative overheads and other operating expenses.

## Corporate Governance Functions

The Board has been and is performing the corporate governance duties set out in Code Provision A.2.1 of the HK CG Code, which, among other things, are as follows:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance; and
- (v) to review the Company's compliance with the relevant laws and regulations and disclosure in this report.

## Inside Information

With respect to the procedures and internal controls for the handling and dissemination of price sensitive information, the Company is aware of its obligations under Part XIVA of the SFO and the SEHK Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong.

# CORPORATE GOVERNANCE REPORT

Under the policy, the procedures and internal controls for the handling and dissemination of inside information are as follows:

- (a) the Company should announce the inside information immediately where it is necessary to avoid the establishment of a false market in the Company's securities or would be likely to materially affect the price or value of the Company's securities;
- (b) the Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant draft announcement (if applicable) before publication;
- (c) the Company should make the inside information announcement through the electronic publication systems operated by the SEHK, SGX-ST and the Company's website; and
- (d) the Group has established and implemented procedures for dealing with media speculation, market rumours and analysts' reports.

## **Changes in the Company's Constitutional Documents**

During FY2021, there were no changes in the Company's Constitutional.

The Company's Constitution is available on the websites of the SGX-ST, SEHK and the website of the Company.

# CORPORATE GOVERNANCE REPORT

## Additional Information on Directors Seeking Re-election

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
Date of Appointment	28/12/2004	18/08/2016
Date of last re-appointment (if applicable)	30/04/2019	29/06/2020
Age	63	49
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the qualifications and working experience of Mr. Teo Cher Koon, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Executive Director, the Managing Director and President of the Company.	The Board of Directors, having considered the qualifications and working experience of Mr. Tan Soon Liang, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Director, Mr. Teo Cher Koon is responsible for formulating our corporate strategy, general management and providing technical advice to our Group, and is particularly active in the procurement and marketing activities of our Group.	Not applicable as the appointment is non-executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director, Managing Director and President	Independent Non-executive Director
Professional qualifications	Bachelor of Engineering (Mechanical) from the National University of Singapore; and  Technician Diploma in Mechanical Engineering from Ngee Ann Technical College.	Bachelor of Business (Honours) Degree from Nanyang Technological University  Master of Business Administration Degree from University of Hull  CFA Charterholder from CFA Institute

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
Working experience and occupation(s) during the past 10 years	<p>ISDN Holdings Limited Executive Director, Managing Director and President (December 2004 – Present)</p> <p>Agri Source Farms Sdn Bhd Director (July 2010 – Present)</p> <p>Agri Source Pte Ltd Director (May 2010 – Present)</p> <p>C True Version Pte Ltd Director (November 2012 – Present)</p> <p>DBASIX Malaysia Sdn Bhd Director (March 2008 – Present)</p> <p>DBASIX Singapore Pte Ltd Director (November 2007 – Present)</p> <p>Dietionary Farm Holding Pte Ltd Director (March 2012 – Present)</p> <p>Dietionary Farms Sdn Bhd Director (June 2012 – Present)</p> <p>Dirak Asia Pte Ltd Director (September 1997 – Present)</p> <p>Dirak Taiwan Co., Ltd. Director (July 2019 – Present)</p> <p>Eisele Asia Co., Ltd Director (June 2019 – Present)</p>	<p>Ti Ventures Pte Ltd Managing Director (May 2009 – Present)</p> <p>Ti Investment Holdings Pte Ltd Managing Director (June 2010 – June 2015)</p> <p>Omnibridge Capital Pte Ltd Managing Director (December 2014 – Present)</p> <p>ISDN Holdings Limited Independent Non-executive Director (August 2016 – Present)</p> <p>Clearbridge Health Limited Independent Director (November 2017 – Present)</p> <p>Choo Chiang Holdings Limited Independent Director (August 2018 – Present)</p> <p>GDS Global Limited Independent Director (March 2020 – Present)</p> <p>Colex Holdings Limited Independent Director (April 2021 – Present)</p> <p>ValueMax Group Limited Independent Director (January 2022 – Present)</p>

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>Excel Best Industries (Suzhou) Co., Ltd Director (June 2007 – Present)</p> <p>Gateway Motion (Shanghai) Co., Ltd Director (March 2008 – Present)</p> <p>IDI Laser Services Pte Ltd Director (October 2006 – Present)</p> <p>IGB (H.K.) Co., Ltd Director (March 2006 – Present)</p> <p>ISDN Bantaeng Pte Ltd Director (October 2015 – Present)</p> <p>ISDN Energy Pte. Ltd. Director (November 2017 – Present)</p> <p>ISDN Enterprise Management (Wu Jiang) Co., Ltd. Director (November 2009 – Present)</p> <p>ISDN Investments Pte Ltd Director (May 2010 – Present)</p> <p>AR Biotech Pte. Ltd. (formerly known as ISDN NBA Resources Pte. Ltd.) Director (December 2017 – Present)</p> <p>ISDN Resource Pte Ltd Director (April 2013 – Present)</p> <p>ISDN Road &amp; Belt Energy Pte. Ltd. Director (June 2014 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>ERST Asia Pacific Pte. Ltd. Director (May 2013 – Present)</p> <p>ISDN Software Business Pte. Ltd. Director (May 2019 – Present)</p> <p>Jin Zhao Yu Pte Ltd Director (November 2015 – Present)</p> <p>JM Vistec System Pte Ltd Director (September 2005 – Present)</p> <p>JM Vision (Suzhou) Co., Ltd Director (August 2005 – Present)</p> <p>JM Vision Technologies Co., Ltd Director (July 2010 – Present)</p> <p>Leaptron Engineering Pte Ltd Director (August 2002 – Present)</p> <p>Maxon Motor International Trading (Shanghai) Co., Ltd. Director (October 2004 – Present)</p> <p>Maxon Motor (Suzhou) Co., Ltd Director (September 1995 – Present)</p> <p>Maxon Motor Taiwan Co., Ltd Director (September 2005 – Present)</p> <p>Motion Control Group Pte Ltd Director (December 2004 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>Precision Motion Control Phils. Inc. Director (June 2005 – Present)</p> <p>Prestech Industrial Automation Pte Ltd Director (December 2006 – Present)</p> <p>Servo Dynamics (H.K.) Limited Director (October 1995 – Present)</p> <p>Servo Dynamics (Thailand) Co., Limited Director (June 2000 – Present)</p> <p>Servo Dynamics Pte Ltd Director (November 1989 – Present)</p> <p>Servo Dynamics Sdn Bhd Director (March 2007 – Present)</p> <p>Servo Dynamics Philippines, Inc. Director (December 2020 – Present)</p> <p>Shanghai DBASIX M&amp;E Equipment Co.,Ltd Director (January 2008 – Present)</p> <p>Suzhou Dirak Co., Ltd Director (October 2001 – Present)</p> <p>Suzhou PDC Co., Ltd Director (July 2007 – Present)</p> <p>Suzhou Servo Dynamics Co., Ltd. Director (August 2001 – Present)</p> <p>Zhuzhou Dirak Technology Co., Ltd. Director (August 2015 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>AR Technologies Pte. Ltd. Director (January 2018 – Present)</p> <p>Maxon Motor SEA Pte. Ltd. Director (December 2018 – Present)</p> <p>PT Charma Paluta Energy Director (December 2019 – Present)</p> <p>PT Alabama Energy Director (December 2019 – Present)</p> <p>ISDN Energy (Cambodia) Co., Ltd. Director (August 2019 – Present)</p> <p>ISDN (Zhejiang) Precision Technology Co., Ltd. Director (July 2019 – Present)</p> <p>COTRUST SYSTEM Co., Ltd Director (December 2018 – Present)</p> <p>Sand Profile (HK) Co., Ltd Director (November 2006 – Present)</p> <p>Sand Profile (Suzhou) Co., Ltd Director (February 2007 – Present)</p> <p>Performance Leadership Pte Ltd Director (January 2021 – Present)</p> <p>Prima Infrastructure Sdn. Bhd Director (August 2014 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
Shareholding interest in the listed issuer and its subsidiaries	Mr Teo Cher Koon has a direct and indirect shareholding interest of approximately 32.19% in the Company. Mr. Teo Cher Koon is deemed interested in the 141,189,015 shares in the Company held by Assestraise Holdings Limited.	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes. Mr. Teo Cher Koon has a deemed shareholding interest of approximately 32.19% in the Company held through Assestraise Holdings Limited. Assestraise Holdings Limited holds 141,189,015 shares in the Company.	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	<p><b><u>Past (for the last 5 years)</u></b> Nil</p> <p><b><u>Present</u></b> ISDN Holdings Limited Executive Director, Managing Director and President (December 2004 – Present)</p> <p>Agri Source Farms Sdn Bhd Director (July 2010 – Present)</p> <p>Agri Source Pte Ltd Director (May 2010 – Present)</p> <p>C True Version Pte Ltd Director (November 2012 – Present)</p> <p>DBASIX Malaysia Sdn Bhd Director (March 2008 – Present)</p>	<p><b><u>Past (for the last 5 years)</u></b> Wong Fong Industries Limited Independent Director (June 2016 – April 2019)</p> <p>Allin International Holdings Pte Ltd Non-executive Director (October 2015 – May 2018)</p> <p>MG Investors Pte Ltd Non-executive Director (October 2015 – May 2018)</p> <p>Epika Pte Ltd Non-executive Director (March 2016 – March 2017)</p> <p>The Learning Fort Pte Ltd Non-executive Director (August 2016 – July 2018)</p> <p>Omnibridge Investment Partners Ltd Non-executive Director (October 2015 – May 2018)</p>

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	DBASIX Singapore Pte Ltd Director (November 2007 – Present)	<b>Present</b> Ti Ventures Pte Ltd Managing Director (May 2009 – Present)
	Dictionary Farm Holding Pte Ltd Director (March 2012 – Present)	Omnibridge Capital Pte Ltd Managing Director (December 2014 – Present)
	Dictionary Farms Sdn Bhd Director (June 2012 – Present)	Ti Investment Holdings Pte Ltd Non-executive Director (June 2010 – Present)
	Dirak Asia Pte Ltd Director (September 1997 – Present)	Omnibridge Investments Ltd Non-executive Director (March 2014 – Present)
	Dirak Taiwan Co., Ltd. Director (July 2019 – Present)	Omnibridge Capital Ltd Non-executive Director (March 2014 – Present)
	Eisele Asia Co., Ltd Director (June 2019 – Present)	ACH Investors Pte Ltd Non-executive Director (October 2015 – Present)
	Excel Best Industries (Suzhou) Co., Ltd Director (June 2007 – Present)	Omnibridge Investments Pte Ltd Non-executive Director (March 2016 – Present)
	Gateway Motion (Shanghai) Co., Ltd Director (March 2008 – Present)	Omnibridge Investment Partners Pte Ltd Non-executive Director (July 2016 – Present)
	IDI Laser Services Pte Ltd Director (October 2006 – Present)	Allin Holdings Pte Ltd Non-executive Director (March 2018 – Present)
	IGB (H.K.) Co., Ltd Director (March 2006 – Present)	ISDN Holdings Limited Independent Non-executive Director (August 2016 – Present)
	ISDN Bantaeng Pte Ltd Director (October 2015 – Present)	Clearbridge Health Limited Independent Director (November 2017 – Present)
	ISDN Energy Pte. Ltd. Director (November 2017 – Present)	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	ISDN Enterprise Management (Wu Jiang) Co., Ltd. Director (November 2009 – Present)	Choo Chiang Holdings Limited Independent Director (August 2018 – Present)
	ISDN Investments Pte Ltd Director (May 2010 – Present)	GDS Global Limited Independent Director (March 2020 – Present)
	AR Biotech Pte. Ltd. (formerly known as ISDN NBA Resources Pte. Ltd.) Director (December 2017 – Present)	Colex Holdings Limited Independent Director (April 2021 – Present)
	ISDN Resource Pte Ltd Director (April 2013 – Present)	NTU Nanyang Business School Alumni Association Executive Committee Vice President (Corporate Engagement and Careers) (October 2021 – Present)
	ISDN Road & Belt Energy Pte. Ltd. Director (June 2014 – Present)	ValueMax Group Limited Independent Director (January 2022 – Present)
	ERST Asia Pacific Pte. Ltd. Director (May 2013 – Present)	Spectra Secondary School Director (January 2022 – Present)
	ISDN Software Business Pte. Ltd. Director (May 2019 – Present)	
	Jin Zhao Yu Pte Ltd Director (November 2015 – Present)	
	JM Vistec System Pte Ltd Director (September 2005 – Present)	
	JM Vision (Suzhou) Co., Ltd Director (August 2005 – Present)	
	JM Vision Technologies Co., Ltd Director (July 2010 – Present)	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>Leaptron Engineering Pte Ltd Director (August 2002 – Present)</p> <p>Maxon Motor International Trading (Shanghai) Co., Ltd. Director (October 2004 – Present)</p> <p>Maxon Motor (Suzhou) Co., Ltd Director (September 1995 – Present)</p> <p>Maxon Motor Taiwan Co., Ltd Director (September 2005 – Present)</p> <p>Motion Control Group Pte Ltd Director (December 2004 – Present)</p> <p>Precision Motion Control Phils. Inc. Director (June 2005 – Present)</p> <p>Prestech Industrial Automation Pte Ltd Director (December 2006 – Present)</p> <p>Servo Dynamics (H.K.) Limited Director (October 1995 – Present)</p> <p>Servo Dynamics (Thailand) Co., Limited Director (June 2000 – Present)</p> <p>Servo Dynamics Pte Ltd Director (November 1989 – Present)</p> <p>Servo Dynamics Sdn Bhd Director (March 2007 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>Servo Dynamics Philippines, Inc. Director (December 2020 – Present)</p> <p>Shanghai DBASIX M&amp;E Equipment Co., Ltd Director (January 2008 – Present)</p> <p>Suzhou Dirak Co., Ltd Director (October 2001 – Present)</p> <p>Suzhou PDC Co., Ltd Director (July 2007 – Present)</p> <p>Suzhou Servo Dynamics Co., Ltd. Director (August 2001 – Present)</p> <p>Zhuzhou Dirak Technology Co., Ltd. Director (August 2015 – Present)</p> <p>AR Technologies Pte. Ltd. Director (January 2018 – Present)</p> <p>Maxon Motor SEA Pte. Ltd. Director (December 2018 – Present)</p> <p>PT Charma Paluta Energy Director (December 2019 – Present)</p> <p>PT Alabama Energy Director (December 2019 – Present)</p> <p>ISDN Energy (Cambodia) Co., Ltd. Director (August 2019 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Teo Cher Koon	Tan Soon Liang
	<p>ISDN (Zhejiang) Precision Technology Co., Ltd. Director (July 2019 – Present)</p> <p>COTRUST SYSTEM Co., Ltd Director (December 2018 – Present)</p> <p>Sand Profile (HK) Co., Ltd Director (November 2006 – Present)</p> <p>Sand Profile (Suzhou) Co., Ltd Director (February 2007 – Present)</p> <p>Performance Leadership Pte Ltd Director (January 2021 – Present)</p> <p>Prima Infrastructure Sdn. Bhd Director (August 2014 – Present)</p>	

# CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Teo Cher Koon	Tan Soon Liang
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Yes  Mr Tan Soon Liang was a non-executive director of T10 Lifestyle Concepts Pte Ltd ("T10") from April 2011 to November 2015, a company incorporated in Singapore. He was a non-executive nominee director on the board of directors of T10, representing the interests of Ti Investment Holdings Pte Ltd, which had a 60.0% shareholding in T10. During the period of his directorship in T10, he was not involved in the daily business operations nor financial management of T10. On 12 November 2015, T10 was dissolved pursuant to a compulsory winding up application.
c.	Whether there is any unsatisfied judgment against him?	No	No
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

# CORPORATE GOVERNANCE REPORT

Details		Name of Directors	
		Teo Cher Koon	Tan Soon Liang
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

# CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Teo Cher Koon	Tan Soon Liang
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

# CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Teo Cher Koon	Tan Soon Liang
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
	Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is in relation to a re-appointment of Director	Not applicable. This is in relation to a re-appointment of Director
	If yes, please provide details of prior experience.	Not applicable.	Not applicable.
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.  Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.	Not applicable.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Group for the FY2021 and the statement of financial position of the Company as at 31 December 2021.

In the opinion of the Directors:

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance, 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.

## 1 Principal Activities

The principal activities of the Company include 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 to the consolidated financial statements.

## 2 Business Review and Performance

### *Review of business and performance*

A discussion and analysis of the Group's performance during the FY2021, which includes a description of principal risks and uncertainties facing the Group, and the key factors affecting its financial performance and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Information about the review of affairs, and an indication of likely future development in, the Group's business is set out in the section headed "President's Message" and "Management Discussion and Analysis" of this annual report.

### *Compliance with laws and regulations*

Except for the disclosure in the corporate governance report, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it during the FY2021.

### *Important event after the reporting period*

As disclosed in Note 37 to the consolidated financial statements, the Board is not aware of any important event affecting the Group that has occurred subsequent to the FY2021 and up to the date of this annual report.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 2 Business Review and Performance (cont'd)

### *Stakeholders' engagement*

The Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore is dedicated to maintaining a good relationship with these stakeholders. Recognising the crucial roles of our customers and suppliers in our business operation, the Group has reinforced its relationships with these business partners through ongoing communication in a proactive and effective manner.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of our employees. The Group also places ongoing efforts to provide adequate training and development resources to our staff with an aim to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth.

## 3 Results and Appropriations

The results of the Group for the FY2021 are set out in the consolidated statement of comprehensive income.

Subsequent to the reporting year end, a tax-exempt (one-tier) final dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per share of the Company (the "**Share**") in respect of the FY2021 has been recommended by the Board and is subject to the approval by the shareholders at the Company's forthcoming AGM.

The Board proposes that the Shareholders be given the option to receive the final dividend in new Shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the final dividend at the forthcoming AGM; and (2) the SGX-ST and the SEHK granting the listing of, and permission to deal in, the new Shares to be allotted and issued pursuant to the scrip dividend proposal.

A circular to Shareholders containing, among others, details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Monday, 18 July 2022.

## 4 Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years are set out in the section headed "5-Year Financial Summary" of this annual report.

## 5 Investment Properties

Details of movement in the investment properties of the Group during the FY2021 are set out in Note 13 to the consolidated financial statements.

## 6 Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the FY2021 are set out in Note 12 to the consolidated financial statements.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 7 Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2021 are set out in the Note 24 to the consolidated financial statements.

## 8 Share Capital

Details of movement in the Company's share capital during the FY2021 are set out in Note 22 to the consolidated financial statements.

## 9 Purchases, Sales or Redemption of the Company's Listed Securities

During the FY2021 and up to the date of this statement, the Company did not redeem any of the Shares listed on the SGX-ST and the SEHK nor did the Company or any of its subsidiaries purchase or sell any of the Shares.

## 10 Reserves and Distributable Reserves

Details of the movements in the reserves of the Company and the Group during the FY2021 are set out in Note 23 to the consolidated financial statements, respectively.

Distributable reserves of the Company as at 31 December 2021 amounted to S\$24,346,000 (2020: S\$19,125,000).

## 11 Directors

The Directors during the FY2021 and up to the date of this statement were:

### Executive Directors

Mr. Teo Cher Koon (Managing Director and President)  
Mr. Kong Deyang

### Non-executive Director

Mr. Toh Hsiang-Wen Keith

### Independent Non-executive Directors

Mr. Lim Siang Kai (Chairman)  
Mr. Soh Beng Keng  
Mr. Tan Soon Liang

The details of appointment and re-election of Directors are set out in the section headed "Principle 4: Board Membership" in the corporate governance report to the annual report.

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Board of Directors" and "Key Management" of this annual report.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 12 Confirmation of Independence of Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence in writing pursuant to the SGX-ST Listing Manual, Provision 2.1 of the 2018 Code and Rule 3.13 of the Rules Governing the SEHK Listing Rules and considers all the independent non-executive Directors to be independent.

## 13 Directors' Service Contracts

Each executive Director has entered into a service contract with the Company for a term of three (3) years, while each non-executive Director and independent non-executive Director is engaged for three (3) years.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

## 14 Directors' Remuneration

The Board has the general power of determining the Directors' fees, subject to authorisation of the Shareholders at the AGM each year.

The remuneration and other emoluments are determined by the Board by recommendation of the RC with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors during the FY2021 are set out in Note 9 to the consolidated financial statements.

## 15 Employee and Remuneration Policies

As at 31 December 2021, there were 1,052 (2020: 950) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance. The Company has adopted the ISDN ESOS 2016 as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job-training for the employees.

The ISDN PSP has expired and lapsed on 16 February 2022.

## 16 Permitted Indemnity Provision

Under the Company's Constitution, every Director or other officer of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto, including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers during the FY2021 and the indemnity provision and Directors' and officers' liability insurance remains in force as of the date of this annual report.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 17 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations

As at 31 December 2021, the interests or short positions of the Directors and the chief executive of the Company (the "**Chief Executive**") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as may be amended or modified from time to time which were required to be notified to the Company and the SEHK pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, 1967 of Singapore ("the **Act**"); or pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the SEHK pursuant to the Model Code were as follows:

### Under Singapore Law

As recorded in the register of Directors' shareholdings under Section 164 of the Act, none of the Directors holding office at the end of the FY2021 has any interest in the shares of the Company and its related corporations, except as disclosed below:

	Holdings registered in the name of Directors		Holdings in which a Director is deemed to have an interest	
	As at 1.1.2021	As at 31.12.2021	As at 1.1.2021	As at 31.12.2021
The Company				
- <u>ISDN Holdings Limited</u>				
Mr. Teo Cher Koon (" <b>Mr. Teo</b> ")	-	-	139,491,815	141,189,015
Mr. Kong Deyang (" <b>Mr. Kong</b> ")	2,050,000	2,050,000	-	-
Mr. Toh Hsiang-Wen Keith (" <b>Mr. Toh</b> ")	-	-	37,125,074	37,556,134
The Holding Company				
- <u>Assetraise Holdings Limited ("<b>Assetraise</b>")</u>				
Mr. Teo	1	1	-	-

By virtue of Section 7 of the Act, Mr. Teo is deemed to have an interest in the shares held by the Company in all its subsidiary companies. There were no changes in any of the above-mentioned interests between the end of the FY2021 and 21 January 2022.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 17 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations (cont'd)

### Under Hong Kong Law

#### (i) Long positions in Shares, underlying Shares or debentures of the Company

Name of Directors	Capacity	Number of shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Shares
		Personal interests	Corporate interests			
Mr. Teo <sup>(1)</sup>	Interest of controlled corporation	-	141,189,015	-	141,189,015	32.19%
Mr. Kong	Beneficial owner	2,050,000	-	-	2,050,000	0.47%
Mr. Toh <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%

#### Notes:

- (1) The Shares were held by Assetraise, which is beneficially owned by Mr. Teo and his spouse, Ms. Thang Yee Chin ("**Ms. Thang**"). Accordingly, Mr. Teo was deemed to be interested in these 141,189,015 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP. Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. New Earth Group 2 Ltd. ("**NEG 2**") is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Toh is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP.

#### (ii) Long position in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2021, Mr. Teo had a personal interest in the following associated corporations:-

1. in 5,547 ordinary shares, representing 1% of the issued shares, in Dirak Asia Pte Ltd held in his capacity as a beneficial owner; and
2. in 1 ordinary share, representing 50% of the issued shares, in Assetraise held in his capacity as a beneficial owner.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 17 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations (cont'd)

Under Hong Kong Law (cont'd)

### (ii) Long position in the shares, underlying shares and debentures of the associated corporations of the Company (cont'd)

Save as disclosed above, as at 31 December 2021, none of the Directors or the Chief Executive had registered an interest or short position in the shares, or underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or which were required to be recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Act; or pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the SEHK pursuant to the Model Code.

## 18 Share Options and Performance Share Plan

The ISDN ESOS 2016 was approved and adopted by Shareholders on 22 April 2016 and amended on 16 December 2016 to satisfy the requirements of the SEHK Listing Rules. The purpose of the ISDN ESOS 2016 is to reward, retain and motivate participants to achieve better performance. The ISDN ESOS 2016 was not utilised in FY2021. The ISDN ESOS 2016 is primarily a share incentive scheme that provides an opportunity for participants who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company. It recognises the fact that the services of such participants are important to the success and continued well-being of the Group.

The ISDN ESOS 2016 is administered by the RC, comprising the Independent Non-executive Directors, Tan Soon Liang, Lim Siang Kai and Soh Beng Keng.

The following persons shall be eligible to participate in the ISDN ESOS 2016:

- (a) Group employees (including Group executive directors) and Group non-executive directors; and
- (b) Directors, non-executive directors and employees of any associated company (if and where applicable) subject to the Company having control over such associated company.

Other salient information relating to the ISDN ESOS 2016 is set out below:

- (i) The aggregate number of Shares over which share options (the "**Options**") may be granted on any date under the ISDN ESOS 2016 shall not exceed 15% of the total issued Shares (excluding treasury shares) on the day preceding the relevant date of grant.
- (ii) For such time as the Company is listed on the SEHK, the aggregate number of Shares which may be issued upon exercise of all Options to be granted under the ISDN ESOS 2016 and any other schemes adopted by the Company must not exceed 10% of the issued Shares.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 18 Share Options and Performance Share Plan (cont'd)

- (iii) The number of Shares over which Options may be granted to a participant for subscription under the ISDN ESOS 2016 shall be determined at the absolute discretion of the RC, which shall take into consideration, where applicable, factors such as the participant's rank, job performance, years of service, contribution to the success of the Group, potential for future development of the participant and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods.
- (iv) The exercise price for each Share in respect of which an Option is exercisable shall be determined by the RC at its discretion, subject to the following restrictions: the exercise price must be at least the higher of (i) the closing price of the Shares as stated in the SEHK's or the SGX-ST's (whichever is higher) daily quotations sheet on the date of grant, which must be a market day; (ii) the average closing price of the Shares as stated in the SEHK's or the SGX-ST's daily quotations sheets for the five (5) consecutive market days immediately preceding the date of grant (whichever is higher); and the nominal value of the Shares (if any).
- (v) The fair value of employee services received in exchange for the grant of the Options would be recognised as a charge to the profit or loss over the vesting period of an Option with a corresponding credit to reserve account. The total amount of the charge over the vesting period is generally measured by reference to the fair value of each Option granted.
- (vi) Options granted with a discount under the ISDN ESOS 2016 are subject to a longer vesting period of two (2) years, as compared to a vesting period of one (1) year for those granted at the market price.
- (vii) The grant of Options shall be accepted within 30 days from the date of offer. Offers of Options made to grantees, if not accepted by the closing date, will automatically lapse and shall forthwith be deemed to be null and void and of no effect. Upon acceptance of the offer, the grantee must pay the Company a consideration of S\$1.00 or such amount as the RC may decide.
- (viii) Any performance targets attached to a grant of options must be achieved before the relevant participant may exercise such Options.

Maximum entitlement of each participant under the ISDN ESOS 2016:

The maximum entitlement of each participant under the ISDN ESOS 2016 in any 12-month period up to and including the date of grant of the Options must not exceed 1% of the total number of Shares in issue.

Options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the total number of Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in a 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such further grant shall be approved by the shareholders in a general meeting.

The remaining life of the ISDN ESOS 2016:

The ISDN ESOS 2016 shall be valid and effective for a period of 10 years from the date of adoption until 22 April 2026. There were no Options granted or exercised or cancelled or lapsed and there was no outstanding shares pursuant to the ISDN ESOS 2016 in FY2021.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 18 Share Options and Performance Share Plan (cont'd)

Since the implementation of the ISDN ESOS 2016, no Options have been granted to the Directors, controlling shareholders of the Company or associates of controlling shareholders of the Company, and no employee of the Group has received 5% or more of the total number of Options available under the ISDN ESOS 2016.

At the date of the annual report, the Company had 53,202,742 Options outstanding under the ISDN ESOS 2016, which represented approximately 12.13% of the Shares in issue.

The ISDN PSP which was approved and adopted by Shareholders on 17 February 2012 and as amended on 16 December 2016 to satisfy the requirements of the SEHK Listing Rules has expired and lapsed on 16 February 2022. There are no outstanding share awards issued under the ISDN PSP.

## 19 Audit Committee

The AC comprises all independent non-executive Directors. The members of the AC are:

Lim Siang Kai (Chairman)  
Soh Beng Keng  
Tan Soon Liang

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 Group's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- (b) Review the interim and annual announcements of the financial results and the auditors' report on the annual consolidated financial statements of the Group before submission to the Board;
- (c) Review the effectiveness of the Group'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 consolidated 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 the external auditors to be nominated, and reviews the scope and results of the audit;
- (i) Report to the Board with appropriate recommendations;

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 19 Audit Committee (cont'd)

- (j) Review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual; and
- (k) Undertake such other functions and duties as may be agreed to by the AC and the Board.

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

The AC having reviewed the external auditors' non-audit services, was of opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held four (4) meetings since the last Directors' Statement with full attendance from all members. In performing its functions, the AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the SGX-ST Listing Manual have been complied with.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in this annual report.

The AC has recommended to the Board the nomination of Moore Stephens LLP for their reappointment as external auditor of the Company (the "**External Auditor**") at the forthcoming AGM.

The AC has reviewed, with the management and the External Auditor, the accounting principles and policies adopted by the Group, and discussed audited consolidated financial statements of the Group for the FY2021. The consolidated financial statements have been audited by the External Auditor.

## 20 Arrangements to Purchase Shares or Debentures

Other than the warrant holdings disclosed above, at no time during the FY2021 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 21 Directors' Interests in Contracts of Significance

Other than disclosed above and in Note 34 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or its holding company or any of their respective subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly and indirectly, subsisted at the end of the FY2021 or at any time during the FY2021.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 22 Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed below item 24, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries and controlling shareholders (as defined in the SEHK Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the FY2021 or at any time during the FY2021.

## 23 Management Contracts

Save for service contracts of the Executive Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the FY2021.

## 24 Continuing Connected Transactions

We have entered into certain transactions with connected persons and these transactions constitute continuing connected transactions within the meaning under the SEHK Listing Rules (the "**Continuing Connected Transactions**").

Other than the connected transactions set out in this section, the Group currently does not have any other on-going connected transaction.

### **Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements**

#### **1. License agreement with Maxon Motor**

We have entered into a license agreement on 21 October 2016 (and supplemented by a letter agreement dated 21 October 2016) with Maxon Motor AG ("**Maxon Motor**"), one of our major suppliers and also our connected person at the subsidiary level, and which provides us with the exclusive supply of servo motors, gears, encoders and electronic control system fitting to such servo motors in Singapore, Malaysia, Thailand, Hong Kong, Indonesia, the Philippines and Vietnam. On 27 December 2018, we entered into renewal supply agreements (the "**2018 Renewal Supply Agreements**") with Maxon Motor. The salient terms of the 2018 Renewal Supply Agreements are set out below:

**Contract period:** The term of the agreement is three years from 1 January 2019 to 31 December 2021. Under the agreement, we may commence negotiations regarding the extension of the agreement at least three months from the end of its term.

**Pricing:** The price charged by Maxon Motor is based on the price list of Maxon Motor offered to all its non-end users customers (whether independent or otherwise) and valid from time to time. We have the discretion to determine the resale prices of the supplied products.

**Purchase quantity:** We agreed to purchase the quantity of the relevant products per calendar year as agreed upon during the budgeting phase of the preceding year. The quantity of the relevant products may be adjusted within a rolling forecasting during the calendar year if there are appropriate reasons.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 1. License agreement with Maxon Motor (cont'd)

**Territory:** We are authorised to sell products within the PRC, Singapore, Malaysia, Thailand, Hong Kong, Taiwan, Indonesia, the Philippines and Vietnam. We have undertaken not to actively acquire customers for supplied products or establish any branch or maintain any storage place outside of our designated geographical area. Maxon Motor is not permitted to sell its products to our competitors or competing businesses within the designated geographical area. Maxon Motor is also required to pass on all inquiries of potential customers in the designated geographic area to us, unless the direct support is requested of, or direct orders are placed with, Maxon Motor.

**Credit term:** We have been granted a credit term of 30 to 60 days.

**Warranty and product return:** Maxon Motor warrants that the products are free from defects in material and workmanship and that it has obtained product liability insurance. Maxon Motor further agrees to replace, repair or refund the reduced value of any defective products within the warranty period of 12 months, on the condition that its products were not used incorrectly or altered.

**Limitation of liabilities:** Maxon Motor's liabilities for defects in a particular product are limited to 5% of the total payments made by the relevant subsidiary of the Group to Maxon Motor for that product during the preceding six months. In case of direct claims by third parties against Maxon Motor, the Group has to indemnify Maxon Motor to the extent that the claim exceeds the agreed maximum thresholds for warranty or liability.

**Termination:** The 2018 Renewal Supply Agreements can be terminated by either party to such agreement at any time by giving six months' prior written notice to the end of a calendar month.

**Logistics and delivery:** We bear the transportation costs and the risk of the products being damaged during transit.

#### Relationship

Maxon Motor is an associate of Interelectric AG ("**Interelectric**"). Interelectric owns 50% of the shareholding interest in Maxon Motor (Suzhou) Co. Ltd. ("**Maxon Suzhou**"), Maxon Motor International Trading (Shanghai) Co., Ltd ("**Maxon Shanghai**"), Maxon Motor SEA Pte. Ltd. ("**Maxon SEA**") and Motor Taiwan Co., Ltd ("**Maxon Taiwan**") and hence, Maxon Motor is a connected person of the Company at the subsidiary level.

#### Historical transaction amount

For the financial years ended 31 December 2021 and 2020, the total purchase amount paid and payable by the Group to Maxon Motor amounted to S\$73,740,000 and S\$56,959,000, respectively.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 1. License agreement with Maxon Motor (cont'd)

##### Proposed annual caps and basis

On 27 December 2021, we entered into renewal supply agreements (the "**2021 Renewal Supply Agreements**") with Maxon Motor.

For the financial years ending 31 December 2022, 2023 and 2024, pursuant to the 2021 Renewal Supply Agreements, the total purchase amount payable by the Group to Maxon Motor are not expected to exceed S\$96,595,000, S\$120,744,000 and S\$144,893,000, respectively. In arriving at the annual caps, the Directors have considered: (i) the historical transaction amount; (ii) the year-on-year growth rate of approximately 26.1% for the increase in the purchases by our Group from Maxon Motor for the year ended 31 December 2019, and the year-on-year growth rate of approximately 18.6% for the same for the year ended 31 December 2020; (iii) the market acceptability of the diverse and quality of the Products supplied by Maxon Motor from Switzerland and; (iv) the terms agreed by Maxon Motor and the Group.

##### Implication under the SEHK Listing Rules

As Maxon Motor is a connected person of our Company at the subsidiary level and in light of the view of our Directors (including the independent non-executive Directors) as described under the paragraph headed "Confirmation from Our Directors in relation to Continuing Connected Transactions" below, the transactions as contemplated under the license agreement with Maxon Motor are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the SEHK Listing Rules.

#### 2. Service agreements with Maxon Motor

We have entered into four service agreements on 15 February 2008, 28 January 2014, 1 September 2016 and 27 December 2018 respectively (and supplemented by a letter agreement dated 1 September 2016) with Maxon Motor, and which are in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou. On 27 December 2018, we have entered into the renewal service agreement (the "**2018 Renewal Service Agreement**") with Maxon Motor. The salient terms of the 2018 Renewal Service Agreement are set out below:

**Contract period:** The service agreements are valid from 1 January 2019 up to and including 31 December 2021, or such other earlier date as the parties to the agreements may otherwise agree in writing.

**Pricing:** The service fee payable to Maxon Motor by Maxon Suzhou shall not be less favourable than those charged against independent third parties of Maxon Motor from time to time.

##### Relationship

Maxon Motor is an associate of Interelectric. Interelectric owns 50% of the shareholding interest in Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan and hence, Maxon Motor is a connected person of our Company at the subsidiary level.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 2. Service agreements with Maxon Motor (cont'd)

##### Historical transaction amount

For the financial years ended 31 December 2021 and 2020, the total service fee paid and payable by the Group to Maxon Motor amounted to S\$293,000 and S\$191,000, respectively.

##### Proposed annual caps

On 27 December 2021, we have entered into the renewal service agreement (the "**2021 Renewal Service Agreement**") with Maxon Motor.

For the financial years ending 31 December 2022, 2023 and 2024, pursuant to the 2021 Renewal Service Agreement, the total service fees payable by the Group to Maxon Motor are not expected to exceed S\$426,000, S\$605,000 and S\$859,000, respectively.

##### Implication under the SEHK Listing Rules

As Maxon Motor is a connected person of our Company at the subsidiary level and in light of the view of our Directors (including the independent non-executive Directors) as described under the paragraph headed "Confirmation from our Directors in relation to Continuing Connected Transactions" below, the transactions as contemplated under each of the framework agreements with Maxon Motor are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the SEHK Listing Rules.

#### 3. Master supply agreement with Dirak Holding

We have entered into a master supply agreement for the sale of the hinges and locks products and the related knowhow being made in China ("**Product A**") from the Group to the Dirak Holding GmbH ("**Dirak Holding**") and its subsidiaries ("**Dirak Group**") and the sale of the hinges and locks products and the related knowhow being made in Germany ("**Product B**") from the Dirak Group to the Group in January 2020 with Dirak Holding.

Dirak Holding is one of our major suppliers and also our connected person at the subsidiary level, and engages in developing and manufacturing of innovative engineering components broadly including hinges, locks, latches, fasteners and other industrial hardware with quick latching snap technology for enclosure construction. The principal terms of the agreement are set out below:

**Contract period:** The term of the agreements are three years from 1 January 2020 to 31 December 2022. Under the agreements, we may commence negotiations regarding the extension of the agreement at least three months from the end of its term.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 3. Master supply agreement with Dirak Holding (cont'd)

**Pricing:** The prices charged by Dirak Holding are determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length commercial negotiations between relevant parties from time to time, taking into account the following factors:

- (i) The historical transaction amount for the supply of Product A and Product B between the Group and the Dirak Group;
- (ii) For Product A, reference will be made to the quotations that the Group provided to its other independent customers that require similar products. Based on the prices provided to other independent customers, the Group will be able to ensure that the purchase price of Product A payable by the Dirak Group to the Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those the Group offered to other independent third parties from time to time.
- (iii) For Product B, the Group will obtain quotation from at least two independent suppliers that supply similar products. Based on the fee quotations provided by other independent suppliers, the Group will be able to ensure that the purchase price of Product B payable by the Group to the Dirak Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those available from other independent suppliers.

#### **Proposed annual caps and basis:**

In respect of Product A, in view of the increasing demand of Product A, the Board anticipates that the total purchase price payable by the Dirak Holding to the Dirak Group in respect of Product A under the Master Supply Agreement for the financial years ending 31 December 2021 and 31 December 2022 will exceed the Existing Annual Caps of S\$9.0 million and S\$10.0 million set out in the Master Supply Agreement and therefore it is necessary for the Company to revise the relevant annual cap. Accordingly, on 3 December 2021, the Board resolved to revise the Existing Annual Caps for both financial years ending 31 December 2021 and 31 December 2022 under the Master Supply Agreement from S\$9.0 million to S\$10.0 million and from S\$10.0 million to S\$12.0 million, respectively. For the financial years ending 2022, the total purchase price payable by the Dirak Group to the Group is not expected to exceed S\$12.0 million. In arriving at the annual caps for the sale of Product A, the Directors have taken into account (i) the historical transaction amount in respect of the transactions under the Master Supply Agreement; and (ii) the most up-to-date estimation of the demand of Product A from the Dirak Group and the anticipated increase in the sales of Product A in line with the business cooperation between the Group and Dirak Holding.

In respect of Product B, for the financial years ending 2022, the total purchase price payable by the Group to the Dirak Group is not expected to exceed S\$1.2 million. In arriving at the annual caps for the purchase of Product B, the Directors have taken into account (i) the costs incurred by the Group for the purchase of Product B for the nine months ended 30 September 2019; and (ii) the expected prices and the Group's demand for Product B for the three years ending 31 December 2022.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 3. Master supply agreement with Dirak Holding (cont'd)

##### Relationship

Dirak Holding owns a 50% shareholding interest in Dirak Asia Pte Ltd ("**Dirak Asia**"), which is an indirect non-wholly owned subsidiary of the Company. Hence, Dirak Holding is a connected person of the Company at the subsidiary level.

##### Historical transaction amount

For the financial year ended 31 December 2021 and 2020, the total transaction amount of Product A amounted to approximately S\$9,549,000 and S\$6,543,000, respectively.

For the financial year ended 31 December 2021 and 2020, the total transaction amount of Product B amounted to approximately S\$1,077,000 and S\$866,000, respectively.

##### Implication under the SEHK Listing Rules

As Dirak Holding is a connected person of our Company at the subsidiary level and in light of the view of our Directors (including the independent non-executive Directors) as described under the paragraph headed "Confirmation from Our Directors in relation to Continuing Connected Transactions" below, the transactions as contemplated under the license agreement with Maxon Motor are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the SEHK Listing Rules.

##### Confirmation from Directors in relation to Continuing Connected Transactions

The Company's external auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued a letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in accordance with Rule 14A.56 of the SEHK Listing Rules:

- Nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Company's Board;
- For transactions involving the provision of goods or services by the Group, nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed Continuing Connected Transactions were not, in all material respects, in accordance with the pricing policies of the Group;

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 24 Continuing Connected Transactions (cont'd)

### Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

#### 3. Master supply agreement with Dirak Holding (cont'd)

- Nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- With respect to the aggregate amount of each of the Continuing Connected Transactions, nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

#### 4. Agreements with Maxon Motor and Dirak Holding

A copy of the external auditor's letter has been provided by the Company to the SEHK. In addition, all of the Continuing Connected Transactions disclosed herein constitute related party transactions set out in Note 34 to the consolidated financial statements. All other related party transactions as described in Note 34 to the consolidated financial statements do not fall under the definition of "Continuing Connected Transactions" or "connected transaction" under the SEHK Listing Rules.

The independent non-executive Directors of the Company have reviewed these transactions and confirmed that the Continuing Connected Transactions have been entered into:

- In the ordinary and usual course of business of the Group;
- On normal commercial terms or better; and
- According to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company confirms that the Company has complied with the disclosure requirements under Chapter 14A of the SEHK Listing Rules in respect of the Continuing Connected Transactions set out above.

## 25 Related Party Transactions

The Group entered into certain transactions with its related parties during the FY2021.

Details of the related party transactions are set out in Note 34 to the consolidated financial statements. Except as disclosed above, none of the related party transactions constitute a connected transaction or Continuing Connected Transactions under the SEHK Listing Rules.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 26 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the persons who (other than a Director or the Chief Executive) or entities which have interests or short positions in the Shares and underlying Shares which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity	Number of Shares		Number of underlying Shares held under ISDN ESOS	Total	Approximate percentage of the issued Shares
		Personal interests	Corporate interests			
Assetraise <sup>(1)</sup>	Beneficial owner	141,189,015	-	-	141,189,015	32.19%
Ms. Thang <sup>(1)</sup>	Interest of controlled corporation	-	141,189,015	-	141,189,015	32.19%
NTCP <sup>(2)</sup>	Interest of controlled corporation	37,556,134	-	-	37,556,134	8.56%
Mr. Loke Wai San ("Mr. Loke") <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
NEG 2 <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
NT Fund 2 <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Tuas Fund Investments Pte Ltd ("TF") <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Fullerton Fund Investments Pte Ltd ("FF") <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Temasek Holdings (Private) Limited ("TH") <sup>(2)</sup>	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%

Notes:

1. Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 141,189,015 Shares. By virtue of the SFO, Mr. Teo and his spouse Ms. Thang, are deemed to be interested in these.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## **26 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (cont'd)**

2. These Shares were held by NTCP. NT Fund 2 is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. TF is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by FF. FF is directly wholly owned by TH. Therefore, each of TF, FF and TH is deemed to be interested in the 37,556,134 Shares held by NTCP pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,556,134 Shares held by NTCP under the SFA. NEG 2 is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Loke is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any entities or persons (who were not a Director or the Chief Executive) who had an interest or short position in the Shares or underlying Shares which have been disclosed to the Company under the provisions to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **27 Pre-Emptive Rights**

There are no provisions for pre-emptive rights under the constitution of the Company or laws of the Singapore where the Company was incorporated.

## **28 Corporate Governance**

The Company has complied with the principles and guidelines as set out in the code of Corporate Governance issued by the MAS on 6 August 2018 and the HK CG Code, where applicable. Please refer to the section headed "Corporate Governance Report" in this annual report.

## **29 Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction**

In compliance with Rules 1207(19) of the SGX-ST Listing Manual and the Model Code, the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities on terms no less exacting than the required standards of the Model Code and these are applicable to all its employees in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the FY2021.

The Company and its employees are not allowed to deal in the Shares during the period commencing 30 days immediately before the announcement of the Company's half-yearly results, and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 30 Major Customers and Suppliers

For the FY2021, the Group sold less than 30% of its goods and services to its 5 largest customers.

For the FY2021, purchases attributable to the Group's largest supplier accounted for approximately 18.7% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 52.5% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors, or their respective close associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

## 31 Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, the Shares, they are advised to consult a professional in taxation.

## 32 Environmental Policies and Performance

The Group is highly aware of the importance of environment protection and has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

The Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. The Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, the Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

As required by the SGX-ST Listing Manual and the SEHK Listing Rules, the Company is required to report on environmental, social and governance issues (the "ESG Information") on an annual basis during the same period covered in the annual report. As the Company requires more time to prepare and compile the relevant ESG Information, the Company will publish the ESG Information separately and in any event no later than four (4) months after the end of the financial year. The Company will notify the Shareholders by way of announcement via SGXNET, the website of the SEHK and the Company's website at <https://www.isdnholdings.com/esg-reports> for the publication of the ESG Information in due course.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 33 Donations

The Group made charitable donation of S\$7,000 (2020: S\$6,000) during the FY2021.

## 34 Directors' Interests in a Competing Business

During the FY2021 and up to the date of this statement, none of the Directors are considered to have any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and have any other conflicts of interest, as required to be disclosed under the SEHK Listing Rules.

## 35 Deed of Non-Competition

The Company has received the written confirmations from Mr. Teo and his spouse Ms. Thang, in respect of the compliance with the provisions of the deed of non-competition (the "**Deed of Non-competition**"), entered into between the controlling shareholders and the Company as set out in the section headed "Relationship with Controlling Shareholders - Non-Competition Undertaking" of the prospectus of the Company, during the FY2021 and up to the date of this annual report.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the FY2021 and up to the date of this annual report.

## 36 Equity-Linked Agreement

Other than the ISDN PSP and ISDN ESOS 2016 disclosed above, no equity-linked agreements were entered into by the Company during the FY2021 or subsisted at the end of the FY2021, which required the Company to issue any of its Shares.

## 37 Sufficiency of Public Float

Upon dual listing of the Shares on the Main Board of the SEHK, the Company shall maintain a sufficient public float from the date of listing to the date of this annual report. Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed minimum percentage of public float since 12 January 2017 (i.e. the date of dual listing) to the date of this annual report as required under the SEHK Listing Rules.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

## 38 External Auditor

The External Auditor, Moore Stephens LLP has expressed their willingness to accept re-appointment. Moore Stephens LLP will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Moore Stephens LLP as the External Auditor is expected to be proposed at the forthcoming AGM.

The Board has, on the date of this statement, authorised these consolidated financial statements for issue.

On behalf of the Board of Directors,

.....  
TEO CHER KOON  
*Managing Director and President*

.....  
LIM SIANG KAI  
*Chairman*

Singapore  
11 March 2022

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of ISDN Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

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

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Service concession arrangements</b></p> <p>We refer to Note 4(ii)(a), Note 5, Note 19 and Note 29 to the financial statements.</p> <p>As at 31 December 2021, the Group has service concession receivables of S\$69.4 million arising from existing service concession arrangements to construct and operate mini-hydropower plant projects. The Group has also recognised construction revenue of S\$9.5 million in relation to the service concession arrangements for the current financial year ended 31 December 2021.</p> <p>We have determined this as a key audit matter because of the significant judgement and estimation involved in measuring the construction revenue and service concession receivables.</p> <p>Construction revenue earned from these service concession arrangements is based on the Group's estimation of the fair value of the service concession receivables and the percentages of completion completed during the financial year.</p> <p>The determination of the fair values of the service concession receivables under these concession agreements entail complex calculations and significant estimations such as discount rates, margin used, concession period, future cash flows and other factors used in the determination of the amortised cost of the financial asset and the corresponding revenue.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>▪ Updated our understanding of the Group's process in assessing the applicability of SFRS(I) INT 12 Service Concession Arrangements and its process for measuring construction revenue and service concession receivables.</li> <li>▪ Updated our understanding of the associated agreements and reviewed for any material changes to contractual terms.</li> <li>▪ Discussed with management the status of the mini-hydropower plant projects and reviewed the estimation of the project costs in relation to the progress of mini-hydropower plant projects.</li> <li>▪ Inspected the underlying documentation on a sample basis to ascertain the actual costs incurred.</li> <li>▪ Recomputed and compared the percentages of actual costs incurred over the total estimated cost of each mini-hydropower plant project against the percentage of completion.</li> <li>▪ Evaluated management's estimation in determining the fair values of the service concession receivables including the discount rates, margins used, concession period, estimates of future cash flows and other factors used in the determination of the amortised cost of the financial asset and the related revenue recognised during the year.</li> <li>▪ Assessed the appropriateness of the related accounting entries made by management and reviewed the adequacy of the disclosures made relating to service concession arrangements in the financial statements.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

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

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment of goodwill</b></p> <p>We refer to Note 4(ii)(b) and Note 15 to the financial statements.</p> <p>As at 31 December 2021, the Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S\$12.2 million. The goodwill has been allocated to the relevant cash generating unit ("CGU") as disclosed in Note 15 to the financial statements.</p> <p>Management prepares value in use calculations ("VIU") to arrive at the recoverable amount of each CGU. These VIUs are based on cash flow forecasts of the CGUs, the preparation of which requires management to exercise significant judgement in determining the assumptions and estimates relating to budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. Accordingly, we determined this as a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"><li>▪ Obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs.</li><li>▪ Held discussions with senior financial management and evaluated management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks.</li><li>▪ Evaluated the appropriateness of the key inputs used in the discounted cash flow forecasts prepared by management, such as growth rates and discount rates, to historical data, recent performance, and external market data.</li><li>▪ Checked the mathematical accuracy of the underlying calculations.</li><li>▪ Performed sensitivity testing of management's analysis of the recoverable amount of the CGUs.</li><li>▪ Reviewed the adequacy of the disclosure relating to impairment testing of goodwill in Note 15 to the financial statements.</li></ul>

# INDEPENDENT AUDITOR'S REPORT

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

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment of trade and other receivables</b></p> <p>We refer to Note 4(ii)(c) and (d), Note 19 and Note 35(a) to the financial statements.</p> <p>As at 31 December 2021, the carrying amount of the Group's trade and other receivables, net of allowance for expected credit loss ("ECL") of S\$9.7 million amounted to S\$118.5 million.</p> <p>The Group determines the ECL of trade and other receivables by making debtor-specific assessments of expected impairment loss for overdue receivables and using a provision matrix for remaining receivables that is based on the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The assessment of ECL therefore requires management to exercise significant judgement.</p> <p>We focused on this area because of the materiality of the balances and the degree of judgement involved in determining the carrying amount of trade and other receivables, including any expected credit loss, as at year end.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>▪ Updated our understanding of the Group's processes and key controls relating to the monitoring of trade and other receivables and assessment of ECL.</li> <li>▪ Reviewed and tested the aging of trade and other receivables.</li> <li>▪ Reviewed and discussed with management on the reasonableness of significant judgements used by the management in assessing the recoverability of trade and other receivables.</li> <li>▪ Evaluated the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of the aging profile of receivables, historical credit loss experience, and data used by management including best available forward-looking information.</li> <li>▪ Checked the arithmetic accuracy of management's computation of the ECL.</li> <li>▪ Checked the subsequent receipts from major debtors after the year end and obtained documentary evidence, representations and explanations from management to assess the recoverability of long outstanding debts, where applicable.</li> <li>▪ Reviewed the adequacy of the disclosures relating to allowance for impairment loss on trade and other receivables and credit risk in Note 19 and Note 35(a) to the financial statements, respectively.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

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

## Other Information

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

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

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

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

## Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lao Mei Leng.

### Moore Stephens LLP

Public Accountants and  
Chartered Accountants

Singapore

11 March 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Notes	Group	
		2021 S\$'000	2020 S\$'000
<b>Revenue</b>	5	440,136	361,864
Cost of sales		(319,752)	(266,291)
<b>Gross profit</b>		120,384	95,573
Other operating income	6	8,976	4,344
Distribution costs		(30,028)	(25,304)
Administrative expenses		(42,344)	(31,235)
Net impairment losses on financial assets	35	(1,526)	(4,623)
Other operating expenses		(2,616)	(6,007)
Finance costs	7	(1,476)	(1,735)
Share of profit of associates, net		1,103	979
<b>Profit before income tax</b>	8	52,473	31,992
Income tax	10	(13,409)	(9,496)
<b>Profit for the year</b>		39,064	22,496
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
- Net fair value changes on cash flow hedge		(15)	47
- Exchange differences on translation		4,822	3,178
<b>Total comprehensive income for the year</b>		43,871	25,721
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		25,485	15,139
Non-controlling interests		13,579	7,357
		39,064	22,496
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		28,951	17,897
Non-controlling interests		14,920	7,824
		43,871	25,721
<b>Earnings per share (Singapore cents):</b>	11		
Basic		5.84	3.51
Diluted		5.84	3.51

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	Group	
		2021 S\$'000	2020 S\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	12	67,707	61,602
Investment properties	13	440	460
Land use rights	14	1,221	1,214
Goodwill	15	12,227	12,227
Associates	17	5,345	5,775
Service concession receivables	19	69,356	58,541
Other financial assets	20	900	900
Deferred tax assets	26	350	251
<b>Total non-current assets</b>		<b>157,546</b>	<b>140,970</b>
<b>Current Assets</b>			
Inventories	18	77,534	55,592
Trade and other receivables	19	118,504	102,950
Cash and bank balances	21	61,681	58,473
<b>Total current assets</b>		<b>257,719</b>	<b>217,015</b>
<b>Total Assets</b>		<b>415,265</b>	<b>357,985</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	22	81,487	79,213
Reserves	23	115,649	90,807
		197,136	170,020
Non-controlling interests	16	49,839	47,604
<b>Total Equity</b>		<b>246,975</b>	<b>217,624</b>
<b>Non-current Liabilities</b>			
Bank borrowings	24	12,761	9,580
Lease liabilities	25	4,559	1,127
Deferred tax liabilities	26	790	586
<b>Total non-current liabilities</b>		<b>18,110</b>	<b>11,293</b>
<b>Current Liabilities</b>			
Bank borrowings	24	27,360	22,128
Lease liabilities	25	2,117	1,481
Trade and other payables	27	96,885	84,364
Contract liabilities	5	19,475	17,053
Current tax liabilities		4,343	4,042
<b>Total current liabilities</b>		<b>150,180</b>	<b>129,068</b>
<b>Total Liabilities</b>		<b>168,290</b>	<b>140,361</b>
<b>Total Equity and Liabilities</b>		<b>415,265</b>	<b>357,985</b>

The accompanying notes form an integral part of the financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	Company	
		2021 S\$'000	2020 S\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	12	684	-
Subsidiaries	16	50,410	50,410
Associates	17	-	104
<b>Total non-current assets</b>		<b>51,094</b>	<b>50,514</b>
<b>Current Assets</b>			
Other receivables	19	849	280
Amount owing by subsidiaries	16	61,246	57,095
Dividend receivable		500	1,047
Cash and bank balances	21	864	2,863
<b>Total current assets</b>		<b>63,459</b>	<b>61,285</b>
<b>Total Assets</b>		<b>114,553</b>	<b>111,799</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	22	81,487	79,213
Reserves	23	24,199	18,993
<b>Total Equity</b>		<b>105,686</b>	<b>98,206</b>
<b>Non-current Liabilities</b>			
Bank borrowings	24	-	2,220
Lease liabilities	25	660	-
<b>Total non-current liabilities</b>		<b>660</b>	<b>2,220</b>
<b>Current Liabilities</b>			
Bank borrowings	24	-	4,445
Lease liabilities	25	20	-
Other payables	27	8,025	6,687
Current tax liabilities		162	241
<b>Total current liabilities</b>		<b>8,207</b>	<b>11,373</b>
<b>Total Liabilities</b>		<b>8,867</b>	<b>13,593</b>
<b>Total Equity and Liabilities</b>		<b>114,553</b>	<b>111,799</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	← Attributable to equity holders of the Company →						Non-controlling interests	Total equity
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total		
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Balance at 1 January 2021	79,213	(436)	(1,635)	4,967	87,911	170,020	47,604	217,624
Profit for the year	-	-	-	-	25,485	25,485	13,579	39,064
Other comprehensive income/(loss) for the year	-	-	3,481	(15)	-	3,466	1,341	4,807
Total comprehensive income/(loss) for the year	-	-	3,481	(15)	25,485	28,951	14,920	43,871
Shares issued in-lieu of cash for dividend relating to FY2020 (Note 28)	2,274	-	-	-	(2,274)	-	-	-
Dividend paid in cash relating to FY2020 (Note 28)	-	-	-	-	(1,263)	(1,263)	-	(1,263)
Dividends to non-controlling interests	-	-	-	-	-	-	(8,905)	(8,905)
Additional capital contributed by non-controlling interests	-	-	-	-	-	-	381	381
Acquisition of non-controlling interests without a change in controlling subsidiary	-	-	-	(1,231)	-	(1,231)	(3,502)	(4,733)
Transfer to other reserves	-	-	-	2,328	(1,669)	659	(659)	-
Balance at 31 December 2021	81,487	(436)	1,846	6,049	108,190	197,136	49,839	246,975

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	← Attributable to equity holders of the Company →						Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000		
<b>Group</b>								
Balance at 1 January 2020	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570
Profit for the year	-	-	-	-	15,139	15,139	7,357	22,496
Other comprehensive income for the year	-	-	2,711	47	-	2,758	467	3,225
Total comprehensive income for the year	-	-	2,711	47	15,139	17,897	7,824	25,721
Shares issued in-lieu of cash for dividend relating to FY2019 (Note 28)	1,118	-	-	-	(1,118)	-	-	-
Dividend paid in cash relating to FY2019 (Note 28)	-	-	-	-	(616)	(616)	-	(616)
Dividends to non-controlling interests	-	-	-	-	-	-	(5,878)	(5,878)
Acquisition of non-controlling interests without a change in controlling subsidiary	-	-	-	-	(6)	(6)	(167)	(173)
Balance at 31 December 2020	79,213	(436)	(1,635)	4,967	87,911	170,020	47,604	217,624

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021 S\$'000	2020 S\$'000
<b>Cash Flows from Operating Activities</b>		
Profit before income tax	52,473	31,992
Adjustments for:		
Amortisation of land use rights	33	34
Trade receivables written off	189	534
Depreciation of property, plant and equipment	4,761	4,035
Depreciation of investment properties	19	19
Allowance for impairment loss on investment in associate	611	-
Allowance for inventories obsolescence	1,285	455
Allowance for impairment loss on trade and other receivables	1,670	4,804
Gain on termination of leases	(13)	-
(Gain) / Loss on disposal of property, plant and equipment, net	(2,207)	17
Loss / (Gain) on disposal of interest in associates	93	(23)
Property, plant and equipment written off	91	2
Inventories written off	130	416
Write back of allowance for inventories obsolescence	(88)	(217)
Write back of allowance for impairment loss on trade receivables	(144)	(181)
Interest expense	1,476	1,735
Interest income	(368)	(303)
Share-based payment	1,750	-
Share of profit of associates, net	(1,103)	(979)
Foreign currency on translation of foreign operations	(21)	(432)
Operating cash flow before working capital changes	60,637	41,908
Changes in working capital:		
Inventories	(23,269)	(3,115)
Trade and other receivables	(20,110)	(8,943)
Trade and other payables	14,621	35,501
Cash from operating activities before service concession arrangements	31,879	65,351
Change in receivables from service concession arrangements	(9,478)	(25,298)
Cash generated from operations after service concession arrangements	22,401	40,053
Interest paid	(1,258)	(1,585)
Interest received	368	303
Income tax paid	(12,850)	(8,188)
<b>Net cash generated from operating activities</b>	<b>8,661</b>	<b>30,583</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(6,842)	(10,512)
Proceeds from disposal of property, plant and equipment	5,042	40
Repayment from associates	-	3,541
Dividend from associates	258	134
Proceeds from the disposal of associate	53	708
<b>Net cash used in investing activities</b>	<b>(1,489)</b>	<b>(6,089)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends to equity holders of the Company	(1,263)	(616)
Dividends to non-controlling interests	(9,071)	(5,126)
Additional contribution from non-controlling interests	381	-
Proceeds from bank loans	27,512	27,705
Acquisition of non-controlling interests without a change in control	-	(173)
Repayments of bank loans	(24,290)	(20,103)
Net proceeds from trust receipts and other borrowings	5,190	(3,176)
Repayments of lease liabilities	(1,726)	(1,920)
Interest expense on lease liabilities	(217)	(150)
Decrease/(Increase) in fixed deposit pledged and restricted bank deposit	4,449	(481)
<b>Net cash generated from/(used in) financing activities</b>	<b>965</b>	<b>(4,040)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,137</b>	<b>20,454</b>
Cash and cash equivalents at beginning of the year	51,440	31,168
Effect of currency translation on cash and cash equivalents	(556)	(182)
<b>Cash and cash equivalents at end of the year</b> (Note 21)	<b>59,021</b>	<b>51,440</b>

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 dual listed on the Main Board of the SGX-ST and the Main Board of SEHK. The Company’s registered office and principal place of business is at 101 Defu Lane 10, Singapore 539222.

The immediate and ultimate holding company is Assestraise Holdings Limited, a company incorporated in the British Virgin Islands. Assestraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon, the Managing Director and President of the Company and his spouse, Ms Thang Yee Chin.

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

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”)

### *Adoption of New and Revised SFRS(I) issued which are effective*

On 1 January 2021, the Group has adopted the following new or amended SFRS(I) and SFRS(I) Interpretations (“**SFRS(I) INTs**”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INTs. The adoption of these new amendments SFRS(I) and SFRS(I) INTs did not results in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

### Amendments to SFRS(I) 9

SFRS(I) 7 and SFRS(I) 1-16                      Interest Rate Benchmark Reform – Phase 2

In accordance with the transition provisions, the amendments shall be applied retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

### Hedge relationships

The Phase 2 amendments address issues arising during interest rate benchmark reform (“**IBOR reform**”), including specifying when hedge designations and documentation should be updated, and when amounts accumulated in cash flow hedge reserve should be recognised in profit or loss.

The Group does not have any hedges.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

Amendments to SFRS(I) 9

SFRS(I) 7 and SFRS(I) 1-16

Interest Rate Benchmark Reform – Phase 2 (cont’d)

*Financial instruments measured at amortised cost*

Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by IBOR reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities (see below).

These expedients are only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the Group applies the relevant IFRS 16 requirements to account for the entire lease modification, including those changes required by IBOR reform.

For the year ended 31 December 2021, the Group has applied the practical expedients provided under Phase 2 to amendments to S\$21,996,000 of its bank-borrowing, as disclosed in Note 24.

*Effect of IBOR reform*

Following the global financial crisis, the reform and replacement inter-bank offered rates (“**IBOR**”) has become a priority for global regulators. The Group’s risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate bank loans that are linked to the USD LIBOR and SIBOR.

USD LIBOR and SIBOR loses its representativeness after 30 June 2023. The Group has variable rate USD and SGD bank loans which references to LIBOR and SIBOR respectively and matures after 30 June 2023. The expected transition from LIBOR and SIBOR to the Secured Overnight Financing Rate (SOFR) had no effect on the amounts reported for the current and prior financial years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

Amendments to SFRS(I) 9

SFRS(I) 7 and SFRS(I) 1-16

Interest Rate Benchmark Reform – Phase 2 (cont’d)

*Effect of IBOR reform (cont’d)*

The following table contains details of all the financial instruments that the Group holds at 31 December 2021 which are referenced to LIBOR and SIBOR and have not yet transitioned to new benchmark rates:

	<b>LIBOR and SIBOR</b>	
	Carrying amount	Of which: Not yet transited to an alternative benchmark rate
	S\$’000	S\$’000
<b>Group</b>		
<u>31 December 2021</u>		
<u>Liabilities</u>		
- Secured bank loans	17,256	17,256
- Unsecured bank loans	3,252	3,252
- Trust receipts	1,488	1,488
	<u>21,996</u>	<u>21,996</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

### Adoption of New and Revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following standards have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
Annual Improvements to SFRS(I) 2018-2021	<i>SFRS(I) 9 Financial Instruments – Fee in the ‘10 per cent’ test for derecognition</i>	1 January 2022
Amendments to SFRS(I) 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to SFRS(I) 3	<i>Amendments to SFRS(I) 3: Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16	<i>Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37	<i>Amendment to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to SFRS(I) 1-1	<i>Amendment to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1	<i>Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements</i>	1 January 2023
Amendments to SFRS(I) 1-8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28	<i>Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture</i>	Deferred indefinitely, early application is still permitted

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 3 Summary of Significant Accounting Policies

### (a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the SFRS(I)s as issued by Accounting Standards Council. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

### (b) Group Accounting

#### (i) Subsidiaries

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.

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous held equity interest in the acquiree over the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (b) Group Accounting (cont'd)

#### (i) Subsidiaries (cont'd)

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. Acquisition-related cost 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 profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (b) Group Accounting (cont'd)

#### (i) Subsidiaries (cont'd)

When the Group loses control of a subsidiary, it: (cont'd)

- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

#### (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.

Goodwill on acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains and losses on the disposal of associates include the carrying amounts of goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. 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.

When the Group reduces its ownership interest in an associate, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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 equal or exceeds its interest in the associate, 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 in profit or loss.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (b) Group Accounting (cont'd)

#### (iii) Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the statement of financial position 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 profit or loss.

### (c) Foreign Currencies

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group 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 entity in the Group 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.

#### (ii) Transactions and balances

In preparing the financial statements of each individual 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. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in the other comprehensive income and accumulated in the exchange translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (c) Foreign Currencies (cont'd)

#### (ii) Transactions and balances (cont'd)

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 term of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to hedging accounting policies in Note 3 (i)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the net investment.

#### (iii) 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 at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which the case income and expenses are translating using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve.

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 that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (c) Foreign Currencies (cont'd)

#### (iii) Translation of Group entities' financial statements (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.

### (d) Property, Plant and Equipment

#### (i) Measurement

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

#### (ii) Subsequent expenditure

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.

#### (iii) Depreciation

Depreciation is recognised so as to write off the cost of assets, less any residual value over their estimated useful lives, using the straight-line method as follows:

Leasehold properties	remaining lease period of 21 years to 39 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 leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (d) Property, Plant and Equipment (cont'd)

#### (iii) Depreciation (cont'd)

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 at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.

#### (iv) Disposal

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### (e) Investment Properties

Investment properties which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line method to write off the cost of the investment properties over their estimated remaining useful lives of 45 to 50 years.

The residual value, useful life and depreciation method are reviewed at each financial year end, with the effects of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.

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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

### (f) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line method over the term of the land use rights. The amortisation period and method are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (g) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's CGU or groups of CGU, that are expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit 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.

### (h) Government Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

### (i) Derivative Financial Instruments and Hedge Activities

#### (i) Derivative financial instruments

The Group enters into a derivative financial instrument to manage its exposure to interest rate risk.

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 is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (i) Derivative Financial Instruments and Hedge Activities (cont'd)

#### (ii) Hedge accounting

The Group designates derivatives as hedging instruments in respect of interest rate risk on firm commitments as cash flow hedge. Note 35(b) sets out details of the fair value of the derivative instrument used for hedging purposes.

The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### Phase 1 Temporary relief – Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group applies the temporary relief offered in Amendments to SFRS(I) 7, SFRS(I) 9, and SFRS(I) 1-39 *Interest Rate Benchmark Reform*, to assume that the benchmark interest rate is not altered as a result of the interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of the interest rate benchmark reform for the purpose of assessing whether the forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (i) Derivative Financial Instruments and Hedge Activities (cont'd)

#### (ii) Hedge accounting (cont'd)

##### Phase 1 Temporary relief – Hedges directly affected by interest rate benchmark reform (cont'd)

The Group will cease to apply this temporary relief when the uncertainty arising from the interest rate benchmark reform is no longer present, with respect to both the timing and the amount of interest rate benchmark-based cash flows, or when the hedging relationship is discontinued.

##### Phase 2 relief – Applicable when Phase 1 relief ceases to apply

When the temporary relief in Phase 1 ceases to apply, the Group applies the Phase 2 relief to its interest rate hedges when the necessary conditions are met, namely, that

- (a) the change is necessary as a direct consequence of the reform;
- (b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- (c) the changes to the hedge documentation are limited to changes in the alternative benchmark rate, changes in the hedged item description, and changes in the hedging instrument description.

Applying the Phase 2 relief to its cash flow hedges, the Group amends the hedge documentation, without discontinuing the interest rate hedges, and deems that the amounts accumulated in the cash flow hedge reserve were based on the new interest rate benchmark.

Applying the Phase 2 relief to interest rate hedges of groups of items, the Group allocates the hedged items to subgroups based on the benchmark rates being hedged, and designates the appropriate benchmark rate as the hedged risk of each subgroup. The Group assesses each sub-group separately, when assessing whether the hedged item is eligible for hedge accounting.

#### (iii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other operating income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (e.g. inventories) or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (i) Derivative Financial Instruments and Hedge Activities (cont'd)

#### (iii) Cash flow hedges (cont'd)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity 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 slow-moving and obsolete items.

### (k) Financial Assets

#### (i) Classification and Measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income (“FVOCI”) or through profit or loss (“FVPL”), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (k) Financial Assets (cont'd)

#### (i) Classification and Measurement (cont'd)

##### Initial recognition

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

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

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets measured at amortised cost.

##### Subsequent measurement

#### a) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables and service concession receivables. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

##### Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in profit or loss.

Interest income is recognised in profit or loss and is included in the "other operating income" line item.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (k) Financial Assets (cont'd)

#### (i) Classification and Measurement (cont'd)

##### Subsequent measurement (cont'd)

#### a) Debt instruments (cont'd)

##### FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses (debt instruments measured at FVOCI that are not part of a designated hedging relationship) which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income" using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in profit or loss.

##### FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. For debt investment that is measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Interest income from these financial assets is included in "other income" using the effective interest rate method.

In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVPL.

#### (ii) Impairment

The Group assesses on a forward looking basis the ECLs associated with the following financial instruments:

- financial assets measured at amortised costs; and
- intra-group financial guarantee contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (k) Financial Assets (cont'd)

#### (ii) Impairment (cont'd)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Simplified approach - Trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables (including service concession receivables) as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### General approach - Other financial instruments and financial guarantee contracts ("FGC")

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (k) Financial Assets (cont'd)

#### (ii) Impairment (cont'd)

##### General approach - Other financial instruments and financial guarantee contracts ("FGC") (cont'd)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost, and debt investments at FVOCI are credit impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (k) Financial Assets (cont'd)

#### (ii) Impairment (cont'd)

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (iii) Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If the Group has elected on initial recognition to measure the equity instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (l) Borrowing Costs

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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (m) Cash and Cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statements of financial position.

### (n) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital account, net of any tax effects.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### (p) Warrants Issue

Proceeds from the issuance of warrants, net of issue expenses, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to 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.

### (q) Dividends to Company's Shareholders

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

### (r) Financial Guarantees

The Company has issue corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the bank if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (r) Financial Guarantees (cont'd)

#### Financial guarantee in the separate financial statements

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as "fair value through profit and loss", and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- a. the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9; and
- b. the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payment to reimburse the holder less any amounts that the Company expects to recover. Loss allowance for ECLs for financial guarantee issued are presented in the Company's statement of financial position as "bank borrowings".

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

### (s) Financial Liabilities

#### (i) Financial liabilities

The Group recognises a financial liability on its statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities (including bank borrowings and trade and other payables) are initially measured at fair value plus, any directly attributable 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 amortised cost of a financial liability.

Bank borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

#### (ii) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (t) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (u) Impairment of Non-Financial Assets other than Goodwill

Non-financial assets other than goodwill 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (v) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

#### (i) Goods and services sold

The Group supplies integrated engineering solutions which comprise motion control solutions, specialised engineering solutions and industrial computing solutions to various industries.

Revenue from sale of goods and services in the ordinary course of business is recognised when the control of the goods and services has transferred, being when the goods and services are delivered to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled performance obligation that could affect the customer’s acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has not have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has the objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this represents the point in time that the right to consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised at a point in time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Certain sales contracts of the Group grant customers the right to return the product during a stipulated grace period (up to one year) if the customers are dissatisfied with the product. Therefore, a refund liability and a right to the returned goods are recognised in relation to goods expected to be returned. Accumulated experience is used to estimate the numbers of returns at the time of sale at a portfolio level using the expected value method. Because the level of product returns has been consistent over previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of the assumption and the estimated amount of returns are reassessed at each reporting date.

#### (ii) Service concession arrangements

Revenue related to construction services under a service concession arrangement is recognised over time. Operation or service revenue is recognised in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (v) Revenue Recognition (cont'd)

(iii) Rendering of services

#### *Technical service income*

Technical service income is recognised when the service has been performed and rendered.

#### *Property management income*

The Group provides property management service to tenants of its leasehold properties and is recognised when the service has been performed and rendered.

#### *Administrative income, commission income and others*

Administrative income, commission income and others are recognised in the period in which the services have been performed and rendered.

### (w) Service Concession Arrangements

The Group has entered into various service concession arrangements with local government authorities or agencies (the “Grantors”) to build and operate mini-hydropower plants with concession periods of 25 years from the commercial operating date and to transfer the plants to the Grantors at the end of the concession periods. Such concession arrangements fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

A financial asset (receivable under a service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for “Financial Assets” in Note 3(k) to the financial statements.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure but does not have any contractual rights under the concession agreements to receive a fixed and determinable amount of payments during the concession period. The intangible asset (operating concession) is stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided on a straight-line basis over the operation phase of the concession periods.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

The Group currently does not have any intangible asset arising from its existing service concession arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (x) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group and its subsidiaries which operate in various countries should comply with the relevant laws and regulations to contribute to the defined contribution schemes being administered by government agencies in various jurisdiction. The Group and its subsidiaries are required under the schemes to ensure that contributions are paid on monthly or quarterly for their eligible employees in respective jurisdiction. Both the Group and eligible employees are required to contribute a certain percentage of the employees' relevant income. The employers' contribution rates and limits of our geographical locations are set out as follows:

Countries	Rate of Contribution Employer	The Floor and Ceiling of Mandatory Provident Funds Contribution			Name of Defined Contribution Scheme
		Minimum monthly income	Maximum monthly income	Additional income ceiling	
Singapore	7.5% - 17%	SGD 51 <sup>(1)</sup>	SGD 6,000	SGD 102,000 minus total monthly income subject to contributions for the year	Central Provident Fund
PRC	25.5% - 39.3%	RMB 2,200 <sup>(2)</sup>	RMB 34,860	Not applicable	Social Security Fund
Hong Kong	5%	HKD 7,100 <sup>(1)</sup>	HKD 30,000	Not applicable	Mandatory Provident Fund
Malaysia	4% - 13%	No limit	No limit	Not applicable	Employees' Provident Fund
Indonesia	6.24% - 7.74%	No limit	No limit	Not applicable	Bandan Penyelenggara Jaminan Social
Vietnam	20.5%	VND 3,070,000 <sup>(1)</sup>	VND 29,800,000	Not applicable	Social Security Fund

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (x) Employee Benefits (cont'd)

#### (i) Defined contribution plans (cont'd)

Countries	Rate of Contribution	The Floor and Ceiling of Mandatory Provident Funds Contribution			Name of Defined Contribution Scheme
	Employer	Minimum monthly income	Maximum monthly income	Additional income ceiling	
Thailand	5.0%	No limit	THB 15,000	Not applicable	Social Security Fund
Taiwan	6.0%	No limit	NTD 147,901	Not applicable	Social Security Fund

Notes:

<sup>[1]</sup>: Employers are not required to contribute for employees whose monthly wage is less than the monthly income base.

<sup>[2]</sup>: Employers are obligated to make contributions based on the minimum monthly income base for eligible employee whose monthly salary is less than the minimum monthly income base.

#### (ii) Employee leave entitlements

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

#### (iii) Share-based compensation-Cash-settled plan

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (y) Leases

#### (i) When the Group is a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets in "property, plant and equipment" in the statement of financial position.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (y) Leases (cont'd)

#### (i) When the Group is a lessee (cont'd)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

#### Short-term lease and lease of low-value assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (y) Leases (cont'd)

#### (ii) When the Group is a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Income arising from these leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the rental income.

Sub-lease arrangements where the Group acts as an intermediate lessor are classified as finance or operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset. Where the Group has applied the short-term exemptions to the head lease, then the sub-lease will be classified as an operating lease.

### (z) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (z) Income Tax (cont'd)

#### (ii) Deferred tax (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

#### (iii) Current and deferred tax for the period

Current and deferred tax are recognised as income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (aa) 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 (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);
  - 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); or
  - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### (bb) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### (i) Critical Judgements 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.

#### (a) Allowance for inventories obsolescence

Changes in market conditions and technology advances, and the corresponding effects on customer's demand levels and specification requirements, may result in excess, slow-moving or obsolete inventories that command selling prices below costs. At the end of each reporting period, the Group reviews the carrying amount of its inventories to ensure that they are stated at the lower of cost and net realisable value ("**NRV**"). Management uses judgement in the estimation of the NRV and allowance for inventories obsolescence, based on the best available facts and circumstances at the end of each reporting period. Inappropriate judgment in the estimates made could result in changes to the amount of the allowance for inventories obsolescence.

During the financial year, the Group recognised a net allowance for inventories obsolescence of S\$1,197,000 (2020: S\$238,000) (Notes 6 and 8). In addition, certain inventories which were determined to be obsolete and unusable amounting to S\$130,000 (2020: S\$416,000) (Note 8) were written off during the financial year.

The carrying amount of the Group's inventories and allowance for inventories obsolescence as at 31 December 2021 are set out in Note 18.

### (ii) 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 reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (a) Service concession arrangements

The Group recognises revenue relating to construction services over time under the service concession arrangements. The progress is measured based on the Group's efforts towards the satisfaction of performance obligation based on the costs incurred up to the date of the reporting period as a percentage of total estimated costs for each performance obligation in the contract.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

### (ii) Key Sources of Estimation Uncertainty (cont'd)

#### (a) Service concession arrangements (cont'd)

The Group recognises the consideration received or receivable in exchange for the construction services as a financial receivable under a service concession arrangement. The consideration received or receivable shall be recognised initially at fair value.

The financial receivable under a service concession arrangement requires the Group to make an estimate of a number of factors, which include, *inter alia*, fair value of the construction services, expected future supply of electricity produced by the relevant mini-hydropower plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market conditions.

The information about the service concession arrangements is disclosed in Note 29. The carrying amount of the Group's service concession receivables as at 31 December 2021 is disclosed in Note 19.

#### (b) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the CGU to which goodwill has been allocated is based on VIU calculation. VIU is based on cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. Changes to the assumptions and estimates used could result in changes in the carrying amount of the goodwill.

The details of the estimation of VIU and the carrying amount of the goodwill as at 31 December 2021 are set out in Note 15.

#### (c) Allowance for impairment loss of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on internal credit ratings for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates in the recent past two years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between internal credit ratings, historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in the internal credit ratings of the customers. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Note 35(a). The carrying amount of the Group's trade receivables as at 31 December 2021 is disclosed in Note 19.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

### (ii) Key Sources of Estimation Uncertainty (cont'd)

#### (d) Allowance for impairment loss of other receivables

In determining the ECL, management has taken into account the historical default experience and the financial positions of the debtors, adjusted for factors that are specific to the debtor and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables. The above assessment is after taking into account the current financial positions of the entities.

The Group's credit risk exposure for other receivables are set out in Note 35(a) to the financial statements. Accordingly, for the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL as disclosed in Note 35(a) to the financial statements.

The carrying amounts of the Group's other receivables as at 31 December 2021 are disclosed in Note 19.

#### (e) 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. Management also assessed the probabilities that deferred tax assets resulting from deductible temporary differences and unutilised tax losses, if any, can be utilised to offset future taxable income. 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\$13,409,000 (2020: S\$9,496,000) (Note 10) for the financial year ended 31 December 2021.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2021 are disclosed in Note 26.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 5 Revenue and Contract Liabilities

### (a) Disaggregation of Revenue

The Group's revenue is disaggregated by the type of goods or services provided to customers, geographical markets, and timing of goods or services transferred.

Segments	Engineering Solutions - Motion control S\$'000	Other specialised engineering solutions S\$'000	Industrial computing solutions S\$'000	Others S\$'000	Total S\$'000
<b>2021</b>					
<b>Geographical markets</b>					
Singapore	36,675	3,589	10,185	642	51,091
PRC	246,818	63,270	-	-	310,088
Hong Kong	14,704	123	-	-	14,827
Malaysia	11,581	1,292	86	2	12,961
Indonesia	397	68	-	9,478	9,943
Vietnam	15,937	198	3	-	16,138
Others	13,672	10,764	345	307	25,088
<b>Total revenue from contracts with customers</b>	<b>339,784</b>	<b>79,304</b>	<b>10,619</b>	<b>10,429</b>	<b>440,136</b>
<b>Goods or services transferred at a point in time</b>	336,794	79,304	10,619	951	427,668
<b>Services transferred over time</b>	2,990	-	-	9,478	12,468
<b>2020</b>					
<b>Geographical markets</b>					
Singapore	34,355	3,941	8,555	80	46,931
PRC	194,377	50,370	-	-	244,747
Hong Kong	5,953	34	-	-	5,987
Malaysia	8,410	1,063	43	72	9,588
Indonesia	439	119	-	25,145	25,703
Vietnam	12,731	14	16	-	12,761
Others	8,562	7,509	14	62	16,147
<b>Total revenue from contracts with customers</b>	<b>264,827</b>	<b>63,050</b>	<b>8,628</b>	<b>25,359</b>	<b>361,864</b>
<b>Goods or services transferred at a point in time</b>	264,827	63,050	8,628	214	336,719
<b>Services transferred over time</b>	-	-	-	25,145	25,145

Included in others is construction revenue of S\$9,478,000 for the current financial year (2020: S\$25,145,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 5 Revenue and Contract Liabilities (cont'd)

### (b) Contract Liabilities

	<b>Group</b>		
	<b>31 December</b>		<b>1 January</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Contract liabilities	19,475	17,053	8,913

### Contract liabilities

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Revenue recognised in the current year that was included in the contract liabilities at the beginning of the year	16,228	8,413
Increase due to cash received, excluding amount recognised as revenue during the year	18,650	16,553

Contract liabilities relate to the advances received for sales of goods. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time. The increase in contract liabilities was mainly due to advances received from customers for sales of goods largely from China subsidiaries to mitigate credit risk exposure.

## 6 Other Operating Income

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Interest income	368	303
Commission income	283	270
Foreign exchange gain, net	2,211	-
Gain on disposal of interest in an associate	-	23
Gain on disposal of property, plant and equipment, net	2,207	-
Gain on termination of leases	13	-
Government grants	356	766
Operating lease rental income:		
- investment properties	56	46
- sub-let of office/warehouse premises	523	472
Property management income	560	377
Technical service income	1,063	722
Write back of allowance for inventories obsolescence	88	217
Miscellaneous income	1,248	1,148
	<b>8,976</b>	<b>4,344</b>

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

Miscellaneous income mainly comprises of administration income and recharge of freight cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 7 Finance Costs

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Interest expense on:		
- bank loans	1,020	1,287
- trust receipts	85	102
- leases liabilities	217	150
- others	154	196
	<u>1,476</u>	<u>1,735</u>

## 8 Profit before Income Tax

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	33	34
Audit fees		
- Company's auditors*	394	398
- Other auditors	189	190
Depreciation of property, plant and equipment		
- recognised in cost of sales	698	500
- recognised in distribution costs	420	414
- recognised in administrative expenses	3,643	3,121
	4,761	4,035
Depreciation of investment properties	19	19
Share-based payment	1,750	-
Other operating expenses included:		
- trade receivables written off	189	534
- allowance for inventories obsolescence	1,285	455
- loss on disposal of interest in an associate	93	-
- property, plant and equipment written off	91	2
- inventories written off	130	416
- foreign exchange losses, net	-	2,979
- loss on disposal of plant and equipment, net	-	17
- provision of legal compensation cost (Note 32)	-	1,545
- allowance for impairment loss on investment in associate	611	-
Operating lease rental expense	<u>63</u>	<u>30</u>

\*There was no non-audit fee paid/payable to the Company's auditors during the financial years ended 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 9 Employee Benefits

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Directors' fees	196	179
Directors' remuneration		
- salaries and related costs	7,232	3,919
- defined contribution plans	34	30
Key management personnel (other than directors)		
- salaries and related costs	1,935	1,401
- defined contribution plans	79	78
Other than directors and key management personnel		
- salaries and related costs	33,526	27,111
- defined contribution plans	4,343	2,742
	<u>47,345</u>	<u>35,460</u>

Details of Directors' emoluments are set out as follows:

	<b>Directors'</b>	<b>Directors'</b>	<b>Other</b>	<b>Discretionary</b>	<b>Retirement</b>	<b>Total</b>
	<b>fees</b>	<b>remuneration</b>	<b>benefits</b>	<b>bonuses</b>	<b>scheme</b>	<b>contributions</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>For the year ended</b>						
<b>31 December 2021</b>						
Independent directors						
- Lim Siang Kai (Chairman)	58	-	-	-	-	58
- Soh Beng Keng	46	-	-	-	-	46
- Tan Soon Liang	46	-	-	-	-	46
Non-executive directors						
- Toh Hsiang-Wen Keith	46	-	-	-	-	46
Executive directors						
- Teo Cher Koon	-	1,305	34	3,670	19	5,028
- Kong Deyang	-	127	48	2,048	15	2,238
	<u>196</u>	<u>1,432</u>	<u>82</u>	<u>5,718</u>	<u>34</u>	<u>7,462</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 9 Employee Benefits (cont'd)

	Directors' fees S\$'000	Directors' remuneration S\$'000	Other benefits S\$'000	Discretionary bonuses S\$'000	Retirement scheme contributions S\$'000	Total S\$'000
<b>For the year ended</b>						
<b>31 December 2020</b>						
Independent directors						
- Lim Siang Kai (Chairman)	53	-	-	-	-	53
- Soh Beng Keng	42	-	-	-	-	42
- Tan Soon Liang	42	-	-	-	-	42
Non-executive directors						
- Toh Hsiang-Wen Keith	42	-	-	-	-	42
Executive directors						
- Teo Cher Koon	-	871	43	1,862	19	2,795
- Kong Deyang	-	90	36	1,017	11	1,154
	179	961	79	2,879	30	4,128

(a) Directors' inducement and termination benefits

None of the Directors received or will receive any inducement and termination benefits during the financial years ended 31 December 2021 and 2020.

(b) Directors' waived emoluments

None of the Directors waived or agreed to waive any emoluments during the financial years ended 31 December 2021 and 2020.

(c) Consideration provided to third parties for making available Directors' services

The Company did not pay consideration to any third parties for making available Directors' services during the financial years ended 31 December 2021 and 2020.

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the financial years ended 31 December 2021 and 2020.

There were no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the financial years ended 31 December 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 9 Employee Benefits (cont'd)

- (e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the financial years ended 31 December 2021 and 2020.

- (f) Included in the total employee benefit was Jobs Support Scheme (the "JSS") of S\$224,000 (2020: S\$1,899,000) recognised during the financial year. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

- (g) Defined contribution plans contributed by the Group are fully and immediately vested in the employees upon their payment to the schemes. There are no contributions forfeited by the Group on behalf of its employees who leave the schemes prior to vesting fully in such contribution. Hence, there is no forfeited contributions that may be used by the Group to reduce the contribution payables. The Group does not establish any enterprise annuity plans for its employees.

### Five highest paid individuals

For the financial years ended 31 December 2021 and 2020, of the five individuals with highest emoluments pursuant to Appendix 16.25 of the SEHK Listing Rules, two are the Executive Directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining individuals for the financial years ended 31 December 2021 and 2020 are set out below.

	Group	
	2021 S\$'000	2020 S\$'000
Salaries, allowance and benefits in kind	698	583
Discretionary bonuses	166	285
Retirement scheme contributions	102	49
	<u>966</u>	<u>917</u>

Their emoluments paid by the Group are within the following bands:

	Group	
	2021 Number of individuals	2020 Number of individuals
S\$200,001 to S\$300,000	1	2
S\$300,001 to S\$400,000	2	1
S\$1,000,001 to S\$1,500,000	-	1
S\$2,000,001 to S\$3,500,000	1	1
S\$3,600,001 to S\$5,500,000	1	-
	<u>5</u>	<u>5</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 10 Income Tax

	Group	
	2021 S\$'000	2020 S\$'000
Current income tax		
- Singapore	737	646
- PRC	11,574	8,451
- Outside Singapore and the PRC	831	286
- Under provision in respect of prior years	149	275
	13,291	9,658
Deferred tax (Note 26)		
- Withholding tax on the profits of the Group's subsidiaries	205	(69)
- Over provision in respect of prior years	(87)	(93)
	118	(162)
	13,409	9,496

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 in due to the following differences:

	Group	
	2021 S\$'000	2020 S\$'000
Profit before income tax	52,473	31,992
Income tax calculated at applicable tax rates	12,789	8,340
Non-deductible expenses	1,085	2,261
Non-taxable income	(1,609)	(1,248)
Singapore statutory stepped income exemption and tax rebate	(70)	(162)
Deferred tax assets not recognised	945	193
Share of results of associates	2	(1)
Withholding tax on undistributed earnings of certain of the Group's PRC subsidiaries	205	(69)
Under/(Over) provision in respect of prior years:		
- income tax	149	275
- deferred income tax	(87)	(93)
	13,409	9,496

Non-deductible expenses relate to certain operating expenses which are not deductible for tax purposes in the jurisdiction the Group operates in.

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2020: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia is 24% (2020: 24%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 10 Income Tax (cont'd)

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first Hong Kong Dollar 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018/2019.

For those entities of the Group operating in the 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 2021, the Group has unutilised tax losses of approximately S\$18.4 million (2020: S\$12.9 million) which can be carried forward and used to offset against future taxable income of those Group entities in which the tax losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective jurisdictions in which they operate. Deferred tax asset arising from certain of these unutilised tax losses carried forward amounting to S\$18.4 million (2020: S\$12.9 million) has not been recognised in accordance with the Group’s accounting policy stated in Note 3(z). The deferred tax asset not recognised is estimated to be S\$3.1 million (2020: S\$2.2 million).

The unutilised tax losses of Singapore entities of the Group have no expiry date, while the unutilised tax losses of the PRC entities of the Group expires 5 years from the year the tax losses arose. Unutilised tax losses of entities of the Group from other jurisdictions are not material.

### 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 2021, deferred tax liabilities of S\$746,000 (2020: S\$541,000) (Note 26) have been recognised for taxes that would be payable based on the applicable concessionary rate of 5% withholding tax on the expected distributable earnings of certain of the Group’s subsidiaries in the PRC in the foreseeable future. No deferred tax has been recognised on the undistributed earnings of the remaining Group’s subsidiaries in the PRC as management has determined that these earnings will not be distributable in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised aggregate to approximately S\$34.0 million (2020: S\$23.8 million). The deferred tax liability not recognised is estimated to be S\$1.7 million (2020: S\$1.2 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 11 Earnings Per Share

	Group	
	2021	2020
	Singapore cents per share	Singapore cents per share
Basic earnings per share	5.84	3.51
Fully diluted earnings per share	5.84	3.51

### 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	
	2021	2020
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the Company	25,485	15,139
Weighted average number of ordinary shares for the purposes of basic earnings per share	436,486,336	431,562,974

### 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.

The Group has no dilution in its earnings per share as at 31 December 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12 Property, Plant and Equipment

	Freehold land S\$'000	Leasehold properties S\$'000	Renovations S\$'000	Motor vehicles S\$'000	Plant and equipment S\$'000	Furniture, fittings and office equipment S\$'000	Construction in progress S\$'000	Total S\$'000
<b>Group</b>								
<u>2021</u>								
<b>Cost</b>								
At 1 January	4,984	30,713	2,956	3,782	9,225	8,149	28,845	88,654
Additions	38	5,846	1,648	598	1,918	912	1,728	12,688
Reclassification	-	5,025	1,270	(3)	176	23	(6,491)	-
Disposals	-	(5,132)	-	(198)	(28)	(105)	-	(5,463)
Written off	-	(1,198)	(366)	(1)	(263)	(2,091)	-	(3,919)
Translation adjustment	(10)	1,223	108	83	328	183	31	1,946
At 31 December	5,012	36,477	5,616	4,261	11,356	7,071	24,113	93,906
<b>Accumulated depreciation</b>								
At 1 January	-	9,786	2,352	2,468	5,728	6,718	-	27,052
Depreciation for the year	-	2,623	292	421	834	591	-	4,761
Disposals	-	(2,329)	-	(184)	(22)	(93)	-	(2,628)
Written off	-	(1,159)	(327)	(1)	(256)	(2,046)	-	(3,789)
Translation adjustment	-	350	74	49	182	148	-	803
At 31 December	-	9,271	2,391	2,753	6,466	5,318	-	26,199
<b>Net book value</b>								
At 31 December	5,012	27,206	3,225	1,508	4,890	1,753	24,113	67,707
<u>2020</u>								
<b>Cost</b>								
At 1 January	5,034	28,812	2,765	3,414	7,720	7,755	11,971	67,471
Additions	484	1,560	137	695	1,299	298	18,272	22,745
Disposals	-	-	-	(286)	(21)	(12)	-	(319)
Written off	-	(782)	(114)	(108)	(36)	(86)	-	(1,126)
Translation adjustment	(534)	1,123	168	67	263	194	(1,398)	(117)
At 31 December	4,984	30,713	2,956	3,782	9,225	8,149	28,845	88,654
<b>Accumulated depreciation</b>								
At 1 January	-	7,826	2,113	2,455	5,017	6,095	-	23,506
Depreciation for the year	-	2,347	224	307	612	545	-	4,035
Disposals	-	-	-	(231)	(19)	(12)	-	(262)
Written off	-	(782)	(114)	(108)	(34)	(86)	-	(1,124)
Translation adjustment	-	395	129	45	152	176	-	897
At 31 December	-	9,786	2,352	2,468	5,728	6,718	-	27,052
<b>Net book value</b>								
At 31 December	4,984	20,927	604	1,314	3,497	1,431	28,845	61,602

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12 Property, Plant and Equipment (cont'd)

	Leasehold properties S\$'000	Renovations S\$'000	Furniture, fittings and office equipment S\$'000	Total S\$'000
<b>Company</b>				
<u>2021</u>				
<b>Cost</b>				
At 1 January	-	-	31	31
Addition	685	-	13	698
Written off	-	-	(4)	(4)
At 31 December	685	-	40	725
<b>Accumulated depreciation</b>				
At 1 January	-	-	31	31
Depreciation for the year	8	-	6	14
Written off	-	-	(4)	(4)
At 31 December	8	-	33	41
<b>Net book value</b>				
At 31 December	677	-	7	684
<u>2020</u>				
<b>Cost</b>				
At 1 January	43	20	31	94
Written off	(43)	(20)	-	(63)
At 31 December	-	-	31	31
<b>Accumulated depreciation</b>				
At 1 January	29	14	23	66
Depreciation for the year	14	6	8	28
Written off	(43)	(20)	-	(63)
At 31 December	-	-	31	31
<b>Net book value</b>				
At 31 December	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12 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	469 sq. m	Office, workshop and warehouse	Disposed
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Disposed
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Disposed
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Disposed
No. 1128 Jiangxing East Road Wujiang Economic Development Zone PRC	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
101 Defu Lane 10 Singapore 539222	3,959 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

During the current financial year, the Group disposed these properties to third parties, for a consideration of approximately S\$4,997,000, recorded a gain of S\$2,194,000. Accordingly, these properties were released from mortgage for banking facilities as at current year end.

As at 31 December 2021, the net book value of the leasehold properties set out above that are mortgaged to secure the Group's bank borrowings was S\$21,726,000 (2020: leasehold properties and a leasehold property under construction of S\$24,150,000) (Note 24).

As at 31 December 2021, the net book value of a motor vehicle of the Group held under lease liabilities was S\$368,000 (2020: S\$229,000).

During the current financial year, the Group acquired right-of-use assets amounting to S\$5,846,000 (2020: S\$1,560,000). Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 25.

During the year, a write-off of S\$39,000 (2020: Nil) included in leasehold properties were arose from the termination of the leasing arrangements.

During the financial year, cash payments of S\$6,842,000 (2020: S\$10,512,000) were made to purchase property, plant and equipment. In 2020, non-cash payment of S\$10,673,000 was reclassified from advance payment to suppliers to property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13 Investment Properties

	Group	
	2021 S\$'000	2020 S\$'000
<b>Cost</b>		
Balance at 1 January	961	959
Translation adjustment	(2)	2
Balance as at 31 December	959	961
<b>Accumulated depreciation</b>		
Balance at 1 January	501	480
Depreciation for the year	19	19
Translation adjustment	(1)	2
Balance at 31 December	519	501
<b>Net book value</b>		
Balance at 31 December	440	460

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S\$835,000 (2020: S\$886,000) as at the statement of financial position 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
<u>Freehold building</u>				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johor, Malaysia	270 sq. m	Freehold building	Leased out to third party	None
<u>Leasehold properties</u>				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	95 sq. m	60 years expiring December 2041	Leased out to third party	None
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	170 sq. m	60 years expiring December 2041	Leased out to third party	None

Investment properties are leased to third parties. During the financial year, rental income from these investment properties amounted to S\$56,000 (2020: S\$46,000); and direct operating expenses amounted to S\$28,000 (2020: S\$27,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 14 Land Use Rights

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cost</b>		
Balance at 1 January	1,614	1,554
Translation adjustment	57	60
Balance at 31 December	<u>1,671</u>	<u>1,614</u>
<b>Accumulated amortisation</b>		
Balance at 1 January	400	355
Amortisation for the year	33	34
Translation adjustment	17	11
Balance at 31 December	<u>450</u>	<u>400</u>
<b>Net book value</b>		
Balance at 31 December	<u>1,221</u>	<u>1,214</u>
Amount to be amortised:		
- not later than one year	33	34
- later than one year but not later than five years	132	136
- later than five years	1,056	1,044
	<u>1,221</u>	<u>1,214</u>

The land use rights relate to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 35 years (2020: 36 years).

As at 31 December 2021 and 2020, the land use rights are mortgaged to secure the Group's bank borrowings as disclosed in Note 24.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 15 Goodwill

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Balance at 1 January and 31 December	12,227	12,227

### 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 operating segments as set out below.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Engineering Solutions – Motion Control</b>		
- Servo Dynamics (Thailand) Co., Ltd (" <b>Servo Thailand</b> ")	75	75
- TDS Technology (S) Pte Ltd (" <b>TDS</b> ")	2,103	2,103
<b>Other Specialised Engineering Solution</b>		
- Dirak Asia	9,508	9,508
<b>Others</b>		
- Aenergy Holdings Company Limited (" <b>Aenergy</b> ")	541	541
	12,227	12,227

The Group assessed the recoverable amount of each CGU based on value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates. The growth rates used are based on the average historical growth rate of each CGU and past experience and with reference to the long-term average growth rates of the industries and markets in which the CGUs operate. The discount rate was a pre-tax measure based on the Group's weighted average cost of capital, adjusted for certain adjustment factors to reflect specific risks relating to the CGU. The pre-tax discount rates used, were estimated to reflect the then market assessments of the time value of money and the risks specific to the CGUs' pre-tax cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 15 Goodwill (cont'd)

The key assumptions used in the estimation of value-in-use are set out below.

	Group	
	2021	2020
<b>Engineering Solutions – Motion Control</b>		
Growth rates	0% to 5.0%	0.0% to 5.0%
Perpetual growth rate	2.0%	2.0%
Pre-tax discount rate	9.6% to 10.4%	10.2% to 11.0%
Excess of recoverable amount over carrying amount	S\$1,305,000	S\$648,000
<b>Other Specialised Engineering Solution</b>		
Growth rates	0.0% to 15.0%	0.0% to 15.0%
Perpetual growth rate	5.0%	5.0%
Pre-tax discount rate	14.3%	14.9%
Excess of recoverable amount over carrying amount	S\$15,889,000	S\$16,403,000
<b>Others</b>		
	Estimates based on the mini-hydropower plant capacity of 4.6 and 10 megawatts	
Revenue estimate		
Pre-tax discount tax	13.8%	13.7%
Excess of recoverable amount over carrying amount	S\$14,000,000	S\$12,623,000

### Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions i.e. growth rates and pre-tax discount rates, on which the recoverable amounts were based would not cause the carrying amounts of the major CGUs, namely TDS, Dirak Asia and Aenergy, (the sensitivity analysis excludes Servo Thailand since the goodwill is considered not to be significant) to exceed their recoverable amounts.

If the management's estimated growth rates and pre-tax discount rates applied to the discounted cash flows for the major CGUs are decreased and increased by 1% (2020: 1%), respectively, the relevant excess of recoverable amount over carrying amount would decrease to S\$882,000, S\$13,190,000 and S\$7,654,000 (2020: 443,000, S\$5,800,000 and S\$5,680,000) for engineering solutions – motion control, other specialised engineering solution and others CGU respectively, but will still be in excess of their carrying amounts of the respective CGUs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries

	Company	
	2021	2020
	S\$'000	S\$'000
<b>Non-current assets</b>		
Unquoted equity shares, at cost	36,783	36,783
Loans to subsidiaries	13,627	13,627
	<u>50,410</u>	<u>50,410</u>
<b>Current assets</b>		
Amounts owing by subsidiaries	62,961	58,731
Less: Allowance for impairment loss	(1,715)	(1,636)
	<u>61,246</u>	<u>57,095</u>

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 accordingly stated at cost.

The Group has effective equity interest in certain subsidiaries of less than 50%. In assessing whether the Group has control over the entities where it holds less than a majority of voting rights, the Group has concluded that it holds the substantive rights to direct the entities' relevant activities (i.e. financing and operating activities) and/or there are strong operational barriers or incentives that would prevent (or deter) the other third parties from exercising their rights, and/or has majority of the board representatives. As the Group has determined to have control over these entities, they are accordingly accounted for as subsidiaries.

The movement in the allowance for impairment loss during the financial year is as follows:

	Company	
	2021	2020
	S\$'000	S\$'000
<b>Current assets</b>		
Amounts owing by subsidiaries		
At 1 January	1,636	1,500
Addition	79	136
At 31 December	<u>1,715</u>	<u>1,636</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

The subsidiaries of the Group as at the statement of financial position date are set out below.

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
<u>Held by the Company</u>					
Motion Control Group Pte Ltd <sup>(1)</sup>	Singapore	S\$17,531,255	100	100	Investment holding
Servo Dynamics Pte Ltd <sup>(1)</sup>	Singapore	S\$1,600,000	100	100	Motion control solutions and industrial computing solutions
Portwell Singapore Pte Ltd <sup>(1)</sup>	Singapore	S\$100,000	100	100	Industrial computing solutions
Leaptron Engineering Pte Ltd <sup>(1)</sup>	Singapore	S\$300,000	100	100	Other specialised engineering solutions
ISDN Investments Pte Ltd <sup>(1)</sup>	Singapore	S\$13,757,001	100	100	Investment holding
<u>Held by Motion Control Group Pte Ltd</u>					
Precision Motion Control Pte Ltd <sup>(1)</sup>	Singapore	S\$300,000	100	100	Motion control solutions
Servo Dynamics Co., Ltd. <sup>(2) (4) (8) (13)</sup>	PRC	US\$2,400,000	-	100	Motion control solutions
Servo Dynamics (Thailand) Company Limited <sup>(4)</sup>	Thailand	THB16,900,000	59.7	59.7	Motion control solutions
Servo Engineering Sdn Bhd <sup>(3)</sup>	Malaysia	MYR350,000	90	90	Motion control solutions
Servo Dynamics (H.K.) Limited <sup>(4)</sup>	Hong Kong	HK\$128,570	100	100	Motion control solutions
Eisele Asia Co., Ltd. <sup>(2) (4) (5) (10)</sup>	PRC	US\$210,000	50	50	Other specialised engineering solutions
IGB (HK) Company Ltd	Hong Kong	HK\$16,815	70.9	70.9	Investment holding
Servo Dynamics Sdn Bhd <sup>(3)</sup>	Malaysia	MYR3	100	100	Motion control solutions
Excel Best Industries (Suzhou) Co., Ltd. <sup>(2) (4) (8)</sup>	PRC	US\$4,000,000	100	100	Properties holding
Weiyi M&E Equipment (Shanghai) Co., Ltd. <sup>(2) (4) (11)</sup>	PRC	US\$140,000	51	51	Inactive
Suzhou PDC Co., Ltd. <sup>(2) (4) (8)</sup>	PRC	US\$4,800,000	100	100	Properties holding

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>Motion Control Group Pte Ltd</u> (cont'd)					
Gateway Motion (Shanghai) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$210,000	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co., Ltd <sup>(2) (4) (11)</sup>	PRC	US\$450,000	95.3	95.3	Other specialised engineering solutions
DBASIX Singapore Pte Ltd <sup>(1)</sup>	Singapore	S\$1,600,000	75	75	Investment holding
TDS Technology (S) Pte Ltd <sup>(1)</sup>	Singapore	S\$1,000,000	61.2	61.2	Motion control solutions
ISDN Enterprise Management (Wu Jiang) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$100,000	100	100	Investment holding
Accel Technologies (China) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$210,000	100	100	Other specialised engineering solutions
A Tracks Pte Ltd <sup>(1)</sup>	Singapore	S\$100	70	70	Motion control solutions
Dirak Asia Pte Ltd <sup>(1) (5) (7)</sup>	Singapore	S\$554,690	49	49	Other specialised engineering solutions
ISDN Software Business Pte Ltd <sup>(1)</sup>	Singapore	S\$100,000	100	100	Industrial computing solutions
Su Zhou Servo Dynamics Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$3,000,000	100	100	Motion control solutions
Performance Leadership Pte. Ltd. <sup>(1) (12)</sup>	Singapore	S\$106,122	51	-	Corporate training services and motivational course providers
Held by <u>Precision Motion Control Pte Ltd</u>					
Air Vacuum Automation Vietnam Company Limited <sup>(4)</sup>	Vietnam	VND6,900,000,000	51	51	Motion control solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>Servo Dynamics Pte Ltd</u>					
Maxon Motor (Suzhou) Co., Ltd <sup>(2) (4) (5) (10)</sup>	PRC	US\$690,000	50	50	Motion control solutions
Maxon Motor International Trading (Shanghai) Co., Ltd <sup>(2) (4) (5) (10)</sup>	PRC	US\$200,000	50	50	Motion control solutions
Servo Dynamics Engineering Company Limited <sup>(4)</sup>	Vietnam	US\$500,000	51	51	Motion control solutions
Maxon Motor SEA Pte Ltd <sup>(1) (5)</sup>	Singapore	S\$1,000,000	50	50	Motion control solutions
Maxon Motor Taiwan Co., Ltd. <sup>(4) (5)</sup>	Republic of China (Taiwan)	TWD5,000,000	50	50	Motion control solutions
Servo Dynamics Philippines, Inc. <sup>(3)</sup>	Philippines	US\$210,000	100	100	Industrial computing solutions
Held by <u>Su Zhou Servo Dynamics Co., Ltd</u>					
Beijing Junyizhicheng Technology Developing Co., Ltd <sup>(2) (4) (9)</sup>	PRC	RMB2,000,000	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd <sup>(2) (4) (9)</sup>	PRC	RMB6,000,000	100	100	Motion control solutions
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd <sup>(2) (4) (5) (9)</sup>	PRC	RMB2,000,000	50	50	Other specialised engineering solutions
Held by <u>Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd</u>					
Bei Cheng Information Technology (Tianjin) Co., Ltd. <sup>(2) (5) (6) (9)</sup>	PRC	RMB300,000	50	-	Other specialised engineering solutions
Held by <u>IGB (H.K.) Co., Ltd</u>					
SEJINIGB (China) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$510,000	70.9	70.9	Other specialised engineering solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>DBASIX Singapore Pte Ltd</u>					
Shanghai DBASIX M&E Equipment Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$870,000	75	75	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd <sup>(3)</sup>	Malaysia	MYR500,000	75	75	Other specialised engineering solutions
Held by <u>TDS Technology (S) Pte Ltd</u>					
ADL Control (S) Pte Ltd <sup>(1) (5)</sup>	Singapore	S\$100,000	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd <sup>(3) (5)</sup>	Malaysia	MYR100,000	48.9	48.9	Motion control solutions
TDS Technology (KL) Sdn Bhd <sup>(5) (13)</sup>	Malaysia	MYR100,000	48.9	48.9	Motion control solutions
PT TDS Technology <sup>(4) (5)</sup>	Indonesia	IDR878,900,000	36.7	36.7	Motion control solutions
SDL Control (Penang) Sdn Bhd <sup>(3) (5)</sup>	Malaysia	MYR2	61.2	61.2	Motion control solutions
SDL Control (KL) Sdn Bhd <sup>(5) (13)</sup>	Malaysia	MYR2	61.2	61.2	Motion control solutions
TDS Technology (Thailand) Company Limited <sup>(3) (5)</sup>	Thailand	THB10,000,000	28.2	-	Motion control solutions
Held by <u>ISDN Investments Pte Ltd ("ISDN Investments")</u>					
Agri Source Pte Ltd <sup>(1)</sup>	Singapore	S\$250,000	100	100	Investment holding
ISDN Resource Pte Ltd <sup>(1)</sup>	Singapore	S\$1,000,000	100	100	Investment holding
ISDN Energy Pte Ltd <sup>(1)</sup>	Singapore	S\$1,960	100	100	Inactive
ERST Asia Pacific Pte. Ltd. <sup>(1)</sup>	Singapore	S\$300,000	51	51	Sales and marketing of bioscience products
LAA Energy HK Company Limited	Hong Kong	HK\$1	100	100	Investment holding
ISDN Road & Belt Energy Pte Ltd <sup>(1)</sup>	Singapore	S\$100	51	51	Inactive
ISDN Bantaeng Pte Ltd <sup>(1)</sup>	Singapore	S\$205,254	100	100	Investment holding
Aenergy Holdings Company Limited <sup>(4)</sup>	Hong Kong	HK\$258,010,861	67.1	67.1	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>ISDN Investments</u> (cont'd)					
ISDN (Zhejiang) Precision Technology Co., Ltd., <sup>(4)(8)</sup>	PRC	US\$1,000,000	100	100	Other specialised engineering solutions
AR Technologies Pte. Ltd. <sup>(1)</sup>	Singapore	US\$500,000	100	100	Industrial computing solutions
Held by <u>ISDN Energy Pte Ltd</u>					
ISDN Energy (Cambodia) Co., Ltd. <sup>(4)</sup>	Cambodia	KHR200,000,000	100	100	Inactive
Held by <u>LAA Energy HK Company Limited</u>					
PT LAA Energy <sup>(4)</sup>	Indonesia	IDR140,100,000,000	90	90	Inactive
Held by <u>Agri Source Pte Ltd</u>					
Agri Source Farms Sdn Bhd <sup>(3)</sup>	Malaysia	MYR600,000	100	100	Inactive
Dietionary Farm Holding Pte Ltd <sup>(1)</sup>	Singapore	S\$1,200,000	100	100	Investment holding
Prima Infrastructure Sdn Bhd <sup>(2)(5)</sup>	Malaysia	MYR500,000	49	49	Land holding
Held by <u>Dietionary Farm Holding Pte Ltd</u>					
Dietionary Farms Sdn Bhd <sup>(4)</sup>	Malaysia	MYR350,000	100	100	Carrying out hydroponic growing with the application of our in- house motion control solutions
Held by <u>Aenergy Holdings Company Limited</u>					
PT Potensia Tomini Energi <sup>(4)</sup>	Indonesia	IDR10,000,000,000	59.1	32.9	Inactive
PT Charma Paluta Energi <sup>(4)</sup>	Indonesia	IDR3,600,000,000	53.7	53.7	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera <sup>(4)</sup>	Indonesia	IDR20,000,000,000	67.1	63.8	Investment holding
PT Abantes Energi Indonesia <sup>(4)</sup>	Indonesia	IDR20,000,000,000	59.1	32.9	Inactive
PT Simalem Bumi Energi <sup>(4)</sup>	Indonesia	IDR20,000,000,000	59.1	32.9	Inactive

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>Aenergy Holdings Company Limited</u> (cont'd)					
PT Senina Hidro Energi <sup>(4)</sup>	Indonesia	IDR20,000,000,000	59.1	32.9	Inactive
PT Karo Bumi Energi <sup>(4)</sup>	Indonesia	IDR20,000,000,000	59.1	32.9	Construction of a mini hydropower plant in progress
PT Galang Hidro Energi <sup>(4)</sup>	Indonesia	IDR20,000,000,000	59.1	32.9	Inactive
PT Alabama Energy <sup>(4)</sup>	Indonesia	IDR5,000,000,000	54.4	54.4	Construction of a mini hydropower plant in progress
PT Bukit Lau Energi <sup>(12)</sup>	Indonesia	IDR20,000,000,000	67.1	-	Inactive
Held by <u>PT SDM Bahagia Sejahtera</u>					
PT Punggawa Datara Energy <sup>(4) (5)</sup>	Indonesia	IDR14,375,000,000	53.7	31.3	Inactive
Held by <u>ISDN Resource Pte Ltd</u> (" <b>ISDN Resource</b> ")					
Jin Zhao Yu Pte Ltd <sup>(1)</sup>	Singapore	S\$3,000	51	51	Inactive
AR Biotech Pte Ltd <sup>(1)</sup> (formerly known as ISDN NBA Resources Pte. Ltd.)	Singapore	S\$1	100	100	Inactive
Held by <u>ISDN Bantaeng Pte Ltd</u>					
PT ISDN Bantaeng Corporation <sup>(4)</sup>	Indonesia	IDR14,623,000,000	85	85	Inactive

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital/ registered share capital	Effective equity interest held by the Group		Principal activities
			2021 %	2020 %	
Held by <u>Dirak Asia Pte Ltd</u>					
Suzhou Dirak Co., Ltd <sup>(2) (5) (7) (8)</sup>	PRC	US\$210,000	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd <sup>(2) (5) (7) (8)</sup>	PRC	US\$750,000	49	49	Other specialised engineering solutions
Dirak Taiwan Co., Ltd <sup>(2) (5) (7)</sup>	Republic of China (Taiwan)	TWD5,000,000	29.9	29.9	Other specialised engineering solutions
Zhuzhou Dirak Technology Co., Ltd <sup>(2) (5) (7) (11)</sup>	PRC	RMB5,080,000	49	49	Other specialised engineering solutions
Held by <u>Suzhou Dirak Co., Ltd</u>					
Beijing Dirak Co., Ltd <sup>(2) (5) (7) (9)</sup>	PRC	RMB500,000	31.9	31.9	Other specialised engineering solutions
Dirak (Tianjin) Group Co., Ltd <sup>(2) (5) (7) (8)</sup>	PRC	RMB100,000	49	49	Other specialised engineering solutions
Held by <u>Servo Dynamics (H.K.) Limited</u>					
SDHK (Shenzhen) Technology Co., Ltd <sup>(4) (8)</sup>	PRC	RMB1,000,000	100	100	Inactive
Held by <u>Leaptron Engineering Pte Ltd</u>					
PT Leaptron Engineering <sup>(4)</sup>	Indonesia	IDR4,860,400,000	100	100	Inactive

(1) Audited by Moore Stephens LLP Singapore

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

(3) Audited by member firms of Moore Global Network Limited in the respective countries

(4) Audited by other firms of certified public accountants for statutory purposes

(5) Accounted as a subsidiary as the Group has control over the entity

(6) Incorporated during the financial year

(7) The other 1% ownership interest is held by the Managing Director and President of the Company

(8) Wholly owned foreign enterprise ("WOFE") registered under PRC law

(9) Limited liability company registered under PRC law

(10) Jointly owned foreign enterprise registered under PRC law

(11) Sino-foreign joint venture

(12) Acquired during the year

(13) Liquidated during the year

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non- controlling interests		Accumulated non- controlling interests	
		2021	2020	2021	2020	2021	2020
				S\$'000	S\$'000	S\$'000	S\$'000
Dirak Asia subgroup	Singapore	51%	51%	1,697	1,895	11,512	9,890
Maxon Suzhou	PRC	50%	50%	9,678	6,190	10,471	7,056
Aenergy Holdings Company Limited subgroup (" <b>Aenergy subgroup</b> ")	Hong Kong	32.9%	32.9%	(356)	(1,776)	20,384	22,143
Individual immaterial subsidiaries with non-controlling interests				3,901	1,515	7,472	8,515
Total				14,920	7,824	49,839	47,604

Dirak Asia subgroup was established under the law of Singapore on 30 September 1997 with an approved registered capital of S\$554,690. Dirak Asia Subgroup is principally engaged in the other specialised engineering solutions. Dirak Asia subgroup is 50% owned by Dirak Holding GmbH, 49% by Motion Control Group Pte Ltd ("**MCG**") and 1% by Mr Teo Cher Koon.

Maxon Suzhou was established under the laws of the PRC on 4 September 1995 with an approved registered capital of US\$210,000. Maxon Suzhou is principally engaged in the provision of motion control solutions. Maxon Suzhou is 50% owned by Servo Dynamics and 50% by Interelectric since September 2002.

Aenergy subgroup was established under the law of Hong Kong on 27 March 2013 with an approved registered capital of HK\$18,181. Aenergy subgroup is principally engaged in construction of hydropower plants. In 2020, a wholly-owned subsidiary, ISDN Investments had subscribed for 16,543 ordinary shares in the share capital of Aenergy. Following the completion of the subscription, ISDN Investments hold 31,476 ordinary shares in the share capital of Aenergy representing 67.1% of the total issued and paid-up capital of Aenergy. The Group's effective equity interest in Aenergy increased from 50.0% to 67.1%.

As at current year end, Aenergy subgroup is 67.1% (2020: 67.1%) owned by ISDN Investments Pte. Ltd., 23.2% (2020: 23.2%) by Robert Alexander Stone and 9.7% (2020: 9.7%) by SHS Holdings Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

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

### Summarised statement of financial position

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2021	2020	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current						
Assets	31,278	26,363	45,320	36,207	8,558	21,672
Liabilities	(12,859)	(10,410)	(24,721)	(22,509)	(39,665)	(38,086)
Net current assets/ (liabilities)	18,419	15,953	20,599	13,698	(31,107)	(16,414)
Non-current						
Assets	5,034	3,836	453	526	97,413	85,349
Liabilities	(880)	(397)	(110)	(113)	(4,348)	(1,632)
Net non-current assets	4,154	3,439	343	413	93,065	83,717
Net assets	22,573	19,392	20,942	14,111	61,958	67,303

### Summarised statement of comprehensive income

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2021	2020	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	39,932	31,294	102,725	75,163	9,478	25,146
Profit/(Loss) before income tax	4,306	4,284	25,972	16,579	(1,083)	(5,398)
Income tax	(979)	(568)	(6,617)	(4,200)	-	-
Profit/(Loss) after tax and total comprehensive income/(loss)	3,327	3,716	19,355	12,379	(1,083)	(5,398)

### Other summarised information

Cash flow generated from/ (used in) operating activities	4,128	4,847	18,628	827	1,563	(6,403)
Dividends to non- controlling interests during the year	21	99	6,585	4,480	-	-
Acquisition of property, plant and equipment	1,175	924	14	14	860	2,778

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

### 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\$18,190,000 (2020: S\$13,479,000) held by Maxon Suzhou and Maxon Shanghai in PRC are subject to local exchange control regulations. These control regulations place restrictions on the amount of currency being exported other than through dividends.

#### (a) **Performance Leadership Pte. Ltd.**

In 2021, the Company's wholly-owned subsidiary, MCG had subscribed for 54,122 ordinary shares in Performance Leadership Pte. Ltd. ("**PL**") at a subscription price of S\$1 per share for an aggregate cash consideration of S\$54,000, representing 51% of the total issued and paid-up capital of PL. Following the completion of the share subscription, PL has become a subsidiary of MCG and an indirectly owned subsidiary of the Company. PL is principally engaged in corporate training services and motivational course providers, professional training to organisations and public and human resource consultancy services.

#### (b) **Servo Dynamics Engineering Company Limited**

In 2021, the Company's wholly-owned subsidiary, Servo Dynamics Pte. Ltd. ("**Servo Singapore**") had subscribed for 2,335,800 ordinary shares in a subsidiary, Servo Dynamics Engineering Company Limited ("**Servo Vietnam**") for an aggregate consideration of VND 2,336,000 (approximately US\$102,000) by way of declaration of final dividend of US\$102,000 (equivalent to S\$139,000) for the financial year ended 31 December 2019 to Servo Singapore. Following the capital injection by way of final dividend, the Group's effective interest in Servo Vietnam remains unchanged at 51%.

#### (c) **Shanghai DBASIX M&E Equipment Co., Ltd.**

In 2021, the Company's indirect owned subsidiary, DBASIX Singapore Pte. Ltd. ("**DBASIX Singapore**") had made a capital injection of US\$300,000 (equivalent to S\$409,000) in a wholly-owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd. ("**Shanghai DBASIX**") for working capital purpose.

#### (d) **Servo Dynamics Co., Ltd.**

In 2021, the Company's indirectly wholly-owned subsidiary, Servo Dynamics Co., Ltd. ("**Servo Dynamics**"), a company incorporated under the laws of the PRC, had been placed under members' voluntary liquidation under the laws of the PRC, and the voluntary liquidation had been completed on 29 June 2021 (the "**Liquidation**") as part of the Company's internal restructuring exercise. Following the Liquidation, all the assets and liabilities including the share capital of Servo Dynamics had been transferred to the Company's indirectly wholly-owned subsidiary, Su Zhou Servo Dynamics Co., Ltd., a company incorporated under the laws of the PRC (together with the "**Liquidation**", referred to as the "**Internal Restructuring Exercise**"). Following the Internal Restructuring Exercise, the registered capital of Su Zhou Servo Dynamics Co., Ltd. had increased from US\$600,000 to US\$3,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

### (e) Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd

In 2021, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") incorporated a wholly-owned subsidiary in the PRC to be known as Bei Cheng Information Technology (Tianjin) Co., Ltd. ("**Bei Cheng Tianjin**") with a registered capital of RMB10,000,000. Beijing Bei Cheng has made an initial capital contribution of RMB300,000 (equivalent to approximately S\$62,000). Bei Cheng Tianjin is principally engaged in the business of providing information technology such as technical service, technical development, software development, artificial intelligence application software development, network and information development, sales of electronic products and industrial computing solutions.

### (f) PT Potensia Tomini Energi

In 2021, the Company's indirect owned subsidiary, Aenergy Holdings Company Limited ("**Aenergy**") acquired a total of 195 shares, representing 39% of the total issued share capital of PT Potensia Tomini Energi ("**PT Potensia**"), a company incorporated in Indonesia, at a consideration of IDR3,900,000,000 (equivalent to S\$351,000). Following the completion of the acquisition, the Group's effective interest in PT Potensia increased from 32.9% to 59.1%.

### (g) PT Galang Hidro Energi

In 2021, the Company's indirect owned subsidiary, Aenergy acquired a total of 780 shares, representing 39% of the total issued share capital of PT Galang Hidro Energi ("**PT Galang**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S\$702,000). Following the completion of the acquisition, the Group's effective interest in PT Galang increased from 32.9% to 59.1%.

### (h) PT Abantes Energi

In 2021, the Company's indirect owned subsidiary, Aenergy acquired a total of 780 shares, representing 39% of the total issued share capital of PT Abantes Energi ("**PT Abantes**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S\$702,000). Following the completion of the acquisition, the Group's effective interest in PT Abantes increased from 32.9% to 59.1%.

### (i) PT Bukit Lau Energi

In 2021, the Company's indirect owned subsidiary, Aenergy acquired a total of 1,980 shares representing 99% of the total issued share capital of PT Bukit Lau Energi ("**PT Bukit Lau**"), a company incorporated in Indonesia, at a consideration of IDR19,800,000,000 (equivalent to S\$1,782,000). Following the completion of the acquisition, PT Bukit Lau became an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Aenergy. PT Bukit Lau's shareholding interest in indirectly-owned subsidiaries, PT Punggawa Datara Energy ("**PT Datara**"), PT Simalem Bumi Energi ("**PT Simalem**"), PT Senina Hidro Energi ("**PT Senina**") and PT Karo Bumi Energi ("**PT Karo**") has increased to 20.8%, 26.2%, 26.2% and 26.2% respectively. Correspondingly, Aenergy's effective shareholdings interest in indirect-owned subsidiaries is as follows:

<b>Name</b>	<b>Effective equity interest held</b>	
	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
PT Datara	53.7	31.3
PT Simalem	59.1	32.9
PT Senina	59.1	32.9
PT Karo	59.1	32.9

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 16 Subsidiaries (cont'd)

### (j) PT SDM Bahagia Sejahtera

In 2021, the Company's indirect owned subsidiary, PT SDM Bahagia Sejahtera ("**PT SDM**") acquired a total of 20 shares representing 1% of the total issued share capital of PT Bukit Lau, a company incorporated in Indonesia, at a consideration of IDR200,000,000 (equivalent to S\$18,000).

### (k) TDS Technology (Thailand) Company Limited

The Group has a 28.2% ownership interest in TDS Technology (Thailand) Company Limited ("**TDS Thailand**"). The remaining 71.8% is held by a third party. In assessing whether the Group has control over TDS Thailand where it holds majority voting rights, the Group concluded that it holds the substantive rights to direct TDS Thailand'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 TDS Thailand as a subsidiary in accordance with SFRS(I) 10 with effect from 1 January 2021.

### (l) Servo Dynamics Philippines, Inc.

In 2020, the Company's wholly-owned subsidiary, Servo Dynamics Pte Ltd incorporated a new wholly-owned subsidiary, Servo Dynamics Philippines, Inc ("**Servo Philippines**") in the Philippines. The initial issued and paid-up capital of Servo Philippines is US\$210,000 (equivalent to S\$289,000). Servo Philippines is principally engaged in the business of providing industrial automation and control solutions by supplying machinery and mechanical components as well as industrial software to customers and clients involved in robotics, machine vision, motion control and related technologies.

### (m) ERST Asia Pacific Pte. Ltd

In 2020, a wholly-owned subsidiary, ERST Asia Pacific Pte. Ltd., ("**ERST APAC**") issued new ordinary share of 152,999 and 147,000 ordinary shares to ISDN Investments and ERST Project GmbH ("**ERST GmbH**") for S\$153,000 and S\$147,000 respectively. Subsequent to the share subscription, the Group's effective equity interest in ERST APAC had decreased from 100% to 51%.

### (n) Zhuzhou Dirak Technology Co., Ltd

In 2020, an indirect subsidiary, Dirak Asia acquired the remaining 40.0% equity interest in Zhuzhou Dirak Technology Co., Ltd ("**Zhuzhou Dirak**") from Zhuzhou JunCheng Technologies Co., Ltd on 16 December 2020 at a consideration of RMB 848,000 (equivalent to S\$172,000). Following the completion of the subscription, Zhuzhou Dirak became a wholly-owned subsidiary of Dirak Asia. Accordingly, the Group's effective interest in Zhuzhou Dirak increased from 29.4% to 49.0%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates

	Group		Company	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Unquoted equity shares, at cost	1,889	2,185	-	100
Share of post-acquisition profits	5,734	5,214	-	4
Dividends received	(1,761)	(1,708)	-	-
Translation adjustment	37	27	-	-
	<u>5,899</u>	<u>5,718</u>	<u>-</u>	<u>104</u>
Allowance for impairment loss on investment in associates	(611)	-	-	-
Loans to associates	57	57	-	-
	<u>5,345</u>	<u>5,775</u>	<u>-</u>	<u>104</u>

All of the above associates are accounted for using the equity method in these consolidated financial statements.

As at 31 December 2021, investment in associates includes goodwill of S\$154,000 (2020: S\$154,000).

During the financial year, the Group recognised dividend income of S\$258,000 (2020: S\$134,000) from its investments in associates. The dividend of S\$258,000 (2020: S\$134,000) has been received in cash.

Loans to associates represent quasi-equity loans, which form part of the Group's net investment in the associates. These loans to associates 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 Group's net investment in the associate, they are accordingly stated at cost.

Movement in the allowance for impairment is as follows:

	Group	
	2021 S\$'000	2020 S\$'000
Balance at the beginning of the year	-	-
Add: Allowance for impairment	611	-
Balance at the end of the year	<u>611</u>	<u>-</u>

### Assessment of impairment

As at 31 December 2021, management carried out an impairment assessment on the Group's investment in associates. Based on management's judgement, an allowance for impairment loss of S\$611,000 was recognised on the investment in an associate (2020: Nil). The allowance for impairment loss represented the full write-down of the underlying investment in an associate as the recoverability of the investment is uncertain due to the significant decline in the financial performance and/or financial position of the relevant associate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates (cont'd)

### Associates which are individually material

The summarised financial information in respect of the Group's material associates, not adjusted for the percentage of equity interest held by the Group is set out below.

#### (a) JM Vistec System Pte Ltd and its subsidiaries ("JM Vistec subgroup")

	<b>JM Vistec subgroup</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Current assets	8,623	6,821
Non-current assets	401	422
Current liabilities	(4,278)	(3,798)
Revenue	13,670	9,272
Profit for the year	1,320	450
Total comprehensive income	1,320	450

Reconciliation of the above summarised financial information to the carrying amount of the interest in JM Vistec subgroup recognised in the consolidated financial statements:

	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net assets of JM Vistec subgroup	4,746	3,445
Proportion of the Group's ownership	40%	40%
Carrying amount of the Group's interest in JM Vistec subgroup	1,898	1,378

#### (b) Prestech Industrial Automation Pte Ltd ("Prestech")

	<b>Prestech</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Current assets	6,293	5,143
Non-current assets	2,068	2,128
Current liabilities	(957)	(790)
Non-current liabilities	(427)	(389)
Revenue	6,864	6,284
Profit for the year	1,574	1,858
Total comprehensive income	1,574	1,858

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates (cont'd)

### Associates which are individually material (cont'd)

#### (b) Prestech Industrial Automation Pte Ltd ("**Prestech**") (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Prestech recognised in the consolidated financial statements:

	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net assets of Prestech	6,977	6,092
Proportion of the Group's ownership	37.5%	37.5%
Carrying amount of the Group's interest in Prestech	<u>2,616</u>	<u>2,285</u>

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Assets and Liabilities:		
- total assets	7,819	13,373
- total liabilities	<u>(3,556)</u>	<u>(7,581)</u>
Results:		
- revenue	4,386	10,803
- (loss)/profit for the year	(89)	293
- other comprehensive (loss)/income	<u>(89)</u>	<u>293</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates (cont'd)

The activities of the associates are strategic to the Group's activities. The associates of the Group as at the statement of financial position date are set out below:

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2021 %	2020 %	
<u>Held by the Company</u>				
Emmett Capital (Pte) Ltd <sup>(2) (3) (4)</sup>	Singapore	-	50	Corporate finance advisory
<u>Held by Motion Control Group Pte Ltd</u>				
DKM South Asia Pte Ltd <sup>(2)</sup>	Singapore	35	35	Motion control solutions
Precision Motion Control Philippines Inc. <sup>(2)</sup>	Philippines	40	40	Motion control solutions
IDI Laser Services Pte Ltd <sup>(2)</sup>	Singapore	33.3	33.3	Laser solutions
Prestech Industrial Automation Pte Ltd <sup>(2)</sup>	Singapore	37.5	37.5	Motion control solutions
JM Vistec System Pte Ltd <sup>(1)</sup>	Singapore	40	40	Other specialised engineering solutions
<u>Held by TDS Technology (S) Pte Ltd</u>				
TDS Technology (Thailand) Company Limited <sup>(2) (6)</sup>	Thailand	-	28.1	Motion control solutions
<u>Held by JM Vistec System Pte Ltd</u>				
JM Vistec (Suzhou) Co., Ltd <sup>(2)</sup>	PRC	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd <sup>(2)</sup>	Republic of China (Taiwan)	40	40	Other specialised engineering solutions
C True Vision Pte Ltd <sup>(1)</sup>	Singapore	40	40	Other specialised engineering solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2021 %	2020 %	
Held by <u>JM Vistec System Pte Ltd</u> (cont'd)				
JM Vistec System (Thailand) Co., Ltd <sup>(2)</sup>	Thailand	19.6	19.6	Other specialised engineering solutions
SofKore GmbH <sup>(2)</sup>	Germany	40	40	Other specialised engineering solutions
Elementary Optomation (Suzhou) Co., Ltd. <sup>(2)</sup>	PRC	40	40	Other specialised engineering solutions
Held by <u>ISDN Resource Pte Ltd</u>				
PT Leaptron Armadatrans International <sup>(2)</sup>	Indonesia	49	49	Inactive
Held by <u>ISDN Energy Pte. Ltd.</u>				
SPHP Co., Pte. Ltd. <sup>(5)</sup>	Singapore	-	-	Investment holdings
Held by <u>SPHP Co., Pte. Ltd.</u>				
SPHP (Cambodia) Co., Ltd. <sup>(5)</sup>	Cambodia	-	-	Renewable energy

(1) Audited by Moore Stephens LLP Singapore

(2) Audited by other firms of certified public accountants for statutory purposes

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

(4) Disposed during the financial year

(5) Disposed in FY2020

(6) Change in the Group's ownership interest, refer to Note 16

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17 Associates (cont'd)

### (a) Emmett Capital (Pte.) Ltd.

In 2021, the Company disposed of 100,000 ordinary shares in Emmett Capital Pte. Ltd. ("**Emmett Capital**"), an associated company, representing 50% of the issued and paid-up share capital to an existing shareholder of Emmett Capital, at a consideration of S\$53,000.

### (b) Elementary Optomation (Suzhou) Co., Ltd.

JM Vistec System Pte Ltd ("**JM Vistec**"), an indirect associate, had on 17 March 2020, incorporated a wholly-owned subsidiary, Elementary Optomation (Suzhou) Co., Ltd. ("**Elementary Optomation**") in the PRC. On 14 September 2020 JM Vistec contributed RMB1,000,000 (equivalent to S\$200,000) to the initial issued and paid-up capital of Elementary Optomation.

In 2021, JM Vistec made a capital injection of S\$312,000 in Elementary Optomation for working capital purpose.

### (c) SPHP Co., Pte. Ltd.

In 2020, ISDN Energy Pte. Ltd. disposed 200,000 ordinary shares, representing 20% of the entire issued and paid-up share capital in SPHP to SPHP for a cash consideration of US\$303,030 (equivalent to S\$429,000) and 130,000 ordinary shares representing 13% of the entire issued and paid-up share capital in SPHP to Asia Energy Power Co., Ltd. ("**Asia Energy**"), an independent third party for a cash consideration of US\$196,970 (equivalent to S\$279,000). Following the completion of the disposal, SPHP ceased to be an associated company of the Group. Consequently, an amount of S\$685,000 was transferred out from investment in associates and a gain on disposal of S\$23,000 had been recognised in profit or loss for the financial year ended 31 December 2020.

## 18 Inventories

	Group	
	2021	2020
	S\$'000	S\$'000
Components parts	69,551	49,816
Finished goods	13,165	11,433
Work-in-progress	1,940	1,847
Goods-in-transit (finished goods)	1,651	1,613
Total inventories at cost	86,307	64,709
Less: Allowance for inventories obsolescence	(8,773)	(9,117)
Total inventories at the lower of cost and net realisable value	77,534	55,592
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	319,019	265,752

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 18 Inventories (cont'd)

Movements in the allowance for inventories obsolescence as below:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Balance at the beginning of the year	9,117	8,509
Add: Allowance for inventories obsolescence	1,285	455
Less: Write back of allowance for inventories obsolescence	(88)	(217)
Less: Written off allowance for inventories obsolescence	(1,792)	(39)
Translation adjustment	251	409
Balance at the end of the year	<u>8,773</u>	<u>9,117</u>

## 19 Trade and Other Receivables

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<u>Non-current:</u>				
Service concession receivables (Note 29)	69,356	58,541	-	-
<u>Current:</u>				
Trade receivables, net of impairment (a):				
- note receivables (b)	18,567	11,597	-	-
- trade receivables	81,585	66,952	-	-
- associates	19	2,425	-	-
- related parties	2,511	4,425	-	-
	<u>102,682</u>	<u>85,399</u>	-	-
Other receivables, net of impairment:				
Funding to investee companies (c)	-	401	-	-
Advances to associates (d)	3	144	2	47
Advances to related parties (d)	89	59	-	-
Deposits	765	517	17	17
Loans to associate (e)	27	65	-	27
Promissory note due (f)	-	765	-	-
Sundry debtors (g)	5,285	3,724	700	10
Amounts owing from non-controlling interest (h)	1,975	6,541	-	-
Derivatives (i)	36	46	31	46
	<u>8,180</u>	<u>12,262</u>	<u>750</u>	<u>147</u>
Advances paid to suppliers	6,136	4,304	-	-
Prepayments	1,506	985	99	133
	<u>118,504</u>	<u>102,950</u>	<u>849</u>	<u>280</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 19 Trade and Other Receivables (cont'd)

- (a) Trade receivables are non-interest bearing and are usually due within 30 – 90 days term. As at 31 December 2020, included in trade receivables were trade receivables from third parties amounting to S\$544,000 which were under the Account Receivables Bulk Factoring arrangement (Note 24) via a bank facility agreement entered by a subsidiary of the Group. These factored trade receivables were included in trade receivables as the subsidiary still retains the risks 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 from the end of the reporting period.
- (c) Funding to investee companies, net of impairment:

	Group	
	2021 S\$'000	2020 S\$'000
Note (c)(i)	420	412
Note (c)(ii)	3,915	3,915
Others	291	232
	<u>4,626</u>	<u>4,559</u>
Less: Allowance for impairment loss	(4,626)	(4,158)
	<u>-</u>	<u>401</u>

- (i) In prior years, ISDN Investments provided the initial funding of US\$330,000 under an investment agreement entered into for the proposed acquisition of a certain equity interest in the investee company in Indonesia for its mining business. The funding is interest-bearing at 10% per annum.

In 2018, the parties terminated the investment agreement and the Group is in negotiation with the investee company for the balance of funding of US\$310,000 (equivalent to S\$420,000 as at 31 December 2021) to be repaid to ISDN Investments and collateralised by a third person's personal undertaking to guarantee for the repayment by the investee company. In the view of the possible credit losses, management has made allowance of impairment loss of S\$295,000 during the current financial year to fully impair the receivable (2020: S\$83,000). As at 31 December 2021, the total allowance of impairment loss was S\$420,000 (2020: S\$125,000)

- (ii) In prior years, ISDN Resource provided a total funding of US\$2.9 million (equivalent to S\$3.9 million) under the mining operation agreements entered into with two investee companies in Indonesia to which ISDN Resource will provide financing and other management related services for the investee companies' mining business. This funding is secured by an unconditional personal guarantee of the shareholder of the investee companies.

The Group has proceeded with arbitration against the investee companies in Singapore. The arbitration is on-going and its outcome cannot be anticipated truly as end of financial year. Management made full allowance for impairment in the FY2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 19 Trade and Other Receivables (cont'd)

- (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 are unsecured, interest-free, and repayable on demand.
- (f) In prior years, ISDN Investments issued a promissory note to an individual ("**Borrower**") amounting to US\$950,000 (equivalent to S\$1.3 million as at 31 December 2021), which is secured on 100% of shares in a company beneficially owned by the individual, interest-bearing at 6.5% per annum, and is repayable within the next twelve months from the date of the loan drawdown. The purpose of the loan was to explore for overseas investment opportunities for the Group. The Group extended the promissory note to 30 June 2020. In 2019, the Group elected not to proceed with this investment and the Borrower signed a repayment plan agreement and agreed to repay the amount due to ISDN Investments over 12 payments, starting from 30 September 2020. In late 2021, both parties have mutually agreed to extend the repayment plan because of its business difficulties.

In view of the possible credit losses, management has made an allowance of impairment loss for S\$794,000 during the current financial year to fully impair the receivable (2020: S\$500,000).

- (g) Included in sundry debtors of the Group was an amount of S\$Nil (2020: S\$169,000) being government grant receivables.
- (h) Amount owing from non-controlling interests are non-trade, interest-free and repayable on demand in cash.
- (i) In 2018, the Company entered into an interest rate cap to hedge against floating interest payments on a USD loan with a notional amount of US\$10.0 million (equivalent to S\$13.3 million) (Note 24). The fair value on the derivative is categorised as Level 2 under the fair value hierarchy disclosed in Note 35(b).
- (j) The aging analysis of trade receivables of the Group based on invoice date is as follows:

	Group	
	2021 S\$'000	2020 S\$'000
Within 30 days	42,783	38,059
31 - 90 days	33,586	26,800
Over 90 days	26,313	20,540
	<u>102,682</u>	<u>85,399</u>

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL as disclosed in the accounting policy Note 3(k)(ii). The Group's exposure to credit risks, and allowance for impairment loss on trade receivables (and other receivables), are disclosed in Note 35(a).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 20 Other Financial Assets

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Equity investment measured at fair value through other comprehensive income		
<u>Unquoted equity share</u>		
At 1 January and 31 December	900	900

The investment in an unquoted equity share represents a 10% equity interest in COTRUST SYSTEM Co., Ltd., a company involved in the development of the lithiumion power battery system and the energy storage system.

As per the Group's investment policy, the investment in equity instrument is not held for trading. Instead, it is held mainly for long-term strategic purposes. Accordingly, this investment is designated at FVOCI as management believes that recognising short-term fluctuations in the investment's FVPL would not be consistent with the Group's strategy of holding this investment for long-term purposes.

In the opinion of management, the investment in an unquoted equity security approximates its fair value as at 31 December 2021. Information of the fair value measurement is disclosed in Note 35(b).

## 21 Cash and Bank Balances

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Cash and bank balances	58,852	55,382	864	2,863
Fixed deposits	2,829	3,091	-	-
	61,681	58,473	864	2,863
Effective interest rate per annum	0.1% to 1.10%	0.1% to 2.90%	-	-

The fixed deposits have a maturity period of 1 to 24 months (2020: 1 to 24 months) which are not held for investment purposes but are placed to have better yield returns than cash at banks. These fixed deposits are readily convertible to cash to meet the Group's cash commitments in the short term, if required.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 21 Cash and Bank Balances (cont'd)

For the purpose of presentation in the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised the following:

	Group	
	2021 S\$'000	2020 S\$'000
Cash and bank balances and fixed deposits	61,681	58,473
Less: restricted bank deposits	-	(4,156)
Less: fixed deposits pledged	(2,660)	(2,877)
Cash and cash equivalents	59,021	51,440

Included in the fixed deposits pledged is an amount of approximately S\$2.2 million (2020: S\$2.2 million) for banker's performance guarantee issue to the Grantor in relation to one of the service concession arrangements disclosed in Note 29.

As at 31 December 2021, cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$35,290,000 (2020: S\$31,211,000). The Chinese Renminbi is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

## 22 Share Capital

	2021		2020	
	No. of shares	S\$'000	No. of shares	S\$'000
<b>Group and Company</b>				
Issued and fully paid:				
At 1 January	435,337,894	79,213	429,572,849	78,095
Shares issued in lieu of cash for dividend	3,300,639	2,274	5,765,045	1,118
At 31 December	438,638,533	81,487	435,337,894	79,213

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.

On 26 August 2021, the Company issued 3,300,639 new ordinary shares under the ISDN Holdings Limited Scrip Dividend Scheme at an issue price of S\$0.689 (for Singapore Shareholders) and HK\$3.832 (for Hong Kong Shareholders). On 27 August 2020, the Company issued 5,765,045 new ordinary shares under the ISDN Holdings Limited Scrip Dividend Scheme at an issue price of S\$0.194 (for Singapore Shareholders) and HK\$1.077 (for Hong Kong Shareholders).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23 Reserves

	Group		Company	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	1,846	(1,635)	-	-
Other reserves (c)	6,049	4,967	(147)	(132)
Retained earnings	108,190	87,911	24,346	19,125
	<u>115,649</u>	<u>90,807</u>	<u>24,199</u>	<u>18,993</u>

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 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) Other reserves comprise of statutory reserve fund and cash flow hedging reserve.
  - (i) Statutory reserve fund

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC should 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 of the cumulative total of the statutory reserve fund is capped at 50% of the subsidiary's registered capital. The statutory reserve is not available for dividend distribution to shareholders.

	Group	
	2021 S\$'000	2020 S\$'000
At 1 January	4,921	4,921
Transfer to other reserves	2,328	-
Acquisition of NCI without a change in controlling interest	(1,231)	-
At 31 December	<u>6,018</u>	<u>4,921</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23 Reserves (cont'd)

(c) Other reserves comprise of statutory reserve fund and cash flow hedging reserve (cont'd)

(ii) Cash flow hedging reserve

The cash flow hedging reserve comprises the portion of the cumulative net change in the fair value of hedging instruments deemed effective in cash flow hedges. The cumulative gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transactions affect the profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
At 1 January	46	(1)
(Loss)/Gain recognised on interest rate cap	(15)	47
At 31 December	<u>31</u>	<u>46</u>

The details of the hedging arrangement are disclosed in Note 35(a) under interest rate risk.

## 24 Bank Borrowings

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-current liabilities</b>				
Secured bank loans	12,761	9,580	-	2,220
<b>Current liabilities</b>				
Secured bank loans	13,309	12,944	-	4,445
Unsecured bank loans	7,157	6,936	-	-
Trust receipts	6,894	1,704	-	-
Account receivables bulk factoring	-	544	-	-
	<u>27,360</u>	<u>22,128</u>	<u>-</u>	<u>4,445</u>
Total interest-bearing liabilities	<u>40,121</u>	<u>31,708</u>	<u>-</u>	<u>6,665</u>
Repayable:				
- not later than one year	27,360	22,128	-	4,445
- later than one year but not later than two years	2,700	4,734	-	2,220
- later than two years but not later than five years	7,448	2,489	-	-
- more than five years	2,613	2,357	-	-
	<u>40,121</u>	<u>31,708</u>	<u>-</u>	<u>6,665</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 24 Bank Borrowings (cont'd)

### Terms and debt repayment schedule

Terms and conditions of the outstanding bank borrowings are as follows:

Bank borrowings	Currency	Nominal interest rate	Year of maturity	Group		Company	
				2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Secured bank loan	RMB	COF +2.5%	2021	-	405	-	-
Secured bank loan	USD	LIBOR + 3%	2021	-	6,665	-	6,665
Secured bank loan	MYR	COF+2%	2027	293	341	-	-
Secured bank loan	USD	LIBOR +3.0%	2022	7,091	6,936	-	-
Secured bank loan	USD	LIBOR +3.54%	2027	4,705	1,915	-	-
Secured bank loan	SGD	SIBOR +0.65%	2025	1,836	2,337	-	-
Secured bank loan	SGD	SIBOR +0.2%	2032	3,624	3,926	-	-
Unsecured bank loan	RMB	LPR + 1.45%	2022	364	336	-	-
Unsecured bank loan	RMB	5%	2021	-	1,623	-	-
Unsecured bank loan	SGD	SIBOR +1.8%	2021	-	1,850	-	-
Unsecured bank loan	USD	3%	2022	818	1,200	-	-
Unsecured bank loan	USD	5%	2022	1,867	913	-	-
Unsecured bank loan	RMB	LPR+0.5%	2021	-	1,015	-	-
Account receivables bulk factoring	SGD	COF + 3.25%	2021	-	542	-	-
Trust receipt 1	SGD	COF + 2.5%	2021	-	556	-	-
Trust receipt 2	USD	COF + 2.5%	2022	730	406	-	-
Trust receipt 3	SGD	COF + 1.5%	2022	800	265	-	-
Trust receipt 4	EURO	COF+1.5%	2022	185	477	-	-
Trust receipt 5	USD	COF + 1.75%	2022	49	-	-	-
Trust receipt 6	EURO	COF +1.15%	2022	869	-	-	-
Trust receipt 7	JPY	COF +1.15%	2022	418	-	-	-
Trust receipt 8	USD	COF +1.15%	2022	155	-	-	-
Trust receipt 9	SGD	COF +1.15%	2022	898	-	-	-
Trust receipt 10	USD	LIBOR+1.42%	2022	1,488	-	-	-
Trust receipt 11	SGD	COF + 1.75%	2022	1,302	-	-	-
Unsecured bank loan	USD	COF+2.0%	2022	818	-	-	-
Unsecured bank loan	USD	LIBOR+1.85%	2022	3,252	-	-	-
Unsecured bank loan	THB	COF+5.6%	2022	38	-	-	-
Secured bank loan	SGD	Fixed rate 2.65% per annum	2026	5,000	-	-	-
Secured bank loan	RMB	108% of China base interest rate	2022	3,521	-	-	-
Total interest-bearing liabilities				40,121	31,708	-	6,665

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 24 Bank Borrowings (cont'd)

Certain of the bank loans of the Group are secured over leasehold properties (Note 12), land use rights (Note 14), fixed deposits (Note 21) and corporate guarantees provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries.

The bank borrowing of the Company was secured over leasehold properties (Note 12) of its subsidiaries, and corporate guarantees provided by the Company and a subsidiary.

The weighted average effective interest rate of the Group's bank borrowings is 3.17% (2020: 4.76%) per annum.

The reconciliation of movement of liabilities to cash flows arising from financing activities is presented below.

	<b>Cash flows</b>				
	<b>1 January</b> <b>S\$'000</b>	<b>Proceeds</b> <b>S\$'000</b>	<b>Repayments</b> <b>S\$'000</b>	<b>Charges</b> <b>S\$'000</b>	<b>31 December</b> <b>S\$'000</b>
<b>Group</b>					
<u>2021</u>					
Bank borrowings	29,460	27,512	(24,290)	545	33,227
Trust receipts	1,704	29,187	(23,997)	-	6,894
Account receivables bulk financing	544	-	(544)	-	-
	31,708	56,699	(48,831)	545	40,121
<u>2020</u>					
Bank borrowings	21,718	27,705	(20,103)	140	29,460
Trust receipts	4,880	20,437	(23,613)	-	1,704
Account receivables bulk financing	684	113	(253)	-	544
	27,282	48,255	(43,969)	140	31,708

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 25 Leases Liabilities

	Group		Company	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
<b>Non-current liabilities</b>				
- Lease liabilities (secured)	139	142	-	-
- Lease liabilities (unsecured)	4,420	985	660	-
	4,559	1,127	660	-
<b>Current liabilities</b>				
- Lease liabilities (secured)	229	47	-	-
- Lease liabilities (unsecured)	1,888	1,434	20	-
	2,117	1,481	20	-
Total interest-bearing liabilities	6,676	2,608	680	-

### Group as Lessee

#### (a) Nature of the Group's leasing activities

The Group has lease contracts for leasehold properties, including warehouse and office premises, and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 25 Leases Liabilities (cont'd)

### Group as Lessee (cont'd)

(b) Carrying amount of right-of-use assets classified within property, plant and equipment

	<b>Group</b>		
	<b>Leasehold Properties</b>	<b>Motor Vehicle</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<u>2021</u>			
At 1 January	2,346	229	2,575
Additions in the year	5,846	308	6,154
Depreciation	(2,175)	(169)	(2,344)
Termination of leases	(52)	-	(52)
Translation	266	-	266
At 31 December	<u>6,231</u>	<u>368</u>	<u>6,599</u>
<u>2020</u>			
At 1 January	2,682	324	3,006
Additions in the year	1,560	-	1,560
Depreciation	(1,896)	(95)	(1,991)
At 31 December	<u>2,346</u>	<u>229</u>	<u>2,575</u>
	<b>Company</b>		
	<b>Leasehold Properties</b>		
	<b>2021</b>	<b>2020</b>	
	<b>S\$'000</b>	<b>S\$'000</b>	
At 1 January	-	14	
Additions in the year	685	-	
Depreciation	(8)	(14)	
At 31 December	<u>677</u>	<u>-</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 25 Leases Liabilities (cont'd)

### Group as Lessee (cont'd)

#### (c) Lease liabilities

A reconciliation of lease liabilities arising from financing activities is as follows:

	1 January S\$'000	Additions S\$'000	Cash flows S\$'000	Non-cash changes			31 December S\$'000
				Termination of leases S\$'000	Accretion of interest S\$'000	Rent concession S\$'000	
<b>Group</b>							
<u>2021</u>							
Lease liabilities	2,608	5,846	(1,943)	(52)	217	-	6,676
<u>2020</u>							
Lease liabilities	2,968	1,560	(2,154)	-	150	84	2,608

	1 January S\$'000	Additions S\$'000	Cash flows S\$'000	Non-cash changes		31 December S\$'000
				Accretion of interest S\$'000		
<b>Company</b>						
<u>2021</u>						
Lease liabilities	-	685	(13)	8		680
<u>2020</u>						
Lease liabilities	14	-	(14)	-		-

The maturity analysis of lease liabilities is disclosed in Note 35.

#### (d) Amounts recognised in profit or loss

	Group		Company	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Depreciation of right-of-use assets	2,344	1,991	8	14
Short-term lease and low value leases	62	30	21	-
Interest expense on lease liabilities	217	150	8	-
Total amount recognised in profit or loss	2,623	2,171	37	14

#### (e) Total cash outflow

The Group and the Company have total cash outflows for leases of S\$1,943,000 and S\$13,000 (2020: S\$2,154,000 and S\$14,000) respectively in the financial year ended 31 December 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 26 Deferred Taxation

	<b>Group</b>			
	<b>2021</b>	<b>2020</b>		
	<b>S\$'000</b>	<b>S\$'000</b>		
Deferred tax assets				
- to be recovered after one year	350	251		
Deferred tax liabilities				
- to be settled after one year	(790)	(586)		
	<b>1 January</b>	<b>Recognised in profit or loss</b>	<b>Translation adjustments</b>	<b>31 December</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Group</b>				
2021				
<u>Deferred tax assets</u>				
Provisions	251	87	12	350
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(541)	(205)	-	(746)
Others	(45)	1	-	(44)
	(586)	(204)	-	(790)
2020				
<u>Deferred tax assets</u>				
Provisions	152	93	6	251
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(610)	69	-	(541)
Others	(45)	-	-	(45)
	(655)	69	-	(586)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 27 Trade and Other Payables

	Group		Company	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Trade payables (a):				
- trade payables	34,638	29,618	-	-
- associates	34	34	-	-
- related parties	9,058	10,180	-	-
	43,730	39,832	-	-
Accrued operating expenses (b)	3,612	6,131	202	240
Accrued salaries and bonuses (c)	17,640	12,828	7,477	5,776
Amount owing to an associate (d)	24	23	-	-
Amount owing to non-controlling interests (d)	2,639	1,285	-	-
Amount owing to subsidiaries (d)	-	-	151	255
Other payables (e)	29,240	24,265	195	416
	96,885	84,364	8,025	6,687

- (a) Trade payables are non-interest bearing and are usually settled within 30 - 90 days term.
- (b) Included in accrued operating expenses of the Group was an amount of S\$33,000 (2020: S\$21,000) being interest payable on bank borrowings.
- (c) Included in accrued salaries and bonuses of the Group was an amount of S\$1,750,000 (2020: Nil) being share-based payment.
- (d) The amounts owing to an associate, non-controlling interests and subsidiaries are non-trade, unsecured, interest-free, and repayable on demand in cash.
- (e) Included in other payables of the Group was an amount of S\$710,000 (2020: S\$800,000) being dividend payable to non-controlling interests and construction cost payables of S\$24,471,000 (2020: S\$20,452,000) in relation to our hydropower plants.
- (f) The aging analysis of trade payables of the Group based on invoice date is as follows:

	Group	
	2021 S\$'000	2020 S\$'000
Within 30 days	28,103	26,447
31 - 90 days	13,837	12,133
Over 90 days	1,790	1,252
	43,730	39,832

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 28 Dividends

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Tax-exempt (one-tier) final dividend of 0.8 Singapore cents (2020: 0.4 Singapore cents) per share paid in respect of the financial year ended 31 December 2020	3,537	1,734

On 27 August 2021, a final dividend of 0.8 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the “**Shareholders**”) was paid to the Shareholders as the final dividend in respect of FY2020.

On 28 August 2020, a final dividend of 0.4 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the “**Shareholders**”) was paid to the Shareholders as the final dividend in respect of FY2019.

The scrip dividend alternatives were accepted by the shareholders as follows:

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Dividends:		
Cash	1,263	616
Scrip dividend	2,274	1,118
	3,537	1,734

The Board of Directors of the Company recommends the payment of a tax-exempt (one-tier) final dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per share in respect of the financial year ended 31 December 2021 to be approved by the shareholders of the Company 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 ended 31 December 2021, subject to the shareholders’ approval at the Company’s forthcoming Annual General Meeting.

### Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2020: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 29 Service Concession Arrangements

The Group has a 67.1% interest in Aenergy subgroup, which is primarily involved in developing mini-hydropower plants projects in Indonesia. Aenergy, through its subsidiaries, entered into two long term service concession arrangements with PT PLN (Persero) (the “Grantor”), an Indonesia government-owned corporation to build and operate 2 mini-hydropower plants, namely PLTM Anggoci and PLTM Kandibata 1 (collectively the “Power Plants”) in North Sumatra Province, Indonesia. The construction of the 2 power plants are expected to be completed and available for use in April 2022 and September 2022.

Pursuant to the service concession arrangements, the Group has to develop (build, operate and transfer (“BOT”)), including designing, planning, engineering, financing and constructing, testing and commissioning of, the Power Plants. The concession period is 25 years from the commercial operation date. The Group will be responsible for any maintenance services required during the concession period. Under the terms of the agreement, the Group agreed to distribute and sell all electricity produced by the Power Plants to the Grantor and the Grantor agreed to buy all the electricity generated by the Power Plants at the purchase prices determined in the relevant power purchase agreements. At the end of the concession period, the Power Plants become the property of the Grantor and the Group will have no further involvement in its operations or maintenance requirements.

The service concession agreements do not contain a renewal option. The rights of the Grantor to terminate the agreement include failure to perform any material obligation under the arrangement by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the Grantor to make payments under the agreement, a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Group to fulfil its obligations/requirements under the agreement.

	Group	
	2021	2020
	S\$'000	S\$'000
Contract cost incurred plus recognised profit less anticipated losses		
As at 1 January	58,541	34,261
Arising during the year	9,478	25,145
Translation	1,337	(865)
Less: Progress billings	-	-
Net contract work	69,356	58,541

	Group		
	31 December		1 January
	2021	2020	2020
	S\$'000	S\$'000	S\$'000
Representing:			
Gross amounts due from customer for contract work	69,356	58,541	34,261

The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operation periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 19). No impairment loss was recognised by the Group at 31 December 2021 and 2020 in respect of the service concession receivables.

As at 31 December 2021, the Group has performance guarantees issued to the Grantor in relation to the development of mini-hydropower plants amounting to approximately S\$2.2 million (2020: S\$2.2 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3(bb). Segment results represent the profit earned by each segment without allocation of corporate expenses, rental income, share of profit/(loss) of associates, interest income, finance costs and income tax. 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.

### (a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>												
External sales	339,784	264,827	79,304	63,050	10,619	8,628	10,429	25,359	-	-	440,136	361,864
Inter-segment sales	6,560	7,321	2,877	1,929	1,043	465	108	-	(10,588)	(9,715)	-	-
	<u>346,344</u>	<u>272,148</u>	<u>82,181</u>	<u>64,979</u>	<u>11,662</u>	<u>9,093</u>	<u>10,537</u>	<u>25,359</u>	<u>(10,588)</u>	<u>(9,715)</u>	<u>440,136</u>	<u>361,864</u>
<b>Results</b>												
Segment results	44,943	32,688	6,004	4,906	4,154	2,909	(3,189)	(8,396)	-	-	51,912	32,107
Share of profit of associates	1,103	979	-	-	-	-	-	-	-	-	1,103	979
Corporate expenses											(13)	(180)
Rental income											579	518
Interest income											368	303
Finance costs											(1,476)	(1,735)
Profit before income tax											52,473	31,992
Income tax											(13,409)	(9,496)
Profit for the year ended 31 December											<u>39,064</u>	<u>22,496</u>

\* Includes Renewable Energy Solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30 Segment Information (cont'd)

### (a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
<b>Assets</b>												
Segment assets	171,985	134,960	59,165	48,987	6,226	4,068	109,353	100,567	(11,157)	(7,532)	335,572	281,050
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	5,345	5,055	-	-	-	-	-	720	-	-	5,345	5,775
Investment properties											440	460
Cash and bank balances											61,681	58,473
Consolidated total assets as at 31 December											<u>415,265</u>	<u>357,985</u>
<b>Liabilities</b>												
Segment liabilities	64,226	58,918	17,901	19,604	1,166	902	37,142	24,548	(11,157)	(7,532)	109,278	96,440
Bank borrowings and lease liabilities											46,797	34,316
Income tax liabilities											4,343	4,042
Others unallocated corporate liabilities											7,872	5,563
Consolidated total liabilities as at 31 December											<u>168,290</u>	<u>140,361</u>
<b>Other information</b>												
Capital expenditure on												
- Property, plant and equipment	4,071	9,561	1,603	274	9	-	1,159	677	-	-	6,842	10,512
Other non-cash expenses:												
- Depreciation of property, plant and equipment	2,854	2,391	1,600	1,374	95	15	212	255	-	-	4,761	4,035
- Depreciation of investment properties	19	19	-	-	-	-	-	-	-	-	19	19
- Amortisation of land use rights	33	34	-	-	-	-	-	-	-	-	33	34
- Trade receivables written off	89	72	88	146	-	-	12	316	-	-	189	534
- Allowance for inventories obsolescence	909	271	376	184	-	-	-	-	-	-	1,285	455
- Allowance for impairment loss on trade and other receivables	196	97	201	100	1	11	1,272	4,596	-	-	1,670	4,804
- Allowance for impairment loss on investment in associate	-	-	-	-	-	-	611	-	-	-	611	-
- Property, plant and equipment written off	71	-	15	2	5	-	-	-	-	-	91	2
- Share-based payment	1,109	-	641	-	-	-	-	-	-	-	1,750	-
- Inventories written off	95	325	35	91	-	-	-	-	-	-	130	416
- Write back of allowance for impairment loss on trade receivables	(81)	(137)	(63)	(44)	-	-	-	-	-	-	(144)	(181)
- Write back of allowance for inventories obsolescence	(88)	(44)	-	(173)	-	-	-	-	-	-	(88)	(217)
- Gain on termination of leases	(13)	-	-	-	-	-	-	-	-	-	(13)	-

\* Includes Renewable Energy Solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30 Segment Information (cont'd)

### (b) Geographical Information

The Group operates in six principal geographical areas - Singapore (country of domicile), the PRC, Hong Kong, Malaysia, Indonesia and Vietnam.

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	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Singapore	51,091	46,931	29,636	24,439
PRC	310,088	244,747	25,380	26,177
Hong Kong	14,827	5,987	1,086	1,005
Malaysia	12,961	9,588	946	1,012
Indonesia	9,943	25,703	97,814	85,761
Vietnam	16,138	12,761	502	515
Others	25,088	16,147	2,182	2,061
	<u>440,136</u>	<u>361,864</u>	<u>157,546</u>	<u>140,970</u>

### (c) Information about Major Customers

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

## 31 Commitments

### (a) 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 statement of financial position date, commitments in respect of non-cancellable operating leases as lessor are as follows:

	Group	
	2021 S\$'000	2020 S\$'000
Future minimum lease payment receivable:		
- not later than one year	954	648
- one to two years	297	556
- two to three years	105	60
	<u>1,356</u>	<u>1,264</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2020: 1 to 3 years).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 31 Commitments (cont'd)

### (b) Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Commitment in respect of acquisition of plant and equipment*	6,997	14,271

\* Capital expenditures mainly in relation to construction of mini hydropower plants.

## 32 Provision of legal compensation cost

In October 2018, an indirect wholly owned subsidiary of the Group, Beijing Junyizhicheng Technology Developing Co., Ltd ("**SD Beijing**"), was served with a writ of summons filed by Mr Wang Yu (the "**Plaintiff**") in the Beijing Dongcheng People's Court (the "**BJ Court**") which the Plaintiff alleged, among other things, that the Plaintiff had extended a loan of RMB9.5 million to Mr Duan Hong Xing, an ex-employee of SD Beijing (the "**Alleged Loan**") and SD Beijing stood as a guarantor for the Loan (the "**Alleged Guarantee**").

The Group is not involved in the Alleged Loan and did not provide the Alleged Guarantee. SD Beijing has appointed its legal counsel in the PRC and has filed certain applications to the BJ Court in dispute of the allegations made by the Plaintiff.

In FY2019, the Company carried out an investigation into transactions undertaken by SD Beijing and the findings from the said investigation had indicated there may have been, among others, misconduct or misappropriation of funds on the part of Mr Duan Hong Xing during his employment with SD Beijing. The amount involved was approximately RMB7.6 million (equivalent to S\$1.5 million) which was fully impaired in FY2018.

On 19 June 2020, SD Beijing received a judgement from the BJ Court that the Alleged Loan and Alleged Guarantee were invalid and not liable for, due to the absence of Shareholders' Approval. However, the Plaintiff filed an appeal to Beijing City Second Intermediate People's Court (the "**BJ Intermediate Court**"). Unfortunately, BJ Intermediate Court awarded the case to the Plaintiff on the grounds that it was alleged negligence of duty by the ex-employee and SD Beijing was instructed to bear half of the alleged loan, inclusive of interest, amounting to RMB7.6 million (equivalent to S\$1.6 million) in December 2020.

The management had fully accrued for the risk of legal compensation in the previous financial year. At the current year end, the Group paid the amount.

Subsequent to the current year end, the Group made an appeal but was not successful and no further action will be taken by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 33 Corporate Guarantees

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	53,100	61,711

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 and the subsidiaries with their related parties at mutually agreed amounts during the financial year:

	<b>Group</b>		<b>Subsidiaries</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Sales to associates	(85)	(1,040)	-	-
Sales to related parties	(193)	(114)	(9,677)	(7,165)
Purchases from associates	106	-	-	-
Purchases from related parties	5,029	3,279	75,152	58,000
Administrative income charged to associates	(41)	(42)	-	-
Administrative income charged to related parties	(191)	(100)	(41)	(39)
Rental charged to a related party	(151)	(136)	-	-
Rental charged to associates	(5)	(4)	-	-
Interest charged to associates	-	(107)	-	-
Interest charged to related party	-	-	(8)	-
Management fee charged to related party	(323)	(198)	(39)	(6)
Other expenses charged by related parties	-	-	528	347
Other income charged to related parties	(115)	(119)	(234)	(138)
Other income charged to associates	(258)	(510)	-	-

The related parties mainly pertain to:

- (i) The entities appointed the Managing Director of the Group as their director.
- (ii) Non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.

The remuneration of the Group's key management personnel, which includes the Directors of the Company, are disclosed in Note 9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments

### (a) Financial Risk Management Objectives and Policies

The Group's activities expose it to foreign currency risk, interest rate 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 exposure 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 and purchases transaction, loans/funds to third parties/investees 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.

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\$2.0 million in equivalent requires prior approval from the Managing Director of the Company. Any hedging transaction amount more than S\$2.0 million in equivalent requires prior approval from the Audit Committee. As at the statement of financial position date, the Group did not have any outstanding forward currency contracts.

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Foreign currency risk (cont'd)

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

	<b>RMB</b> <b>S\$'000</b>	<b>USD</b> <b>S\$'000</b>	<b>CHF</b> <b>S\$'000</b>	<b>EURO</b> <b>S\$'000</b>
<b>Group</b>				
<u>2021</u>				
<b>Financial assets</b>				
Trade and other receivables	78,175	78,611	1,219	1,808
Cash and bank balances	35,669	9,177	1,324	1,123
	113,844	87,788	2,543	2,931
<b>Financial liabilities</b>				
Bank borrowings	3,884	20,972	-	1,054
Trade and other payables	30,078	32,746	5,100	2,189
	33,962	53,718	5,100	3,243
<b>Net financial assets/(liabilities)</b>	79,882	34,070	(2,557)	(312)
Less: Net financial assets denominated in the respective entities' functional currencies	(78,760)	-	-	-
<b>Currency exposure</b>	1,122	34,070	(2,557)	(312)
<u>2020</u>				
<b>Financial assets</b>				
Trade and other receivables	66,853	73,698	1,343	1,686
Cash and bank balances	32,038	10,035	1,050	2,665
	98,891	83,733	2,393	4,351
<b>Financial liabilities</b>				
Bank borrowings	3,380	18,034	-	477
Trade and other payables	28,794	33,129	6,213	3,723
	32,174	51,163	6,213	4,200
<b>Net financial assets/(liabilities)</b>	66,717	32,570	(3,820)	151
Less: Net financial assets denominated in the respective entities' functional currencies	(65,671)	-	-	-
<b>Currency exposure</b>	1,046	32,570	(3,820)	151

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 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% (2020: 5%) against S\$ at the statement of financial position date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group	
	2021 S\$'000	2020 S\$'000
RMB	56	52
USD	1,704	1,628
CHF	(128)	(191)
EURO	(16)	8

A 5% strengthen of S\$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables being held constant.

No disclosure for foreign currency risk has been made for the Company as it was considered not to be a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currencies as at the statement of financial position date 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 primarily from interest-earning financial assets and interest-bearing financial liabilities.

Interest-earning financial assets primarily relate 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. Management does not expect fixed deposit rates to fluctuate materially in the coming year from the current level and hence does not present the sensitivity analysis.

Interest-bearing financial liabilities mainly relate 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 on which effective hedges have not been entered into are denominated mainly in Singapore Dollars ("**SGD**"), RMB and USD. If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2020: 0.5%) with all other variables being held constant, the Group's profit before tax will be approximately lower/higher by S\$67,000, S\$19,000 and S\$105,000 respectively (2020: S\$49,000, S\$17,000 and S\$90,000) as a result of higher/lower interest expenses on these bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Interest rate risk (cont'd)

##### *Interest rate cap arrangement*

The Group/Company entered into an interest rate cap arrangement to hedge floating interest payments on a USD bank loan obtained in 2018.

The USD bank loan bears floating interest rate based on USD LIBOR plus 3% per annum. The interest cap rate is 3% per annum. In the event the USD LIBOR rate exceeds the interest cap rate, the Group/Company will receive the difference in monies from the bank, to be settled on a net basis on a half yearly basis.

The interest rate cap arrangement is for exchanging floating rate interest amount for fixed rate interest amount and is designated as a cash flow hedge in order to reduce the Group's cash flow exposure resulting from the variable interest rate on the said bank loan. The interest rate cap amounts and the interest rate payments on the bank loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on the bank loan affect profit or loss. No sensitivity analysis has been disclosed as the effect is considered not to be material.

#### 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 statement of financial position resemble a large number of receivables from various customers. In addition, the Group has credit exposure from certain other receivables as disclosed in Note 19. Management believes that there is no significant change in the credit quality of these debtors, based on their knowledge of the debtors' businesses and its financial condition, as well as the on-going business dealings/relationships with the debtors. As the Group does not hold any collateral, other than for those other receivables disclosed in Note 19, 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 statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

##### *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 30.

The Group has established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information and sale limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determined the expected credit losses on trade receivables by using a provision matrix, estimated based on the Group's past two years historical credit loss experience, including their credit characteristics, geographical location, and adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### Exposure to credit risk

The exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Group	
	2021 S\$'000	2020 S\$'000
<u>By geographical areas</u>		
Singapore	15,890	13,106
China	75,165	66,728
Hong Kong	4,167	2,019
Malaysia	2,978	1,111
Indonesia	3	10
Others	4,479	2,425
	<u>102,682</u>	<u>85,399</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables* (cont'd)

#### Exposure to credit risk (cont'd)

The Group measures its credit risk on customers based on the Group's internal credit ratings. The internal credit ratings for customers are segmented by geographical region, age of customer relationship and past credit loss experience with the customers and also defined using qualitative and quantitative factors that are indicative of the risk of default. The Group's provision for loss allowance is based on the Group's past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customers' credit rating by geographic region as shown in the table below.

#### **Customer internal credit rating**

- A These customers are good pay masters with timely payment within the credit terms. Management is of the opinion that credit risk to these customers are relatively low/minimal, therefore no provision is required.
- B Payment usually takes 1 to 3 months after credit terms. Payment is certain and with low risk of default.
- C Payment usually takes more than 3 months after credit terms. Payment is certain and risk of default are fair.
- D Customers that falls within this category are smaller establishments and with not and has a longer payment process. Risk of default is substandard.
- E Default is possible. Risk of credit impaired is high.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables* (cont'd)

#### Exposure to credit risk (cont'd)

The Group's credit risk exposure in relation to trade receivables from contracts with customers under SFRS(I) 9 as at 31 December are set out in the provision matrix as presented below.

Customer internal credit ratings	China			Singapore and others			
	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Total loss allowance S\$'000
<b>Group</b>							
<u>2021</u>							
A	0.00%	53,621	-	0.00%	9,711	-	-
B	0.09%	13,123	(12)	0.00%	15,471	-	(12)
C	1.36%	7,885	(107)	1.16%	2,235	(26)	(133)
D	1.74%	667	(12)	1.54%	128	(2)	(14)
E	100.00%	375	(375)	100.00%	440	(440)	(815)
		<u>75,671</u>			<u>27,985</u>		
			<u>(506)</u>			<u>(468)</u>	<u>(974)</u>
<u>2020</u>							
A	0.00%	46,186	-	0.00%	4,446	-	-
B	0.25%	14,534	(36)	0.23%	9,713	(22)	(58)
C	0.82%	5,037	(41)	0.80%	2,074	(17)	(58)
D	1.01%	1,059	(11)	0.99%	2,502	(25)	(36)
E	100.00%	544	(544)	100.00%	261	(261)	(805)
		<u>67,360</u>			<u>18,996</u>		
			<u>(632)</u>			<u>(325)</u>	<u>(957)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables* (cont'd)

#### Exposure to credit risk (cont'd)

The movements in relation to credit loss allowance for impairment of trade receivables during the year are as follows:

	Lifetime ECL	
	2021 S\$'000	2020 S\$'000
<b>Group</b>		
As at 1 January per SFRS(I) 9	957	764
Allowance for impairment on trade receivables	336	289
Write back of allowance for impairment loss on trade receivables	(116)	(101)
Written off	(235)	(22)
Translation adjustment	32	27
	17	193
As at 31 December per SFRS(I) 9	974	957

#### *Service concession receivables*

As disclosed in Notes 19 and 29, the Group has service concession receivables from service concession arrangements in relation to mini-hydropower plants in Indonesia. Management estimates the loss allowance on service concession receivables equal to lifetime ECL, taking into account credit quality of the Grantor and the future prospects of the relevant industry. There has been no change in estimation technique or significant assumptions made as at the reporting date in assessing the loss allowance for these service concession receivables. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Other receivables* (cont'd)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in measuring the loss allowance using 12-month ECL (other than those disclosed below).

The Group's credit risk exposure in relation to other receivables under SFRS(I) 9 as at 31 December are set out in the provision matrix as presented below.

Customer internal credit ratings	China			Singapore and others			
	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Total loss allowance S\$'000
<b>Group</b>							
<u>2021</u>							
A	0.00%	1,451	-	0.00%	5,100	-	-
B	0.09%	337	-	0.00%	302	-	-
C	1.36%	32	-	1.16%	593	(7)	(7)
D	1.74%	265	(5)	1.54%	114	(2)	(7)
E	100.00%	1,697	(1,697)	100.00%	7,053	(7,053)	(8,750)
		<u>3,782</u>			<u>13,162</u>		
			<u>(1,702)</u>			<u>(7,062)</u>	<u>(8,764)</u>
<u>2020</u>							
A	0.00%	1,463	-	0.00%	9,674	-	-
B	0.25%	675	(2)	0.23%	8	-	(2)
C	0.82%	20	-	0.80%	36	-	-
D	1.01%	78	(1)	0.99%	314	(3)	(4)
E	100.00%	1,660	(1,660)	100.00%	5,699	(5,699)	(7,359)
		<u>3,896</u>			<u>15,731</u>		
			<u>(1,663)</u>			<u>(5,702)</u>	<u>(7,365)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Other receivables* (cont'd)

The following table shows the movement in relation to credit loss allowance for impairment of other receivables during the year:

	12-month ECL	
	2021	2020
	S\$'000	S\$'000
<b>Group</b>		
Balance as at 1 January	7,365	2,916
Impairment loss recognised in profit or loss*	1,334	4,515
Write back of allowance for impairment loss on other receivables	(28)	(80)
Translation adjustment	93	14
Balance as at 31 December	8,764	7,365

\* The impairment loss recognised relates to the estimated credit losses mainly on certain other receivables as disclosed in Note 19(c) and Note 19(f), as there has been a significant increase in credit risk since initial recognition (considered non-performing under the Group's credit risk grading guidelines described below). The loss allowance for these receivables have been accordingly measured using lifetime ECL.

#### *Cash and bank balances*

Bank deposits are with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECL for cash and cash equivalents those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

##### *Amounts owing by subsidiaries and financial guarantees to subsidiaries*

As at 31 December 2021, the Company has amounts owing by subsidiaries as disclosed in Note 16. The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry and country in which the counterparties operate in, and concluded that there has been no significant increase in credit risk since the initial recognition of the amounts owing by subsidiaries. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries (Note 33). These guarantees are subject to the impairment requirement under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligation in the near future and hence, does not expect significant credit losses arising from these guarantee.

##### *Credit risk grading guideline*

The Group's dedicated risk management team management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

<b>Categories</b>	<b>Description</b>	<b>Basis of recognition of expected credit loss (ECL)</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
Non-performing	There is evidence indicating that the asset is credit impaired.	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Credit risk exposure and significant credit risk concentration*

The credit quality of the Group and the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	<b>Internal rating/ external rating</b>	<b>ECL</b>	<b>Gross amount S\$'000</b>	<b>Loss allowance S\$'000</b>	<b>Net carrying amount S\$'000</b>
<b>Group</b>					
<u>2021</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	69,356	-	69,356
Trade receivables	Note 1	Lifetime ECL (simplified)	103,656	(974)	102,682
Other receivables*	Performing	12-month ECL	6,551	-	6,551
Other receivables*	Under- performing	Lifetime ECL (not credit impaired)	1,643	(14)	1,629
Other receivables*	Non-performing	Lifetime ECL (credit impaired)	8,750	(8,750)	-
Cash and bank balances#	AA to BAA	12-month ECL	61,681	-	61,681
<u>2020</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	58,541	-	58,541
Trade receivables	Note 1	Lifetime ECL (simplified)	86,356	(957)	85,399
Other receivables*	Performing	12-month ECL	11,137	-	11,137
Other receivables*	Under- performing	Lifetime ECL (not credit impaired)	1,131	(6)	1,125
Other receivables*	Non-performing	Lifetime ECL (credit impaired)	7,359	(7,359)	-
Cash and bank balances#	AA to BAA	12-month ECL	58,473	-	58,473

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Credit risk exposure and significant credit risk concentration* (cont'd)

	<b>Internal rating/ external rating</b>	<b>ECL</b>	<b>Gross amount S\$'000</b>	<b>Loss allowance S\$'000</b>	<b>Net carrying amount S\$'000</b>
<b>Company</b>					
<u>2021</u>					
Amounts owing by subsidiaries	Note 2	12-month ECL	61,461	(215)	61,246
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	753	(3)	750
Cash and bank balances #	AA	12-month ECL	864	-	864
<u>2020</u>					
Amounts owing by subsidiaries	Note 2	12-month ECL	57,231	(136)	57,095
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	150	(3)	147
Cash and bank balances #	AA	12-month ECL	2,863	-	2,863

Note 1: The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL.

Note 2: The Company measured the impairment loss allowance using 12-month ECL.

\* Excluded prepayments and advances to suppliers.

# Most of the balances are with the banks/financial institutions with international credit rating of AA to A. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Liquidity risk

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.

As at 31 December 2021, the Group maintains the following lines of credit:

- (i) S\$0.5 million of overdraft facilities;
- (ii) S\$2.0 million of foreign exchange contract hedging limit. Limit in excess of S\$5.9 million is determined at the discretion of some banks when entering into each contract;
- (iii) S\$69.0 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\$27.5 million of term loan facilities;
- (v) S\$25.9 million of term loan under IE Singapore's Internationalisation Finance Scheme (IFS-TL).

The bank facilities set out above that are unutilised as at 31 December 2021 amounted to approximately S\$64.0 million (2020: S\$80.2 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Liquidity risk (cont'd)

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	Cash flows			More than five years S\$'000
		Contractual cash flows S\$'000	Within one year S\$'000	Within two to five years S\$'000	
<b>Group</b>					
<u>2021</u>					
Bank borrowings	40,121	40,827	27,709	10,462	2,656
Lease liabilities (Note 25)	6,676	6,716	2,142	1,331	3,243
Trade and other payables	96,885	96,885	96,885	-	-
	143,682	144,428	126,736	11,793	5,899
<u>2020</u>					
Bank borrowings	31,708	33,353	22,596	8,477	2,280
Lease liabilities (Note 25)	2,608	2,627	1,485	1,142	-
Trade and other payables	84,364	84,364	84,364	-	-
	118,680	120,344	108,445	9,619	2,280
<b>Company</b>					
<u>2021</u>					
Bank borrowings	-	-	-	-	-
Lease liabilities (Note 25)	680	680	20	90	570
Other payables	8,025	8,025	-	-	-
	8,705	8,705	20	90	570
<u>2020</u>					
Bank borrowings	6,665	6,893	4,632	2,261	-
Other payables	6,687	6,687	6,687	-	-
	13,352	13,580	11,319	2,261	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

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

#### Liquidity risk (cont'd)

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.

	<b>Within one year S\$'000</b>	<b>Within two to five years S\$'000</b>	<b>Total S\$'000</b>
<b>Company</b>			
<u>2021</u>			
Financial guarantee contracts	18,543	10,462	29,005
<u>2020</u>			
Financial guarantee contracts	19,494	4,731	24,225

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>amounts</b>
					<b>S\$'000</b>
<u>2021</u>					
<b>Assets</b>					
<i>Investment properties</i>					
Commercial property units located in Singapore (Note 13)	-	575	-	575	384
Commercial property unit located in Malaysia (Note 13)	-	260	-	260	56
	-	835	-	835	440
<u>2020</u>					
<b>Assets</b>					
<i>Investment properties</i>					
Commercial property units located in Singapore (Note 13)	-	780	-	780	401
Commercial property unit located in Malaysia (Note 13)	-	106	-	106	59
	-	886	-	886	460

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

#### Non-current financial assets and financial liabilities

The fair values of long-term bank borrowings approximate their carrying amounts as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

The fair values of service concession receivables approximate their carrying amounts as the effective interest rates used approximate market interest rates.

The fair value of finance leases approximate the present value of payments as disclosed in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35 Financial Instruments (cont'd)

### (b) Fair Value (cont'd)

#### Other financial assets and financial 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 bank balances, trade and other payables, and short-term bank borrowings are assumed to approximate their carrying amounts because of the short term period of maturity.

#### Other financial assets – unquoted equity investment measured at fair value through other comprehensive income

The investment in unquoted equity securities (Note 20) represents ordinary share subscribed in a private limited company that is not quoted on any market and does not have any comparable industry peer that is listed. The fair value of the equity investment is approximately its carrying amount based on management's assessment using the unobservable input (Level 3), i.e. the net assets of the investee entity. Management does not foresee any significant change in fair value of this equity investment.

## 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 2021 and 2020.

As disclosed in Note 23, 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 2021 and 2020.

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 leases liabilities, trade and other payables and contract liabilities, less cash and bank balances. Total equity includes equity attributable to the owners of the Company.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net debt	101,476	77,260
Total equity	197,136	170,020
Net debt-to-equity ratio	51%	45%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 37 Subsequent Event

On 14 January 2022, the Company's indirect wholly-owned subsidiary, AR Technologies Pte. Ltd. ("**AR Technologies**") acquired 1 ordinary share representing 100% of the issued and paid-up share capital of ISDN NBA Resources Pte. Ltd. ("**ISDN NBA Resources**") from ISDN Resource Pte. Ltd. ("**ISDN Resource**"). ISDN Resource and AR Technologies are indirectly wholly-owned subsidiaries of the Company. Following the completion of the acquisition, AR Technologies shall hold 1 ordinary share in the share capital of ISDN NBA Resources representing 100% of the issued and paid-up share capital of ISDN NBA Resources. Furthermore, following the completion of the acquisition, the name of ISDN NBA Resources shall be changed to AR Biotech Pte. Ltd..

## 38 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

# SHAREHOLDERS' INFORMATION

As at 8 March 2022

Issued and fully paid-up capital	:	81,487,000
Number of shares issued	:	438,638,533
Stock categories	:	Ordinary Shares
Voting rights	:	One vote per ordinary share

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of substantial shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Assetraise Holdings Limited <sup>(1)</sup>	141,189,015	32.19	-	-
Teo Cher Koon <sup>(1)</sup>	-	-	141,189,015	32.19
Thang Yee Chin <sup>(1)</sup>	-	-	141,189,015	32.19
NTCP SPV VI <sup>(2)</sup>	37,556,134	8.56	-	-
Toh Hsiang-Wen Keith <sup>(2)</sup>	-	-	37,556,134	8.56
Novo Tellus PE Fund 2, L.P. <sup>(2)</sup>	-	-	37,556,134	8.56
New Earth Group 2 Ltd <sup>(2)</sup>	-	-	37,556,134	8.56
Tuas Fund Investments Pte Ltd <sup>(2)</sup>	-	-	37,556,134	8.56
Fullerton Fund Investments Pte Ltd <sup>(2)</sup>	-	-	37,556,134	8.56
Temasek Holdings (Private) Limited <sup>(2)</sup>	-	-	37,556,134	8.56
Loke Wai San <sup>(2)</sup>	-	-	37,556,134	8.56

Notes:

<sup>(1)</sup> Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon and Ms Thang Yee Chin. As such, Mr Teo Cher Koon and Ms Thang Yee Chin are deemed to have an interest in 141,189,015 shares held by Assetraise Holdings Limited.

<sup>(2)</sup> NTCP SPV VI ("**NTCP**") holds 37,556,134 shares.

Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") holds 100% of shares in the capital of NTCP and therefore is deemed to have an interest in 37,556,134 shares held by NTCP.

Tuas Fund Investments Pte Ltd ("**TF**") is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by Fullerton Fund Investments Pte Ltd ("**FF**"). FF is directly wholly owned by Temasek Holdings (Private) Limited ("**TH**"). Therefore, each of TF, FF and TH is deemed to be interested in the 37,556,134 Shares held by NTCP SPV VI pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,556,134 Shares held by NTCP SPV VI under The Securities and Futures Act, Cap. 289, of Singapore, as may be amended or modified from time to time ("**SFA**").

New Earth Group 2 Ltd ("**NEG 2**") is the general partner of NT Fund 2 and therefore is deemed to have an interest in 37,556,134 shares held by NTCP.

Mr. Loke Wai San and Mr. Toh Hsiang-Wen Keith are each entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in NEG 2, and therefore is deemed to have an interest in 37,556,134 shares held by NTCP.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 8 March 2022, approximately 41.22% 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 SGX-ST Listing Manual and Rule 8.08 of the SEHK Listing Rules.

# STATISTICS OF SHAREHOLDINGS

As at 8 March 2022

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	347	9.59	4,664	0.00
100 - 1,000	192	5.31	112,507	0.03
1,001 - 10,000	1,415	39.10	9,487,717	2.16
10,001 - 1,000,000	1,633	45.12	95,924,778	21.87
1,000,001 AND ABOVE	32	0.88	333,108,867	75.94
<b>TOTAL</b>	<b>3,619</b>	<b>100.00</b>	<b>438,638,533</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	138,792,471	31.64
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	41,605,875	9.49
3	CITIBANK NOMINEES SINGAPORE PTE LTD	26,863,237	6.12
4	DBS NOMINEES (PRIVATE) LIMITED	22,087,819	5.04
5	PHILLIP SECURITIES PTE LTD	13,371,406	3.05
6	RAFFLES NOMINEES (PTE.) LIMITED	9,848,378	2.25
7	OCBC SECURITIES PRIVATE LIMITED	8,367,526	1.91
8	UOB KAY HIAN PRIVATE LIMITED	7,959,733	1.81
9	WONG KOON CHUE @ WONG KOON CHUA	6,082,529	1.39
10	MAYBANK SECURITIES PTE. LTD.	5,942,892	1.35
11	ASSETRAISE HOLDINGS LIMITED	4,728,530	1.08
12	LEE ENG TEIK	4,605,036	1.05
13	HSBC (SINGAPORE) NOMINEES PTE LTD	3,997,425	0.91
14	IFAST FINANCIAL PTE. LTD.	3,881,757	0.88
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,714,762	0.85
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,004,252	0.68
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,901,332	0.66
18	PEK CHOON HENG	2,806,454	0.64
19	LIM & TAN SECURITIES PTE LTD	2,400,762	0.55
20	HUANG JIE	2,232,197	0.51
	<b>TOTAL</b>	<b>315,194,373</b>	<b>71.86</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of ISDN Holdings Limited (the “**Company**”) shall be held by electronic means on Friday, 29 April 2022 at 9.30 a.m. to transact the following business:

## AS ROUTINE BUSINESS

1. To receive and adopt the Directors’ statement and the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2021, together with the external auditor’s report thereon.

[**Ordinary Resolution 1**]

2. To declare a first and final tax-exempt (one-tier) dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per ordinary share for the financial year ended 31 December 2021.

[**Ordinary Resolution 2**]

*Note: The scrip dividend scheme of the Company will be applicable to the first and final tax-exempt (one-tier) dividend (the “**Final Dividend**”), giving shareholders of the Company the option to receive the Final Dividend in the form of shares in the capital of the Company instead of cash.*

3. To approve the payment of Directors’ fees of S\$215,985 for the financial year ending 31 December 2022 (2021: S\$196,350).

[**Ordinary Resolution 3**]

4. To re-elect Mr. Teo Cher Koon who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.

[See Explanatory Note (i)]

[**Ordinary Resolution 4**]

5. To re-elect Mr. Tan Soon Liang who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.

[See Explanatory Note (ii)]

[**Ordinary Resolution 5**]

6. To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2022 and to authorise Directors of the Company to fix their remuneration.

[**Ordinary Resolution 6**]

## AS SPECIAL BUSINESS

To consider and, if thought fit, to passing with or without modifications, the following ordinary resolutions:

### 7. GENERAL MANDATE TO ISSUE NEW SHARES

“That pursuant to Section 161 of the Companies Act 1967 of Singapore (the “**Act**”), the listing manual (the “**SGX-ST Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Rules Governing the Listing of Securities (the “**Hong Kong Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**SEHK**”) and the constitution of the Company, authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue new shares in the capital of the Company (“**Shares**”), whether by way of rights, bonus or otherwise; and/or

# NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively “**Instruments**” and each, an “**Instrument**”) that might or would require Shares to be allotted and issued, during the continuance of such authority or thereafter, including but not limited to the creation, allotment and issue of (as well as adjustments to) 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 may, in their absolute discretion, deem fit; and

- (b) allot and issue new Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force (notwithstanding that such allotment and issue of Shares in pursuance of any Instrument may occur after the authority conferred by this Resolution may have ceased to be in force),

**PROVIDED ALWAYS THAT** subject to any applicable regulation as may be prescribed by the SGX-ST and the SEHK:

- (A) the aggregate number of Shares to be allotted and issued pursuant to this Resolution (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Shares to be allotted and issued other than on a pro rata basis to shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);
- (B) (subject to such manner of calculation as may be prescribed by the SGX-ST and the SEHK) for the purpose of determining the aggregate number of Shares that may be allotted and issued under sub-paragraph (A) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (I) new Shares arising from the conversion or exercise of the Instruments or any convertible securities,
  - (II) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST and the Hong Kong Listing Rules; and
  - (III) any subsequent bonus issue, consolidation or subdivision of Shares;Any adjustments made in accordance with sub-paragraph (B)(I) and (B)(II) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution.
- (C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the SGX-ST Listing Manual (unless such compliance has been waived by the SGX-ST), the Hong Kong Listing Rules (unless such compliance has been waived by the SEHK) and the constitution of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING

- (D) the authority conferred by this Resolution shall continue in force until the earlier of:
- (I) the conclusion of the next annual general meeting of the Company;
  - (II) the date by which the next annual general meeting of the Company is required by law to be held; and
  - (III) the revocation or variation of the authority conferred by this Resolution by ordinary resolution passed by shareholders of the Company in general meeting."

**[Ordinary Resolution 7]**

8. To transact any other business which may be properly transacted at the Annual General Meeting.

By Order of the Board  
**ISDN HOLDINGS LIMITED**  
**Teo Cher Koon**  
*Managing Director and President*

Singapore, 28 March 2022

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Mr. Teo Cher Koon, if re-elected as a Director of the Company, will remain as an Executive Director, the Managing Director and President. Further information relating to Mr. Teo Cher Koon as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2022.
- (ii) Mr. Tan Soon Liang, if re-elected and appointed as a Director of the Company, will remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Risk Management Committee, and will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Further information relating to Mr. Tan Soon Liang as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2022.

## Notes:

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting will be held by way of electronic means on 29 April 2022 at 9.30 a.m. for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in the Notice of Annual General Meeting dated 28 March 2022.
2. Printed copies of this Notice of Annual General Meeting, the annual report of the Company for the financial year ended 31 December 2021 ("**Annual Report**"), the Circular and the Proxy Form will be sent to Hong Kong Shareholders. Printed copies of this Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form will not be sent to Singapore Shareholders. This Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form may also be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>. This Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>.
3. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the Annual General Meeting proceedings may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant comments, queries and/or questions before the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in **Appendix III** of the Circular and the Company's accompanying announcement to this Notice of Annual General Meeting dated 28 March 2022 which may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>.

# NOTICE OF ANNUAL GENERAL MEETING

4. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the Annual General Meeting will be held by way of electronic means and Shareholders will not be able to attend the Annual General Meeting in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting in accordance with the instructions on the Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the Annual General Meeting.** The Proxy Form may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>. Where a Shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. The Chairman of the Meeting, acting as proxy, need not be a Shareholder of the Company.
6. The Proxy Form must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company at 101 Defu Lane 10, Singapore 539222 (for Singapore Shareholders), or the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders); or
  - (b) if submitted by way of electronic means, be submitted via email to the Company at [isdn-agm@complete-corp.com](mailto:isdn-agm@complete-corp.com).

in either case, by 9.30 a.m. on Tuesday, 26 April 2022. A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 advisories issued by the relevant authorities and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the Annual General Meeting as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. on Tuesday, 19 April 2022, being at least seven (7) working days before the Annual General Meeting.

## Personal Data Privacy

By attending the Annual General Meeting and/or any adjournment thereof and/or submitting the form of proxy appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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# ISDN HOLDINGS LIMITED

(Incorporated In the Republic of Singapore -  
Company Registration No. 200416788Z)  
(Singapore Stock Code: I07.SI)  
(Hong Kong Stock Code: 1656)

# PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

## IMPORTANT:

1. The Annual General Meeting ("AGM") will be convened and held by electronic means pursuant to the COVID 19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, as amended or modified from time to time.
2. The Notice of AGM, the Circular and this Proxy Form may be accessed at (a) the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>; (b) on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and (c) on the HKEX website at the URL <https://www.hkexnews.hk/>.
3. Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 28 March 2022. This announcement may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and HKEX website at the URL <https://www.hkexnews.hk/>.
4. Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by way of electronic means and members of the Company will not be able to attend the AGM in person. A member of the Company who wishes to exercise his/her/its voting rights at the AGM must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company must give specific instructions as to voting, or abstentions from voting, in respect of a resolution, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid. Notwithstanding that a member is unable to vote in person, a member may attend the AGM in the manner as set out in the accompanying Company's announcement dated 28 March 2022.
5. CPF or SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent banks or SRS operators to submit their votes by, 5.00 p.m. on Tuesday, 19 April 2022, being at least seven (7) working days before the date of the AGM.
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 March 2022.
7. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

I/We\*, .....(Name) ..... (NRIC/Passport/Company Registration Number\*) of

..... (Address)

being member/members\* of **ISDN Holdings Limited** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our\* proxy to attend, speak and vote for me/us\* on my/our\* behalf at the AGM to be convened and held by way of electronic means on Friday, 29 April 2022 at 9.30 am (Singapore Time) and at any adjournment thereof.

I/We\* direct the Chairman of the AGM to vote for or against, or abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder. **In absence of specific instructions as to voting, or abstentions from voting, in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.**

No.	Resolutions relating to:	Number of Votes For <sup>#</sup>	Number of Votes Against <sup>#</sup>	Number of Votes Abstained <sup>#</sup>
1.	To receive and adopt the Directors' statement and the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2021, together with the external auditor's report thereon.			
2.	To declare a first and final tax-exempt (one-tier) dividend of 1.45 Singapore cents (equivalent to 8.35 Hong Kong cents) per ordinary share for the financial year ended 31 December 2021.			
3.	To approve the payment of Directors' fees of S\$215,985 for the financial year ending 31 December 2022 (2021: S\$196,350).			
4.	To re-elect Mr. Teo Cher Koon who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.			
5.	To re-elect Mr. Tan Soon Liang who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.			
6.	To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2022 and to authorise Directors of the Company to fix their remuneration.			
7.	To approve the general mandate to issue Shares.			

\* Delete as appropriate.

<sup>#</sup> If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate so with a (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

<sup>^</sup> If you wish the Chairman of the AGM as your proxy to abstain from voting a resolution, please tick [✓] within the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of votes that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

Dated this ..... day of ..... 2022.

<b>Total Number of Shares Held</b>

.....  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Printed copies of the Notice of AGM, the annual report of the Company for the financial year ended 31 December 2021 ("**Annual Report**"), the circular dated 28 March 2022 (the "**Circular**") and the Proxy Form will be sent to Hong Kong Shareholders. Printed copies of the Notice of AGM, the Annual Report, the Circular and the Proxy Form will not be sent to Singapore Shareholders. The Notice of AGM, the Annual Report, the Circular and the Proxy Form may also be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>. The Notice of AGM, the Annual Report, the Circular and the Proxy Form are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM proceedings may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant comments, queries and/or questions before the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in **Appendix III** of the Circular and the Company's accompanying announcement to this Notice of AGM dated 28 March 2022 which may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>.
3. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.
4. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM will be held by way of electronic means and Shareholders will not be able to attend the AGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM in accordance with the instructions on the Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and SEHK at the URL <https://www.hkexnews.hk/>. Where a Shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. The Chairman of the Meeting, acting as proxy, need not be a Shareholder of the Company.
6. The Proxy Form must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company at 101 Defu Lane 10, Singapore 539222 (for Singapore Shareholders), or the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders); or
  - (b) if submitted by way of electronic means, be submitted via email to the Company at [isdn-agm@complete-corp.com](mailto:isdn-agm@complete-corp.com).in either case, by 9.30 a.m. on Tuesday, 26 April 2022. A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 advisories issued by the relevant authorities and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**
7. Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the AGM as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. on Tuesday, 19 April 2022, being at least seven (7) working days before the AGM.
8. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
9. Where the Proxy Form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
10. 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 AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.
11. The Company shall be entitled to reject a Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of a member of the Company whose Shares are entered against his/her/its name in the Depository Register, the Company may reject a Proxy Form if such member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time fixed for holding the AGM, as certified by the CDP to the Company.
12. Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.





**ISDN Holdings**  
LIMITED

101 Defu Lane 10, Singapore 539222

Company registration No. 200416788Z