



**ISDN Holdings**  
LIMITED



**ANNUAL REPORT 2016**  
**GROWTH THROUGH INNOVATION**



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



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# COMPANY HISTORY

ISDN Holdings Limited is an engineering solutions company specialising in integrated precision engineering and industrial computing solutions. The company offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialised requirements in precision controls. We provide the full spectrum of engineering services from conceptualisation, design & development to prototyping, production, sales & marketing and after sales engineering support. ISDN was listed on the Mainboard of the SGX-ST on 24 November 2005 and subsequently listed on the Main Board of SEHK on 12 January 2017.

## MISSION

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

## VISION

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

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



# CORPORATE INFORMATION

## COMPANY REGISTRATION NUMBER

200416788Z

## DIRECTORS

Lim Siang Kai (Chairman)  
Teo Cher Koon  
Kong Deyang  
Soh Beng Keng  
Tan Soon Liang

## REGISTERED OFFICE

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

## JOINT COMPANY SECRETARIES

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

Tang Chi Chiu  
CPA (practising)  
18/F, Bangkok Bank Building  
Nos. 490-492 Nathan Road  
Yaumatei  
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

## COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.)  
Limited  
Level 19  
28 Hennessy Road  
Hong Kong

## SINGAPORE PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

Boardroom Share Registrars (HK)  
Limited  
31/F 148 Electric Road  
North Point  
Hong Kong

## AUDITOR

Moore Stephens LLP  
10 Anson Road  
#29-15, International Plaza  
Singapore 079903  
Partner-in-charge:  
Lao Mei Leng  
Date of appointment:  
30 April 2012  
Number of Years in-charge: 5

## PRINCIPAL BANKERS

### Standard Chartered Bank

Main Branch  
Marina Bay Financial Centre  
Tower 1  
8 Marina Boulevard  
Singapore 018981

### United Overseas Bank Limited

Main Branch  
80 Raffles Place  
UOB Plaza 1  
Singapore 048624

### DBS Bank Limited

Main Branch  
Marina Bay Financial Centre Tower  
12 Marina Boulevard  
Singapore 018982

### DBS Bank (China) Limited

Suzhou Branch  
7/F International Building  
2 Su Hua Road  
Suzhou Industrial Park  
Suzhou 215021, PRC

### United Overseas Bank (China) Limited

101-104, 1F  
111 Dong Yuan Road  
Pudong New Area  
Shanghai 200120, PRC

### China Construction Bank Co., Ltd

Suzhou New & Hi-Tech Industrial  
Development Zone Sub-Branch  
No. 95 Shishan Road  
Suzhou New District, PRC

# FIVE-YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
Gross profit	64,999	65,710	61,753	50,995	47,422
Profit before income tax	14,331	17,213	15,237	9,770	11,440
Profit attributable to equity holders	5,153	8,721	7,457	4,754	5,409
Equity attributable to owners of the Company	121,217	119,727	112,075	107,139	80,318
Non current assets	52,974	54,425	49,877	46,529	43,750
Current assets	163,873	153,085	140,132	125,486	99,741
Current liabilities	80,254	67,543	59,700	52,026	50,728
Non current liabilities	449	699	580	1,077	5,839
Cash and cash equivalents	37,292	39,096	37,493	41,554	24,571
<b>Financial Ratios</b>					
Net assets per share(S\$ cents)	38.38	39.27	36.09	31.61	28.95
Basic earnings per share (S\$ cents)	1.45	2.46	2.07	1.39	1.81

REVENUE (S\$'000)

**258,502**

ACROSS ASIA

REVENUE (S\$'000)

**195,854**

THE GREATER CHINA  
REGION

# PRESIDENT'S MESSAGE

“

**I would again like to convey my appreciation to our partners, customers, staff, and shareholders,**

**all of whom I hope will continue to play a role in the Group's future.”**

**Dear shareholders,**

## **A MOMENTOUS YEAR FOR ISDN**

This is an exciting year for ISDN as we successfully listed on The Stock Exchange of Hong Kong Limited (“SEHK”) on 12th January 2017 after 8 months of hard work, and we will also be commemorating our 30th anniversary this year. It is wonderful to have these two joyous events to celebrate within the same year, and both milestones signify how far we have come. From our humble beginnings as a small supplier of servo motors in 1986 with myself and a secretary, to having over 800 employees; from serving just our home market to successfully building a footprint across Asia; from around S\$200K turnover to surpassing S\$250 million revenue in 2016. What

a journey to be proud of; but without my fellow colleagues, my Board of Directors, our Chairman Mr Siang Kai Lim, our business partners like Maxon Motor, Dirak GmbH, Eisele, IGB, and many professional parties who have hand held us especially during the last year, we would not have come this far. I would like to express my deepest gratitude to every one of them. Of course there are also people quietly supporting us in the background, especially our long term shareholders. Thank you to all of you who have contributed one way or another to our successful journey.

## **UNABATED REVENUE GROWTH; MARGINS AND NET PROFIT SLIGHTLY AFFECTED**

One of the main reasons we selected Hong Kong for our dual listing is that the Greater China region (PRC and Hong Kong) is a major area of focus for our business, in the Greater China region accounting for 75.8% of Group revenue in FY2016. Having said that, the operating landscape in this region is not straightforward and presents both opportunities and challenges. Recently we have seen competition intensify due to an increase in the variety of products available in the market, and the number of industry players offering them. Nonetheless, the long-term trend of Chinese companies transitioning to a more automated industrial environment remains unchanged, and is in fact supported by government action such as the “Made in China 2025” – which promulgates Industrial 4.0 concepts, and encourages Chinese companies to improve their standards of quality and consistency. This usually entails





moving up the technology chain, which bodes well for our motion control solutions, as companies seek to upgrade their manufacturing processes with the use of robotics and other sophisticated technology.

We have continued to grow our revenue this year, although gross margins have come down slightly due to the aforementioned competition among industry players, as well as not being able to fully pass on the effects of the weaker RMB on to customers. Our bottom line was also affected by expenses in connection with the Hong Kong listing. Were it not for the S\$3.5 million of expenses recognised in FY2016, our net profit for the year would have been S\$13.5 million, S\$1.7 million or 14.0% higher than in FY2015.

#### **REWARDING SHAREHOLDERS, PAYING DOWN DEBT**

The Board of Directors has proposed a first and final dividend of 0.3 cents per share, compared to 0.4 cents per share in FY2015, in view of the slightly lower Group profit as well as the enlarged share capital following our listing in Hong Kong. We aim to maintain a balance between shareholders' returns and the capital needs of the business.

The Group recorded net cash flow of S\$12.4 million from operating activities in FY2016, on the back of our profitable operations as well as improved collections from customers. We repaid almost S\$13.0 million in borrowings during the year, and ended the year with cash and bank balances of S\$38.7 million, S\$0.4 million less than at the end of FY2015. With the net proceeds of S\$7.0 million from our Hong Kong listing, we intend to further reduce our level of borrowings, which will give us the financial flexibility to explore other

strategic opportunities in the near future.

#### **STRENGTHENING OUR PRESENCE IN KEY MARKETS**

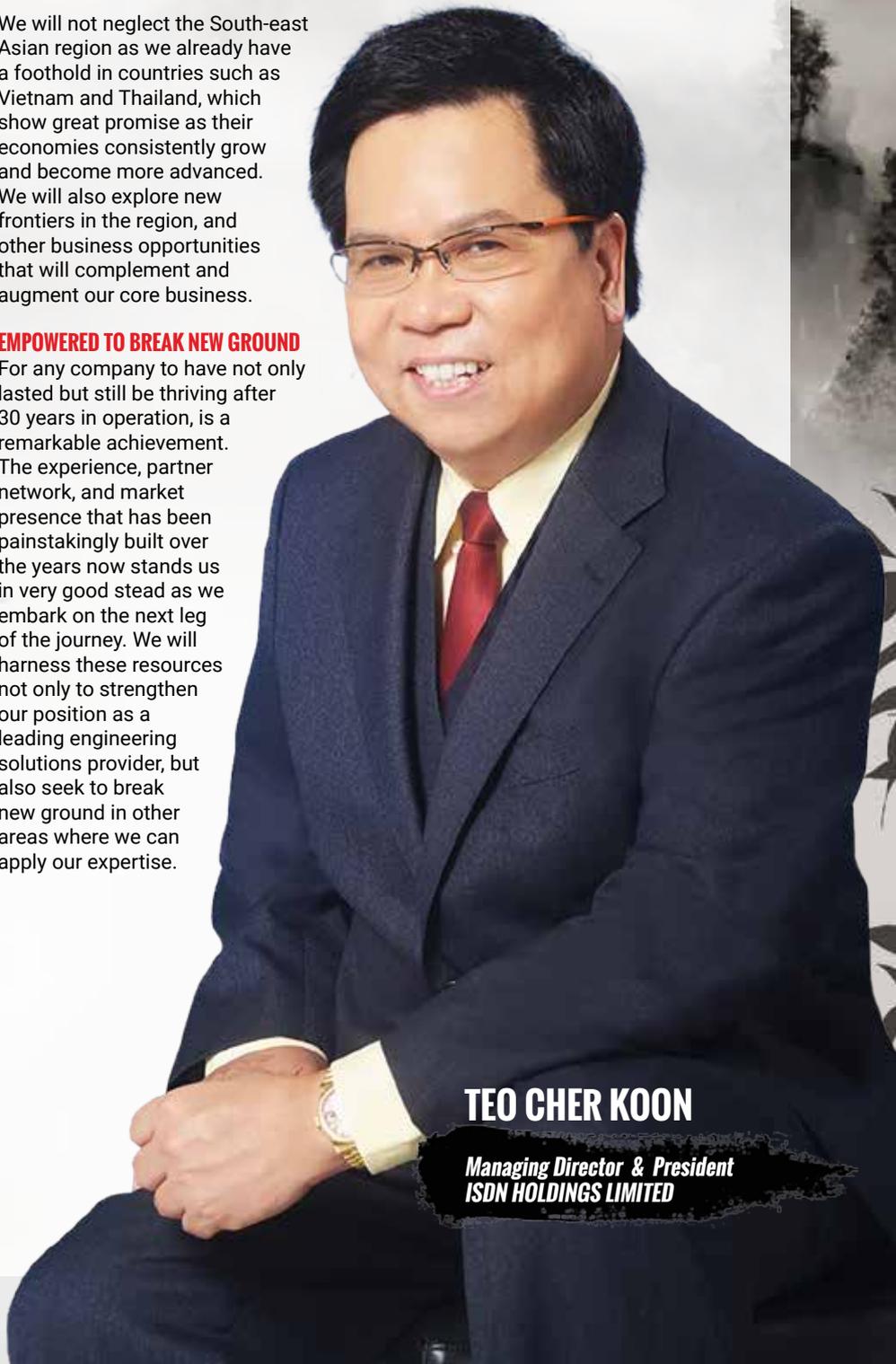
Moving forward, our strategy will be to gain market share, and our sales teams on the ground are aiming to capture a bigger slice of the pie albeit with slightly lower profit margins. We feel that this is the most favourable strategy given the current market conditions, and will also help us strengthen relationships with key customers in China, positioning us to benefit from their future growth.

We will not neglect the South-east Asian region as we already have a foothold in countries such as Vietnam and Thailand, which show great promise as their economies consistently grow and become more advanced. We will also explore new frontiers in the region, and other business opportunities that will complement and augment our core business.

#### **EMPOWERED TO BREAK NEW GROUND**

For any company to have not only lasted but still be thriving after 30 years in operation, is a remarkable achievement. The experience, partner network, and market presence that has been painstakingly built over the years now stands us in very good stead as we embark on the next leg of the journey. We will harness these resources not only to strengthen our position as a leading engineering solutions provider, but also seek to break new ground in other areas where we can apply our expertise.

As we embark on the next phase of ISDN's journey, I am thankful to my fellow Board of Directors, and I take this opportunity to welcome Mr Tan Soon Liang who was appointed as an Independent Director in August 2016. I would again like to convey my appreciation to our partners, customers, staff, and shareholders, all of whom I hope will continue to play a role in the Group's future.



**TEO CHER KOON**

*Managing Director & President  
ISDN HOLDINGS LIMITED*

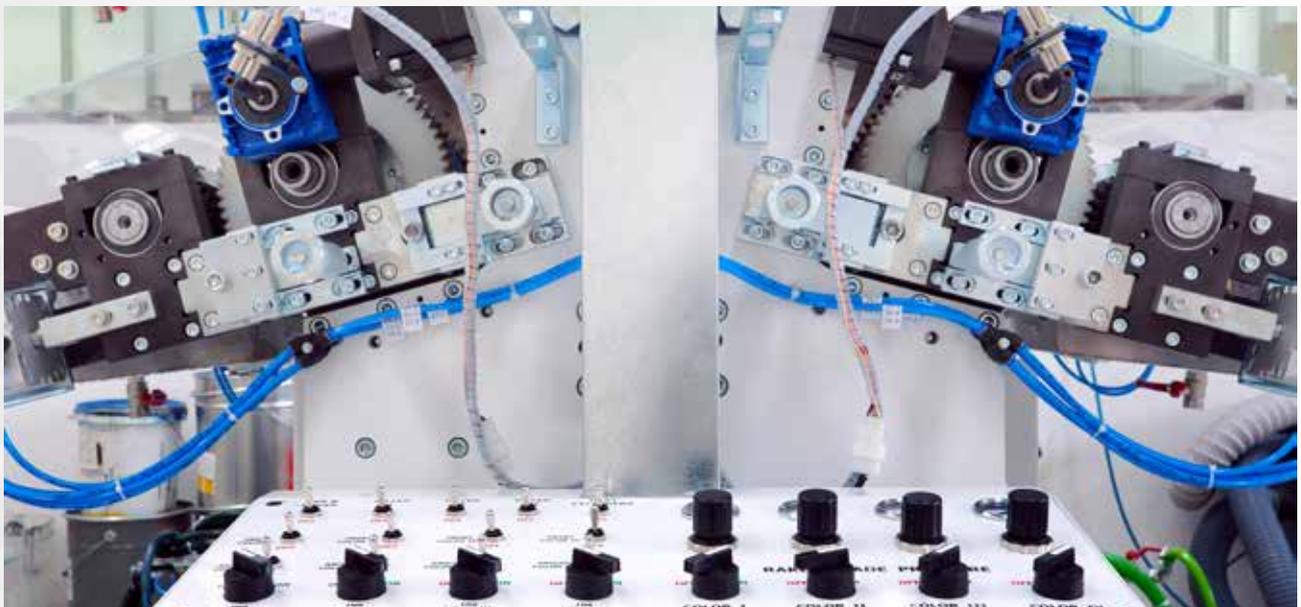
# CORPORATE PROFILE

## “ISDN” stands for “International Servo Dynamics Network.”

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2016 marks the 30th anniversary since the inception of our Group. Over the years under the helmship of Mr. Teo who is our President, Managing Director and Controlling Shareholder with a Bachelor of Mechanical Engineering degree, we have

### ENGINEERING SOLUTIONS - MOTION CONTROL

Differentiated from a motion control product manufacturer, we as a motion control solution provider not only distribute products, but also design, customise and assemble motion control systems as this enables our customers to reduce costs and to better improve production efficiency. Our motion control systems are typically used for factory automation in a broad range of industries.



developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof.

Headquartered in Singapore, we operated through 65 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2016. In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced. As at 31 December 2016 we had 810 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers’ engineering needs in different offices.

Our Shares have been listed on the mainboard of the SGX-ST since 24 November 2005. Given the significance of our revenue source from the PRC together with Hong Kong, our Company successfully applied for a dual primary listing of our Shares on the SEHK as our Board considers that the Listing is expected to attract investors from the region which opens up another capital market for us and provides us with an excellent opportunity to further enhance our Group’s profile internationally. Our Shares began trading on the SEHK on 12 January 2017.

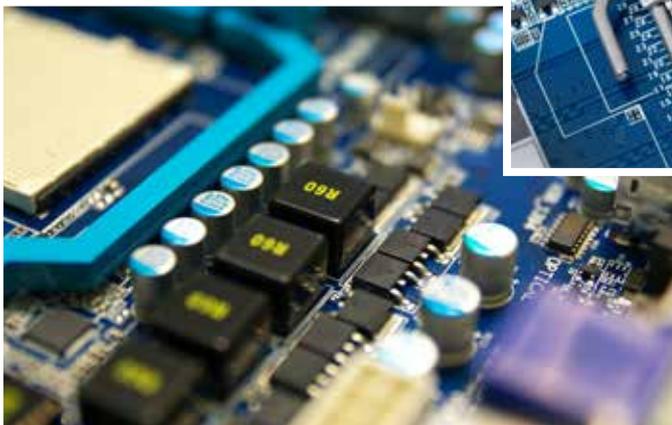
### OTHER SPECIALISED ENGINEERING SOLUTIONS

Other than motion control solutions, we offer our expertise to provide engineering solutions tailored to our customers' particular or specialised needs, including standard modular construction components for use in industrial automation systems, and hardware components such as industrial locks, fasteners, hinges as well as aluminium profiles and related accessories.



### INDUSTRIAL COMPUTING SOLUTIONS

As part of a suite of our integrated engineering solutions, we formulate cost-efficient and effective industrial computing solutions and assemble various industrial computing hardware (i.e. industrial computers) and software (i.e. "Wonderware") to satisfy our customers' industrial computing needs.



# BOARD OF DIRECTORS



**LIM SIANG KAI**  
Chairman and Independent Non-Executive Director

Mr. Lim Siang Kai (林汕鏞), aged 60, is our Chairman and independent non-executive Director. Mr. Lim is currently the independent director of several other companies which are listed on the SGX-ST and the SEHK (i.e. Samurai 2K Aerosol Limited, Joyas International Holdings Limited and Beijing Gas Blue Sky Power Holdings Limited (previously known as Blue Sky Power Holdings Limited and China Print Power Group Limited)). Mr. Lim has over 30 years of experience in the securities, private and investment banking and fund management industries. From May 2002 to January 2009, Mr. Lim was appointed as an executive director of China Financial Leasing Group Limited, a company listed in Hong Kong principally engaged in investment in the financial leasing market in the PRC, where he was responsible for sourcing for investment opportunities in the region. From March 2006 to February 2017, Mr. Lim acted as the lead independent director and the chairman of the audit committee of Natural Cool Holdings Limited, a company listed in Singapore that specialises in the installation, servicing and trading of air conditioners for retail and industrial uses. In March 2007, he was appointed as an independent director of Beijing Gas Blue Sky Holdings Limited (previously known as Blue Sky Power Holdings

Limited and China Print Power Group Limited), a company listed both in Singapore and Hong Kong involved in the natural gas supply and printing business. Mr. Lim served as the chairman of its board and the chairman of its remuneration committee from March 2007 to October 2014 and to November 2014 respectively, and subsequently the chairman of its audit committee since November 2014. In December 2007, Mr. Lim was also appointed as an independent non-executive director and the chairman of the remuneration committee of Joyas International Holdings Limited, a company listed in Singapore that is involved in the design and manufacturing of metal gifts and jewellery products as well as the trading and sale of nickel. Since January 2017, Mr. Lim acted as the non-executive chairman, lead independent director and chairman of the audit committee of Catalyst-listed Samurai 2K Aerosol Limited, a company involved in aerosol coating for the automotive refinishing and refurbishing industry.

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.



**TEO CHER KOON**  
Managing Director and President

Mr. Teo Cher Koon (張子鈞), aged 58, is our President, Managing Director and Controlling Shareholder. 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 29 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 65 subsidiaries and 65 sales offices

all over Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2016. 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.



**KONG DEYANG**  
Executive Director

Mr. Kong Deyang (孔德揚), aged 56, is our executive Director. 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.



**SOH BENG KENG**  
Independent Non-Executive Director

Mr. Soh Beng Keng (蘇明慶), aged 63, is our independent non-executive Director. Currently, Mr. Soh also serves as the lead independent director of Ziwo Holdings Ltd., a PRC raw material producer and supplier of import substitution products, Sino Grandness Food Industry Group Limited, a company principally engaged in the production and distribution of beverage and canned food products, and China Haida Ltd., the holding company of a leading manufacturer of aluminium panels in the PRC, all of which are listed on the main board of the SGX-ST.

Mr. Soh has approximately 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 Heeton Holdings Limited, a company listed on the main board 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 China Fashion Holdings Limited (now known as P99 Holdings Limited) (5UV), 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 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.

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.



**MR. TAN SOON LIANG**  
Independent Non-Executive Director

Mr. Tan Soon Liang (陳順亮), aged 44, is our independent non-executive Director. Mr. Tan was appointed as an independent non-executive Director of our Company on 18 August 2016. Currently, he serves as the director of Ti Ventures Pte. Ltd. since May 2009, which provides business and management consultancy services 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 director of Omnibridge Capital Pte. Ltd., a company involved in corporate development and advisory services, since December 2014. Mr. Tan also serves as an independent director

in Catalyst-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions, since June 2016. Between June 2009 to July 2014, he also served as a non-executive director of Catalyst-listed Jubilee Industries Holdings Ltd (5OS), a provider of precision plastic injection mould and moulding solutions.

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.

## JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn and Mr. Tang Chi Chiu are the joint company secretaries of our Company.

Ms. Gn Jong Yuh Gwendolyn (鄞鐘毓), aged 45, 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.

Mr. Tang Chi Chiu (鄧志釗), aged 33, was appointed as one of our joint company secretaries on 8 December 2016. He is currently a managing director of TANDEM (HK) Professional Services Limited (formerly known as Caesar Professional Services Limited), a company engaged in provision of company secretarial work for private companies and listed companies, since December 2011, where he provides professional advice and carries out other duties as required under the SEHK Listing Rules and the Companies Ordinance. From May 2012 to July 2013, Mr. Tang acted as the finance manager of Fortune Case Limited, a private company in Hong Kong.

Mr. Tang is currently registered as a member CPA (practising) of the Hong Kong Institute of Certified Public Accountants and he obtained a Bachelor of Business Administration (Honours) in Accountancy and a Master of Science in Finance from the City University of Hong Kong in July 2006 and July 2016, respectively.

# DIRECTORSHIP

## LIM SIANG KAI

*Group companies*  
ISDN HOLDINGS LIMITED

### Other companies

Beijing Gas Blue Sky Holdings Ltd  
(Formerly known as Blue Sky Power Holdings Limited)  
Joyas International Holdings Limited  
Samurai 2K Aerosol Limited

## TEO CHER KOON

*Group companies*  
ISDN HOLDINGS LIMITED  
Agri Source Farms Sdn Bhd  
Agri Source Farms Suzhou Co., Ltd  
Agri Source Pte Ltd  
C True Version Pte Ltd  
DBASIX Malaysia Sdn Bhd  
DBASIX Singapore Pte Ltd  
Dietionary Farm Holdings Pte Ltd  
Dietionary Farm Sdn Bhd  
Dirak Asia Pte Ltd  
DKM South Asia Pte Ltd  
Eisele Asia Co., Ltd  
Excel Best Industries (Suzhou) Co., Ltd  
Gateway Motion (Shanghai) Co., Ltd  
IDI Laser Services Pte Ltd  
IGB (H.K.) Co., Ltd  
ISDN Bantaeng Pte Ltd  
ISDN Investments Pte Ltd  
ISDN Myanmar Infrastructure Investment Pte Ltd  
ISDN Myanmar Power Pte Ltd  
ISDN Resource Pte Ltd  
Jin Zhao Yu Pte Ltd  
JM Vision Technologies Co., Ltd  
JM Vistec System Pte Ltd  
Leaptron Engineering Pte Ltd  
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd

Maxon Motor (Suzhou) Co., Ltd  
Maxon Motor Taiwan Co., Ltd  
Motion Control Group Pte Ltd  
Precision Motion Control Phils. Inc.  
Prestech Industrial Automation Pte Ltd  
SEJINIGB (China) Co., Ltd  
Servo Dynamics (H.K.) Limited  
Servo Dynamics (Thailand) Co., Limited  
Servo Dynamics Co., Ltd  
Servo Dynamics Pte Ltd  
Servo Dynamics Sdn Bhd  
Shanghai DBASIX M&E Equipment Co., Ltd  
Suzhou Dirak Co., Ltd  
Suzhou PDC Co., Ltd  
Taiwan Dirak Co., Ltd  
Trace Linear Technology (Suzhou) Co., Ltd

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

## KONG DEYANG

*Group companies*  
ISDN Holdings Limited  
Beijing Beicheng Xinkong Ci Fu Technology Co., Ltd  
Beijing Junyizhicheng Technology Developing Co., Ltd  
Eisele Asia Co., Ltd  
Excel Best Industries (Suzhou) Co., Ltd  
Gateway Motion (Shanghai) Co., Ltd  
ISDN Enterprise Management Co., Ltd  
JAPV Mechanical Technology (Wujiang) Co., Ltd

Maxon Electronic Machine International Trade (Shanghai) Co., Ltd  
Maxon Motor (Suzhou) Co., Ltd  
SejinIGB (China) Co., Ltd  
Servo Dynamics Co., Ltd  
Shanghai DBASIX M&E Equipment Co., Ltd  
Shenzhen Servo Dynamics Co., Ltd  
Suzhou PDC Co., Ltd  
Trace Linear Technology (Suzhou) Co., Ltd

## SOH BENG KENG

*Group companies*  
ISDN Holdings Limited

### Other Companies

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

## TAN SOON LIANG

*Group companies*  
ISDN Holdings Limited

### Other Companies

ACH Investors Pte Ltd  
Allin International Holdings Pte Ltd  
Allin Technologies Co Ltd  
MG Investors Pte Ltd  
Omnibridge Capital Ltd  
Omnibridge Capital Pte Ltd  
Omnibridge Investments Ltd  
Omnibridge Investment Partners Ltd  
Omnibridge Investment Partners Pte Ltd  
Omnibridge Investments Pte Ltd  
Ti Investment Holdings Pte Ltd  
Ti Ventures Pte Ltd  
Wong Fong Industries Limited  
The Learning Fort Pte Ltd

# EXECUTIVE OFFICERS\*

## **MR. LAU CHOON GUAN (劉俊源), aged 51** **Vice President - Sales (Motion Control)**

Mr. Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. 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 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 57** **Vice President - Technical Support (Motion Control)**

Mr. Sim joined our Group in April 1992 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. CHENG HOCK KIANG (鍾福強), aged 48** **Vice President - Sales (industrial computing, hardware)**

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 49** **Vice President**

He 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 42** **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 42** **Chief Financial Officer.**

Ms. Ho joined the 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 join the Group, she was formally a financial controller of Hysendal Enterprises Pte. Ltd. From 2011 to 2013, she was the group financial manager of Weiye Holdings Limited, 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.

\* Reference to "Executive officers" in this annual report shall include persons referred to as "Senior Management" under the SEHK Listing Rules

# MANAGEMENT DISCUSSION AND ANALYSIS

**Going forward,  
we will continue  
to develop new  
frontiers,**

**including but not limited to the emerging  
markets in South-east Asia to explore new  
business opportunities.**

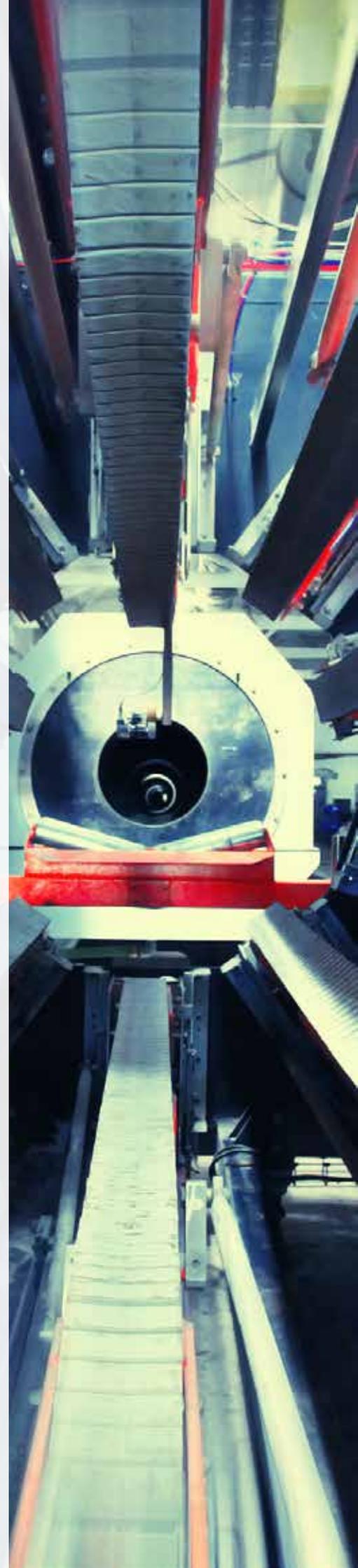
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## OPERATIONS REVIEW

In 2016, our Group achieved 9.9% growth in total revenue, from S\$235.3 million in 2015 to S\$258.5 million in 2016, mainly as a result of the increase in demand driven by the general increase in precision and personalization required in contemporary manufacturing, fuelled partly by the supportive governmental policies in the PRC and other Asian countries on production automation. On the other hand, the demand for more technologically advanced and tailor made products is also the driving force of the integrated engineering solutions market in 2016.

Our business focus continues to be predominantly in the PRC, contributing approximately 70.0% in 2016 (2015: 70.4%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.3%, 5.8% and 2.8% of our Group's revenue in 2016, respectively (2015: 14.9%, 4.6% and 2.4%). We have achieved growth in overall revenue in all of the above countries in 2016.

Our Group continues to serve our customers in a wide range of industries in the year. Our wide customer profile across different sectors assisted the Group to diversify its exposure to ups and downs in individual industry, and helped the Group to adapt to the slow macroeconomic environment in 2016. In particular, our customers in the pharmaceutical industry exhibit a steady growth which offsets the impact of cyclical decrease in demand in the semiconductor and mobile phone industries.



Competition in the engineering solutions industry is always keen. Nevertheless, as one of the largest motion control solutions provider in Singapore and the PRC, we will strive to leverage on our competitive advantage and market position to boost our sales and further conquer additional market share. In the future, we will continue its efforts with the increase our market shares in our key geographical segment by provision of comprehensive engineering solutions in growing industries to strengthen market penetration.

### **FUTURE PROSPECTS**

We expect the overall industry landscape to remain competitive against the backdrop of a Chinese economy that is transitioning into a more automated industrial environment from one that has been traditionally labour-intensive. This is expected to spell good news for our motion control and other specialised engineering solutions business which provides parts and solutions for factory automation and robotics.

We seek to build on this competitive edge and expand our market share by continuing to engage the customers more proactively at the ground level and up. This customised approach will allow us to offer solutions with a greater technological edge with enhanced value, placing us in good stead as manufacturers in China place increasing emphasis on product quality and make further inroads into international markets. We envision that the motion control solution sector will continue to account for the bulk of the Group revenue and revenue from the PRC will remain strong.

Apart from continue to serve our customers in the existing business segments and to capture a larger market share, we also aim to mobilise



our sales and marketing staff to continue to engage our customers and promote our products to enlarge our customer base, and also promote our solutions to certain fast growing industries nurtured by governmental policies and natural economic need in their respective countries. For example, we aim to place strong emphasis on industries related to the “Industrial 4.0” concepts, which is the part of the industrial development policies of many governments around the world, such as the “Made in China 2025” policy promulgated by the PRC government. It is expected that such governmental policies and industrial development trend will boost the development and use of robotics and the general technological upgrades of the manufacturing processes, which in turn benefits the motion control solutions and other specialised engineering solutions industries as a whole. Our Group is expected to continue to ride on the market growth fuelled by the general industry trend for intelligent manufacturing and factory automation leading to an increase in demand for engineering solutions and the trend of demand for more technologically

advanced and tailor made products, which the Group is well positioned to capture such market.

Our focus will still be the PRC and Singapore market which accounted for more than 84% of our revenue in 2016. Nevertheless, we will also continue to expand our business in other countries in the Southeast Asia. We have gain our foothold in Vietnam and Thailand and are expected to venture into other countries in the region. Going forward, we will continue to develop new frontiers, including but not limited to the emerging markets in Southeast Asia to explore new business opportunities.

### **FINANCIAL REVIEW**

#### **Revenue and Gross Profit Margin**

We have recorded an increase in our total revenue by approximately S\$23.2 million or 9.9% from S\$235.3 million for financial year ended 31 December 2015 (“FY2015”) to S\$258.5 million for financial year ended 31 December 2016 (“FY2016”) primarily due to the fact that (i) we remained capable and competitive in offering a variety of professional engineering solutions and products

# MANAGEMENT DISCUSSION AND ANALYSIS

to satisfy our customers' wide range of engineering needs; and (ii) we leveraged our established presence in the region we operate to retain our customers. Our revenue from each of motion control solutions, other specialized engineering solutions and industrial computing solutions increases primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Hong Kong as a result of: the increased demand for high-tech precision control systems arising from the general market trend in the PRC; our focused marketing efforts on our relatively more technologically advanced products in the PRC to suit the market needs; and the increase in the order size of an industrial supplier of equipment and materials and (b) the relatively strong demand for our other specialised engineering and industrial computing solutions in Singapore as a result of: the increase in engineering parts and industrial computing systems such as liquid-crystal display (LCD) monitors and associated parts supplied for a railway project; and more copies of

the Wonderware software sold, partly offset by (1) a decrease in revenue from other specialised engineering solutions in the PRC as a result of our more focused marketing efforts on our relatively more technologically advanced motion control products to capture the market potential, together with the fact that more hinges and locks were sold in the previous corresponding period to fulfil orders from railway companies during that period; and (2) a decrease in revenue from motion control solutions in Singapore as the country's general economic condition was considered relatively stagnant.

Our overall gross profit margin decreased from approximately 27.9% for FY2015 to 25.1% for FY2016; which was primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition, the variety of products available in the market and the number of industry players in the industry.

## Other operating income

Our other operating income increased by approximately S\$0.8 million or 24.9% from S\$3.2 million for FY2015 to S\$4.0 million for FY2016 primarily due to (1) a gain of approximately S\$0.4 million on the disposal of 17.5% of shares ("Partial Disposal of Aenergy") in Aenergy Holdings Company Limited ("Aenergy"); (2) a gain of approximately S\$0.1 million on the disposal of all of our equity interests in Schneeberger Linear Technology Pte Ltd (a then associated company); (3) the increase of government reliefs and incentives of approximately S\$0.1 million; and (4) an write back of allowance of trade receivables of approximately S\$0.1 million.

## Distribution costs

Our distribution costs decreased by approximately S\$0.4 million or 2.1% to S\$21.6 million for FY2016 primarily due to our cost control measures in respect of major costs of operations including distribution costs in terms of their percentage to our total revenue as a result of reduced sales and marketing expenses.



### Administrative expenses

Our administrative expenses increased by approximately S\$2.8 million or 10.0% to S\$30.6 million for FY2016 primarily due to (i) the expenses of S\$3.5 million incurred in connection with the Listing; and (ii) an increase of S\$0.5 million in our employee benefit costs as a result of the general pay rise, partly offset by a decrease of our general office expense and travelling expense as a result of our cost control measures.

### Listing expenses

The total expenses for the Listing (including underwriting fee and commission payable by us) are approximately S\$4.7 million, of which S\$0.8 million is directly attributable to the issue of the Offer Shares in the share offer and to be accounted for as deduction to equity (none had been accounted for as at 31 December 2016) and approximately S\$3.9 million is to be charged as administrative expenses to our consolidated statements of comprehensive income, in which approximately S\$3.5 million had been charged for the financial year ended 31 December 2016. The remaining S\$0.4 million is to be charged to our consolidated statements of comprehensive income in FY2017. The increase of S\$0.5 million in the actual listing expenses are mainly due to the outlay incurred by professional teams during the course of the Listing and the increase share registrar expense due to the unexpected level of over subscription of our shares in the public offer. The final net proceeds amount to S\$7.0 million (equivalent to HK\$37.8 million).

Shares of Group have been listed on the Main Board of the SEHK since 12 January 2017 (the "Listing Date").

### Other operating expenses

Our other operating expenses increased by approximately S\$0.3 million or 13.0% to S\$2.2 million for FY2016 mainly due to our net foreign exchange losses.

### Finance costs

Our finance costs remain stable at approximately S\$0.7 million.

### Income tax expense

Our income tax expense decreased by S\$1.0 million or 19.5% to S\$4.3 million in FY2016. The effective tax rates for the year ended 31 December 2016 was 29.9% (FY2015: 31.0%). Excluding the impact of S\$3.5 million of listing expenses which are non-tax deductible and certain of our costs and expense being non-deductible in compliance with the relevant tax laws and regulations, the effective tax rate for FY2016 was 24.0% due to utilization of tax losses in prior years and tax credit to offset the income tax expenses.

### Profit for the year

Net profit decreased by S\$1.8 million or 15.5% to S\$10.0 million for FY2016. Excluding the impact of the S\$3.5 million listing expenses in FY2016, the net profit would have been S\$13.5 million, S\$1.7 million or 14.0% higher than that for FY2015. The increase in our profit primarily due to the increase in revenue of approximately S\$23.2 million which generated gross profit approximately S\$5.9 million and increase in other operating income, partially offset by a decrease in our gross profit by S\$6.9 million due to the effect of decreased gross profit margin from approximately 27.9% for FY2015 to 25.1% for FY2016.

### Property, plant and equipment

Our property, plant and equipment decreased by S\$7.9 million or 22.1% to S\$27.7 million in FY2016 primarily due the partial disposal of Aenergy. Aenergy ceased to be a subsidiary of our Company and the financial position and operating results of Aenergy and its group companies ceased to be consolidated as subsidiaries into our Group from 30 June 2016 onwards. Property, plant and equipment with carrying value of S\$20.1 million are pledged as securities of the borrowings.

### Investment in associates

Our investment in associates increased by S\$6.6 million or 131.5% to S\$11.6 million in FY2016 is primarily due to our shareholding interest in Aenergy. Aenergy and its group companies ceased to be subsidiaries and became associates of our Company from 30 June 2016 onwards.

### Inventories

Our inventories decreased by S\$2.0 million or 4.8% to S\$38.9 million in FY2016 primarily due to the growth of revenue for the 4Q16 as compared to 4Q15.

### Trade and other receivables

Our trade and other receivables increased by S\$13.2 million or 18.0% to S\$86.3 million in FY2016 was primarily in line with an increased revenue for the 4Q16 as compared to 4Q15.

### Trade and other payables

Our trade and other payables increased by S\$13.2 million or 18.0% to S\$65.5 million in FY2016 primarily due to the growth of revenue for the 4Q16 as compared to 4Q15.

### Bank borrowings

Our bank borrowing decreased by S\$1.0 million or 7.0% to S\$13.3 million in FY2016 primarily due to the repayment of bank borrowings of approximately S\$13.0 million, partially offset by the proceeds of bank borrowing of approximately S\$10.9 million. As at 31 December 2016, approximate S\$13.0 million are due within 1 year and S\$0.3 million are due beyond 1 year; approximate S\$1.8 million are of fixed rate and approximate S\$11.5 million are of floating rate.

## MATERIAL ACQUISITION AND DISPOSAL

Apart from those disclosed in the prospectus of the Company dated 30 December 2016 (the "Prospectus"), there were no material acquisition and disposal in the year ended 31 December 2016.

## LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2016, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2016, cash and cash balances amounted to approximately S\$38.7 million, which decreased by approximately 1.1% as compared to approximately S\$39.1 million as at 31 December 2015. The quick ratio of the Group was approximately 1.5 times (2015: 1.7 times). As at 31 December 2016, the Group has long and short

term borrowings, inclusive of finance lease, amounted to S\$13.7 million (2015: S\$14.8 million).

### GEARING RATIO

During the year ended 31 December 2016, the gearing ratio of the Group was about 11.3% (2015: 12.3%) 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 decrease in gearing ratio was mainly due to the reduction of total borrowing and the increase in our total shareholders' equity.

### TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the financial year ended 31 December 2016. 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, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation.

### FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB"), United States dollars ("US\$"), Swiss Franc ("CHF") and Euro. The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. 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 the year ended 31 December 2016, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### CAPITAL EXPENDITURES

During the year ended 31 December 2016, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$2,511,000.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, there were 810 (2015: 901) 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.



### 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 the financial year ended 31 December 2016.

### 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 31 December 2016.

#### Charge on the Group's Assets

As at 31 December 2016, the Group's cash and cash equivalents of approximately S\$1.4 million (2015: nil) was pledged to banks to secure general banking facilities granted to the Group.

### LISTING AND USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares have been listed since 12 January 2017 on the Main Board of the SEHK. The final total net proceeds from the Listing which involved the issue of 40,000,000 ordinary Shares of HK\$1.25 each of the Company amounted to approximately S\$7.0 million (equivalent to HK\$37.8 million). During the period between the Listing Date and date of this annual report, the net proceeds from the Listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds would be utilized according to the use disclosed in the Prospectus. The Group held the unutilized net proceeds in short term deposits with licensed bank in Hong Kong.

### PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND CANCELLATION OF TREASURY SHARES

From the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

As at 31 December 2015, the Company held 6,365,000 ordinary shares as treasury shares. On 19 December 2016, all treasury shares of our Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap. 50.

### PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of S\$0.3 cents (equivalent to HK\$1.7 cents) per ordinary share for the year ended 31 December 2016. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on 28 April 2017 at 9:30 a.m. (Singapore Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on 5 June 2017 to shareholders whose names shall appear on the register of members of the Company on 17 May 2017.

# CORPORATE GOVERNANCE REPORT

## CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

This report outlines ISDN’s corporate governance framework in place throughout the financial year ended 31 December 2016 (“**FY2016**”) with specific references made to each of the principles of the 2012 Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”). The Company has complied with the principles and guidelines as set out in the 2012 Code and the Guide, where applicable. Appropriate explanations will be provided in the relevant sections below where there are deviations from the 2012 Code and/or the Guide.

The Company’s ordinary shares have been listed (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”) since 12 January 2017. From the date of Listing, the Company is required to also abide by, among others, the applicable code provisions of the Corporate Governance Code (the “**HK CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**SEHK Listing Rules**”). From the date of Listing to the date of this report, the Group has complied with the HK CG Code, except those appropriately justified and disclosed.

## 1 Board Matters

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

#### BOARD OF DIRECTORS

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

The primary functions of the Board are to provide entrepreneurial leadership for the Company and its subsidiaries, set the Group’s values and standards and enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group’s long-term strategic objectives and directions, reviews and approves the Group’s business and strategic plans and monitors the achievement of the Group’s corporate objectives. It also review Management’s performance, oversees the management of the Group’s business affairs and conducts periodic reviews of the Group’s financial performance and implementing policies relating to financial matters, which include risk management, internal controls, sustainability issues and compliance. All Directors must objectively make decisions in the interests of the Group as fiduciaries.

## CORPORATE GOVERNANCE REPORT

### 1 Board Matters (cont'd)

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

The Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board also takes into account the scope and nature of the operations of the company.

The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	58	28/12/2004	N/A	Managing Director
Kong Deyang	56	26/09/2005	27/04/2015	Executive Director
Lim Siang Kai	61	26/09/2005	27/04/2015	Independent Non-executive Director
Soh Beng Keng	63	26/09/2005	22/04/2016	Independent Non-executive Director
Tan Soon Liang	44	18/08/2016	N/A	Independent Non-executive Director

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature. The Board also has guidelines setting forth clear directions to Management on matters that must be approved by the Board.

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

The Board meets at least four times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. The schedule of all the regular Board and Board Committees meeting 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 2012 Code and the SEHK Listing Rules. Ad-hoc meetings will be held when circumstances require. The Company's Constitution also provide for telephone conference and video conference meetings.

# CORPORATE GOVERNANCE REPORT

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

### BOARD COMMITTEES

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

The attendance of the Directors at meetings of the Board and Board Committees for FY2016 is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	6	4	2	1
<b>Directors</b>	<b>Number of meetings attended</b>			
Teo Cher Koon	6	N/A	2	N/A
Kong Deyang	3	N/A	N/A	N/A
Lim Siang Kai	6	4	2	1
Soh Beng Keng	6	4	2	1
Tan Soon Liang <sup>(1)</sup>	3	1	N/A	N/A

N/A- Not applicable

#### Note:

- (1) Mr. Tan Soon Liang was appointed to the Board on 18 August 2016 and has attended all meetings from the date of his appointment.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. 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 guidelines from the SGX-ST Listing Manual and the SEHK Listing Rules that affect the Company and/or the Directors in discharging their duties.

During the year ended 31 December 2016, the Directors were provided updates and informative news of the 2012 Code and the Guide. The shares of the Company has 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 Rule A6.5 of Appendix 14 to the SEHK Listing Rules after the dual listing of the Company on the SEHK, the Company shall arrange 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 this year.

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

### Principle 2: Board Composition and Guidance

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

The majority of the Board is independent. During the financial year under review (i.e. FY2016), the Board of the Company comprised two (2) Executive Directors and three (3) Independent Non-executive Directors, namely:

#### **Executive Directors**

Teo Cher Koon  
Kong Deyang

#### **Independent Non-executive Directors**

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

There is a good balance between the Executive Director and Independent Non-executive Directors and a strong and independent element on the Board. Key information on directors can be found in the "Board of Directors" section of the Annual Report. The Board has complied with the requirements of the 2012 Code and SEHK Listing Rules 3.11 that at least one third of the Board comprises Independent Non-executive Directors. The Independent Non-executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

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

The independence of each Director is reviewed annually by the NC, in accordance with Guideline 2.3 of the 2012 Code and SEHK Listing Rules 3.13. The Board considers an "independent" Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The Board is independent from Management. No individual or small group of individuals is allowed to dominate the Board's decision making.

The Company does not have any alternate directors on the Board and did not appoint any alternate directors for FY2016. 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.

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

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

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

The Independent Non-executive Directors constructively challenge and help to develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on Management, Independent Non-executive Directors have met once in FY2016 without Management being present.

### Principle 3: Chairman and Chief Executive Officer

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

The Chairman, and the Managing Director and President of the Group are separate persons and therefore the Company is not required to have at least half the Board to be independent or to have a lead independent Director.

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

- schedules meetings and sets the agenda and enables the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- ensures that the Directors receive accurate, timely and clear information and promotes a culture of openness and debate on the Board;
- exercises control over quality, quantity and timeliness of the flow of information between Management and the Board;
- assists in ensuring compliance with Company's guidelines on corporate governance;
- facilitates the effective contribution of Independent Non-executive Directors in particular;
- encourages constructive relations between Executive Directors and Independent Non-executive Directors, as well as effective communications with shareholders;
- acts on the results of the performance evaluation;
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC; and
- promotes high standards of corporate governance.

## CORPORATE GOVERNANCE REPORT

### 1 Board Matters (cont'd)

#### Principle 3: Chairman and Chief Executive Officer (cont'd)

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

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

#### Principle 4: Board Membership

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

#### NOMINATING COMMITTEE

The NC comprises one Executive Director and two Independent Non-executive Directors, one 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

The NC performs the following principal functions:

- reviews the structure, size and composition of the Board and makes recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-election of members of the Board;
- make plans for succession, in particular for the Chairman, and the Managing Director and President;
- determines annually whether or not a Director is independent in accordance with the guidelines of the 2012 Code and SEHK's Listing Rule 3.13;
- develops and proposes a process with objective performance criteria to evaluate the performance of the Board, its board committees and Directors;
- decides whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company;
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board; and
- recommends to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
- reviews the training and professional development programs for the Board.

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

### Principle 4: Board Membership (cont'd)

The NC has in place a selection and nomination process for the appointment of new Director. 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 person and if not, then to consult the Board with respect to the appointment of two 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.

### 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 submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

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 years.

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

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

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. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company 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.

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

### Principle 4: Board Membership (cont'd)

The NC recommended that Mr. Teo Cher Koon, Mr. Lim Siang Kai and Mr. Tan Soon Liang (collectively, the “Retiring Directors”), be nominated for re-election at the forthcoming AGM. The Board had accepted the NC’s recommendation and the Retiring Directors will be offering themselves for re-election.

Mr. Tan Soon Liang being the Chairman of the RC and Mr. Lim Siang Kai, being the Chairman of the AC, RMC and the Board of Directors respectively who are retiring at the forthcoming AGM abstained from voting on the resolutions in respect of their re-nomination as a Director.

If Mr. Lim Siang Kai is re-elected by shareholders, Mr. Lim Siang Kai and Mr. Soh Beng Keng will enter into their twelfth year of service on the Board. Pursuant to the guidelines of the 2012 Code and SEHK Listing Rules 3.13, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board, and they are of the view 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 of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification as they deemed necessary, including through direct access to the Management. Further, the NC has noted that there are no relationships or circumstances which are likely to affect or could appear to affect the judgement of the Independent Non-executive Directors. After considering the view of the NC and the performances of Mr. Lim Siang Kai and Mr. Soh Beng Keng in discharging their duties, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.

### COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Gn Jong Yuh Gwendolyn and Mr. Tang Chi Chiu. Ms. Gn, a qualified advocate and solicitor in Singapore specializing in corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions, has been working as our company secretary since 2007.

Since Listing on SEHK on 12 January 2017, the Company has engaged Mr. Tang, a practicing member of the Hong Kong Institute of Certified Public Accountants, as a joint company secretary to satisfy the requirements regarding company secretaries as set out in rule 3.28 of the SEHK Listing Rules. Mr. Tang will work closely with Ms. Gn in the discharge of her duties as a company secretary for an initial period of three years commencing from the Listing Date. Upon expiry of the three-year period, a further evaluation of the qualifications and experience of Ms. Gn and the need for on-going assistance would be made.

For the year ended 31 December 2016, Ms. Gn and Mr. Tang have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the SEHK Listing Rules.

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

### Principle 5: Board Performance

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

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

The criteria used to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution of each Director to the effectiveness of the Board are as follows:

1. Timely guidance to Management
2. Attendance at Board/Committee meetings
3. Participation at Board/Committee meetings
4. Commitment to Board activities
5. Board performance in discharging principle functions including enhancing long-term shareholder value
6. Board committee performance
7. Independence of Independent Non-executive Directors
8. Appropriate complement of skill, experience and expertise on the Board
9. Return on assets / equity
10. Return on investment
11. Company's share price and performance over a five-year period

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 were considered by the NC. The NC Chairman acts on the results of the performance evaluation, and in consultation with the NC, will propose to the Board, where appropriate, for new members to be appointed to the Board or to seek the resignation of Directors.

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

# CORPORATE GOVERNANCE REPORT

## 1 Board Matters (cont'd)

### Principle 6: Access to Information

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## 2 Remuneration Matters

### Principle 7: Procedures for Developing Remuneration Policies

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

#### REMUNERATION COMMITTEE

The RC comprises three Independent Non-executive Directors, one 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

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

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

Primary functions to be performed by RC:

- reviews and recommends to the Board, a formal and transparent framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the Directors and key executives whilst linking rewards to group or corporate and individual performance;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme 2016 and ISDN Performance Share Plan (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;
- reviews and approves the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

In setting the remuneration packages, the Company considers the remuneration and employment conditions within the industry. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. The expenses arising from external professional advice (if any) shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2016.

## CORPORATE GOVERNANCE REPORT

### 2 Remuneration Matters (cont'd)

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

##### Share Option Scheme & Performance Share Plan

The Company has the ISDN Performance Share Plan (the “**ISDN PSP**”). The ISDN PSP was approved and adopted by shareholders on 17 February 2012. The purpose of the ISDN PSP is to reward, retain and motivate employees, directors, controlling shareholders and their associates to perform excellently and to participate in the equity of the Company. The ISDN PSP allows the Company to award fully paid shares to deserving participants.

The following persons are eligible to participate in the ISDN PSP:

- (a) Group Employees and Group Executive Directors
- (b) Group Non-Executive Directors
- (c) Persons who qualify under (a) above and are also controlling shareholders or their associates shall not participate in the ISDN PSP unless their participation and the actual number of shares and terms of any awards to be granted to him, have been approved by independent shareholders in general meeting in separate resolutions, provided always that it shall not be necessary to obtain the approval of independent shareholders for the participation in the ISDN PSP if he is, at the relevant time already a participant.

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

- (i) The total number of new shares that may be issued pursuant to awards granted under the ISDN PSP, when added to the aggregate number of shares that are issued or are issuable in respect of the ISDN ESOS and such other share-based incentive schemes of the Company, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST or the SEHK, where applicable) of the total number of issued shares of the Company on the day immediately preceding the date on which the award shall be granted, provide and subject to the rules of the ISDN PSP.
- (ii) Awards may only be vested and consequently any shares comprised in such awards shall only be delivered upon the RC being satisfied that the participant has achieved the performance target(s) and that the vesting period (if any) has expired provided always that the RC shall have the absolute discretion to determine the extent to which the shares under that award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period. No shares under the award shall be released for the portion of the prescribed performance target(s) that is not satisfied by the participant at the end of the prescribed performance period.
- (iii) Awards represent the right of a participant to receive fully-paid shares free of charge. A participant is entitled to receive fully-paid shares free of charge subject to certain prescribed performance targets being met.
- (iv) The vesting periods of awards will be determined by the RC and may not be subject to such time restrictions before vesting.

## CORPORATE GOVERNANCE REPORT

### 2 Remuneration Matters (cont'd)

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

- (v) The selection of a participant, the number of shares which are the subject of each award to be granted to him, and the prescribed vesting period shall be determined at the absolute discretion of the RC, which shall take into account such criteria as it considers fit, including (but not limited to), in the case of a Group employee or a Group Executive Director, his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve the performance target(s) within the performance period and, in the case of a Non-Executive Director, his board and board committee appointments and attendance, and his contribution to the success and development of the Group.
- (vi) An award shall be vested in a participant for as long as he has fulfilled his performance target(s) and the vesting period (if any) has not expired and notwithstanding a transfer of his employment within any company in the Group or any apportionment of performance target(s) within any company in the Group.

There were no performance shares granted to any person pursuant to the ISDN PSP in FY2016.

The ISDN Employee Share Option Scheme 2016 (the “**ISDN ESOS**”) was approved and adopted by shareholders on 22 April 2016. The purpose of the ISDN ESOS is to complement the ISDN PSP in the Group’s efforts to reward, retain and motivate participants to achieve better performance. The ISDN ESOS was not utilised in FY2016. The ISDN ESOS 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 following persons shall be eligible to participate in the ISDN ESOS:

- (a) Group employees (including Group Executive Directors) and Group Non-Executive Directors;
- (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 is set out below:

- (i) The aggregate number of shares over which share options (“**Options**”) may be granted on any date under the ISDN ESOS shall not exceed 15.0% of the total issued shares of the Company (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 and any other schemes adopted by the Company must not exceed 10.0% of the issued shares of the Company.
- (iii) The number of shares over which Options may be granted to a participant for subscription under the ISDN ESOS 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.

## CORPORATE GOVERNANCE REPORT

### 2 Remuneration Matters (cont'd)

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

- (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 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.

There were no Options awarded to any person pursuant to the ISDN ESOS in FY2016.

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

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

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

The Independent 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 are recommended by the Board for approval at the AGM.

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

# CORPORATE GOVERNANCE REPORT

## 2 Remuneration Matters (cont'd)

### Principle 9: Disclosure on Remuneration

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

- (a) Details of remuneration and fees paid to the directors for the financial year ended 31 December 2016 are set out below:

	Basic salary	Fees	Bonus	Benefits- in-kind	Termination benefit	Fair value share of options granted	Total
	%	%	%	%	%	%	%
<b>Executive Directors</b>							
<u>S\$500,000 and above</u>							
Teo Cher Koon	25	-	74	1	-	-	100
Kong Deyang	15	-	82	3	-	-	100
<b>Independent Non-executive Directors</b>							
<u>Below S\$250,000</u>							
Lim Siang Kai	-	100	-	-	-	-	100
Soh Beng Keng	-	100	-	-	-	-	100
Tan Soon Liang <sup>(1)</sup>	-	100	-	-	-	-	100
Tay Gim Sin Leonard <sup>(2)</sup>	-	100	-	-	-	-	100

- (b) The following table shows a breakdown of the annual remuneration (in percentage terms) of top five key executives (who are not directors or the CEO) of the Group for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
<u>Below \$250,000</u>					
Lau Choon Guan	93	3	-	4	100
Wong Kwok Whye Peter	80	-	14	6	100
Cheng Hock Kiang	89	6	-	5	100
Sim Leong Seang	88	9	-	3	100
Chow Ka Man	53	43	-	4	100

#### Notes:

- (1) Tan Soon Liang was appointed as an independent Non-executive Director of our Company on 18 August 2016.
- (2) Tay Gim Sin Leonard resigned as an independent Non-executive Director of our Company on 8 August 2016.

## CORPORATE GOVERNANCE REPORT

### 2 Remuneration Matters (cont'd)

#### Principle 9: Disclosure on Remuneration (cont'd)

While the Company notes the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the 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. In particular, the Group has carried out a dual primary listing exercise on main board of the SEHK in FY2016, and apart from the listing exercise, there were appointments of a new Director as well as a new Group Chief Financial Officer (“CFO”). 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 above best preserves the business interests of the Group.

The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors) was S\$977,000 \* in FY2016. As far as the Company is aware, the remuneration of the key executives is in line with industry practices.

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

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin	86	14	-	-	100

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

The Company has in place the Schemes, which are administered by the RC. The RC reviews whether Executive Directors and Management of the Company should be eligible under such long-term incentive schemes based on factors such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service, potential for future development and his or her contribution to the success and development of the Group. Details of the ISDN PSP and the ISDN ESOS were set out in the Company’s circular to shareholders dated 2 February 2012 and 7 April 2016 respectively. There were no share awards or Options granted to any person pursuant to the Schemes in FY2016.

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

# CORPORATE GOVERNANCE REPORT

## 2 Remuneration Matters (cont'd)

### Principle 9: Disclosure on Remuneration (cont'd)

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

The Company will consider the use of contractual provisions to all 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 FY2016 relating to their remuneration packages.

## 3 Accountability and Audit

### Principle 10: Accountability

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

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of the Company through quarterly and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations, and also ensures compliance with legislative and regulatory requirements, including the SGX-ST Listing Manual and the SEHK Listing Rules by obtaining professional advice and thorough reviews with checklists.

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

Presently, Management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before the timely releasing of the results to the SGX-ST and the SEHK. The Management also provides the Board with management accounts on a monthly basis.

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

## CORPORATE GOVERNANCE REPORT

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

#### Principle 11: Risk Management and Internal Controls

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

The Board, with the oversight of the Risk Management Committee ("**RMC**"), which was formed on 19 December 2016, is responsible for the Group's risk management framework and policies. The RMC comprises three 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:

- supervises the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks, compliance risks, information technology risks and reputation risks;
- monitors and evaluates 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;
- considers, reviews and approves the risk management strategy, policies and guidelines of the Group;
- decides on risk profile, risk levels, tolerance and capacity and related resources allocation;
- reviews the risk reporting record of the Group and material risk management updates and reports of material breaches of risk limits and to assess the adequacy of proposals;
- engages 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 Groups day-to-day operations; and
- monitors and approves 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 recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives.

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

# CORPORATE GOVERNANCE REPORT

## 3 Accountability and Audit (cont'd)

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

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

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) that the Group's risk management systems and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by Management, the RMC, the AC and the Board, the Board is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2016.

### Principle 12: Audit Committee

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

The AC comprises three Independent Non-executive Directors, one of whom is also the Chairman of the AC. The members of the AC as at the date of this 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 principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management controls at least once annually, to safeguard the Company's assets and maintain adequate accounting records, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

## CORPORATE GOVERNANCE REPORT

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

#### Principle 12: Audit Committee (cont'd)

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

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

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 report or other matters.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has recommended to the Board that Messrs Moore Stephens LLP ("**Moore Stephens**") be nominated for re-appointment as external auditors of the Group at the forthcoming AGM of the Company. 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 the financial year ended 31 December 2016 is disclosed under Note 7 of the Notes to the Financial Statements. The non-audit fees paid to the Company's auditors during FY2016, in connection with the Listing, was S\$308,000 (90% has been recognised in the consolidated statement of the comprehensive income for financial year ended 31 December 2016).

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2016 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

The Company confirms that it is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of Moore Stephens as its external auditors, save for the subsidiaries as set out under Note 15 of the Notes to the Financial Statements (collectively, the "**Relevant Subsidiaries**").

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

In performing those functions, the AC reviews:

- with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and Management's response;
- the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;
- the announcements of financial performances;

## CORPORATE GOVERNANCE REPORT

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

#### Principle 12: Audit Committee (cont'd)

- discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- potential conflicts of interest (if any);
- the adequacy of the internal audit function and the effectiveness of Company's material internal controls;
- independence of the internal and external auditors;
- interested person transactions;
- the internal control procedures and ensure co-operation given by Management to the external auditors;
- the appointment and re-appointment of external and internal auditors of the Company, the scope and result of the audit and the audit fees; and
- undertake such other functions and duties as requested by the Board and as required by statute or SGX-ST Listing Manual.

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

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

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

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

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

The Company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC.

Finally, 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. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

## CORPORATE GOVERNANCE REPORT

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

#### Principle 13: Internal Audit

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

The Board is cognizant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. For FY2016, the Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("**WCA**"). WCA conducted an internal audit in FY2016 according to the International Standards for the Professional Practice of Internal Auditing and reports directly to the 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. At the same time, the Company has continued with the practice whereby it tasked two staff members with accounting backgrounds to carry out a financial review on the major operating subsidiaries of the Company and to submit timely analysis report to the Management for review.

For the financial year under review, the AC has reviewed the adequacy and effectiveness of the internal audit function performed by WCA and ensured that the internal audit function is 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 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 FY2017.

### 4 Shareholder Rights and Responsibilities

#### Principle 14: Shareholder Rights

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

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. 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 published in a daily newspaper and 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.

# CORPORATE GOVERNANCE REPORT

## 4 Shareholder Rights and Responsibilities (cont'd)

### Principle 14: Shareholder Rights (cont'd)

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 for all resolutions tabled at the general meetings. The rules, including the voting process, were explained by the scrutineers at such 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.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The Constitution of the Company has been amended on 16 December 2016 to facilitate voting in absentia. If any shareholder who is not a relevant intermediaries (as defined in the Companies Act) is unable to attend, he/she is allowed to appoint up to two 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 proxies to speak, attend and vote at general meetings.

Under the Constitution, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act; however, directors of the Company must notwithstanding anything in its Constitution, on the requisition of shareholders holding not less than 10% of the total paid-up capital of a 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 2 months after receipt by the company of the requisition. In addition to the said right of requisition, two or more shareholders holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may also call a meeting of the Company.

### Principle 15: Communication with Shareholders

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

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

The Company has put in place 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 among the investing public, and also has a section on the Company's website at [www.isdnholdings.com/investorrelations.html](http://www.isdnholdings.com/investorrelations.html) to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and maintain a regular dialogue channel with shareholders to gather views, inputs and address shareholder's concerns.

## CORPORATE GOVERNANCE REPORT

### 4 Shareholder Rights and Responsibilities (cont'd)

#### Principle 15: Communication with Shareholders (cont'd)

In addition to the above, the Company meets with its institutional and retail investors at least once a year at the Annual General Meeting of the Company where shareholders are invited and encouraged to express their views. Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.

The Group does not have a concrete dividend policy at present. 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.

#### Principle 16: Greater Shareholder Participation

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

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

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

- 21 clear days' or 20 clear business days' (whichever is longer) notice for any AGM and any EGM 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 EGMs. 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 and other relevant statutory and regulatory requirements;
- Price sensitive announcement of interim and full year results released through SGXNET and the website of the SEHK;
- Disclosures on the SGXNET and the website of the SEHK;
- Press releases;
- Press and analysts' briefings as may be appropriate; and
- The Group's website ([www.isdnholdings.com](http://www.isdnholdings.com)) where shareholders and the public may access information on the Group.

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

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 available to shareholders upon their request.

# CORPORATE GOVERNANCE REPORT

## 4 Shareholder Rights and Responsibilities (cont'd)

### Principle 15: Communication with Shareholders (cont'd)

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

## 5 Corporate Governance Summary

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

## 6 Material Contracts

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

## 7 Interested Person Transactions

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 interested person transactions 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 SEHK Listing Rules 14A on interested person transactions, the AC meets quarterly to review all interested person transactions of the Company. However, if the Company enters into an interested person transaction, the Audit Committee ensures compliance with the relevant rules under Chapter 9 of the Listing Manual and Chapter 14A of the SEHK Listing Rules.

For FY2016, there was no general mandate obtained by the company in relation to any interested person transaction.

## CORPORATE GOVERNANCE REPORT

### 7 Interested Person Transactions (cont'd)

There were no significant interested person transactions entered between the Group and interested persons during FY2016.

Name of interested person	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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding less than S\$100,000)
Not applicable	Nil	Nil

### 8 Dealings in Securities

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities.

After the date of Listing, the Company had also updated its policy with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the SEHK Listing Rules. 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 since the date of Listing to the date of this report.

Directors, executives 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. They are also prohibited from dealing in the Company's securities during the period two weeks and one month before the announcement of the Company's quarterly and full-year financial results respectively and ending on the day of the announcement of the quarterly and full-year results.

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

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

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

## CORPORATE GOVERNANCE REPORT

### 9 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 Board wishes to update the shareholders of the Company on the Group's utilization of net proceeds of approximately S\$10,415,000 (after deducting expenses of approximately S\$263,500) from the Placement, as set out below:

Prospects/ Future Plans	Amount of net proceeds allocated S\$'000	Amount utilised to date S\$'000	Amount unutilised to date S\$'000
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	615
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	6,100
Exploration of Power Plant Opportunities	2,000	2,000	-
<b>Total</b>	<b>10,415</b>	<b>3,700</b>	<b>6,715</b>

The allocation and utilization 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 40,000,000 new ordinary shares in the capital of the Company at the offer price of HK\$1.25 per share in connection with the dual primary listing of the Company on the SEHK on 12 January 2017 (the "Share Offer").

The Board wishes to update the shareholders of the Company on the Group's utilization of the net proceeds of approximately S\$7,000,000 (after deducting expenses of approximately S\$2,369,000) from the Share Offer, as set out below:

Prospects/ Future Plans	Amount of net proceeds allocated S\$'000	Amount utilised to date S\$'000	Amount unutilised to date S\$'000
Repayment of debts	6,300,000	-	6,300,000
Working capital requirements	700,000	-	700,000
<b>Total</b>	<b>7,000,000</b>	<b>-</b>	<b>7,000,000</b>

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

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE FUNCTIONS

Upon the Company has been dual primary listing on the SEHK, the Board is performing the corporate governance duties set out in Code Provision D.3.1 of the HK CG Code, which, among other things, are as follows:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance; and
- (e) to review the Company's compliance with the relevant laws and regulations and disclosure in the Corporate Governance Report.

### CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, the Constitution of the Company was amended on 16 December 2016. Save as the aforesaid, there were no significant changes in the Company's constitutional documents.

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

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

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

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the 2012 Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the 2012 Code</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the 2012 Code?</p>	<p>(a) The Company has complied with the principles and guidelines as set out in the 2012 Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the 2012 Code and/or the Guide</p> <p>(b) Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.</p>
<b>Board Responsibility</b>		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature.
<b>Members of the Board</b>		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the necessary to maximise its effectiveness?</p>	(a) In identifying potential director nominees, the Board would take into account factors such as relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. The Board would seek an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		<p>(b) The composition of the Board currently has diversity in terms of skills, experience and knowledge. Key information on directors can be found in the "Board of Directors" section of the Annual Report. From a gender perspective, there is as yet no diversity as the Board is comprised of male Directors but the NC will take into account gender diversity in the considering nominees in future.</p> <p>(c) The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. The Independent Non-executive Directors also constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.</p>
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors	The NC has in place a selection and nomination process for the appointment of new Director. 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 person and if not, then to consult the Board with respect to the appointment of two persons. The NC will then source through their network or engage external professional assistance for potential

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		<p>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.</p> <p>In reviewing the nomination of the retiring Directors, the NC considers the performance and contributions of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the operational and technical contributions.</p>
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>(a) The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. The Company will ensure that all incoming directors are familiar with the company's business and governance practices.</p>

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

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

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
<b>Board Evaluation</b>		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value to be used for performance evaluation of the Board. The criteria are objective and are not changed regularly and are changed only where circumstances deem it necessary. A Board evaluation is conducted annually whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of Board performance. The results of these checklists were considered by the NC.</p> <p>(b) The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory.</p>
<b>Independence of Directors</b>		
Guideline 2.1	Does the Company comply with the guideline on proportion of the Independent Non-executive Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company	The Board has complied with the requirements of the 2012 Code and SEHK Listing Rules 3.11. At least one third of the Board comprises Independent Non-executive Directors. The Chairman of the Board is an Independent Non-executive Director. Further, Independent Non-executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board.
Guideline 2.3	<p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the 2012 Code and SEHK Listing Rules 3.13 that would otherwise deem him not be to independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	No Director falls under the category as described here.

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 2.4	Has any Independent Non-executive Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	<p>The Independent Non-executive Directors, namely Mr Lim Siang Kai (if he is re-elected at the AGM) and Mr Soh Beng Keng have served on the Board for more than nine years from the date of their respective first appointment.</p> <p>Pursuant to the guidelines of the 2012 Code and SEHK Listing Rules 3.13, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board. The Board is of the view 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 of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management. After considering the view of the NC and the performances of Mr Lim Siang Kai and Mr Soh Beng Keng in discharging their duties, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.</p>
<b>Disclosure on Remuneration</b>		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has disclosed each director's remuneration as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. Please refer to Section 2 of the Corporate Governance Report (Principle 9).

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) The Company has disclosed the remuneration of the key management personnel on a named basis in bands of S\$250,000, as well as a breakdown (in percentage terms) of their salaries, bonuses, directors' fees and other benefits for FY2016.</p> <p>Please refer to Section 2 of the Corporate Governance Report (Principle 9).</p> <p>(b) The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors) was S\$977,000 in FY2016.</p>
Guideline 9.4	<p>Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during this year? If so, please identify the employee and specify the relationship with the relevant director or CEO.</p>	<p>Yes.</p> <p>Thang Yee Chin is a director of nine of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of the Company's Managing Director and President, Teo Cher Koon. Her remuneration was in the band of between S\$250,000 and S\$300,000 for the financial year under review.</p>
Guideline 9.6	<p>(a) Please describe how the remuneration received by the executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and the long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>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, both in terms of financial, non-financial performance and the creation of shareholder wealth. The Executive Directors and the key management personnel had met the performance conditions for FY2016 under their respective service agreement and are therefore entitled to their bonuses.</p>

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
Guideline 6.1	What types of information does the Company provide to Independent Non-executive Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is this information provided?	<p>The Board is provided with complete, adequate information, management accounts, financial and corporate reports in a timely manner by Management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis. Information provided to the Board includes board papers and background information relating to the matters to be discussed by the Board. Directors would also receive relevant information on material events and transactions as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group, and may request from the management such other additional information as may be necessary to be provided. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained.</p> <p>Presently, Management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and the SEHK and public via SGXNET and the website of the SEHK.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd (" <b>WCA</b> ").
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) The Board, with the oversight of the RMC, is responsible for the Group's risk management framework and policies. 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,

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
	<p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>compliance and information technology controls. Internal and external auditors conduct annual audit 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 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.</p>
		<p>(b) The Board has also received assurance from the Group Managing Director and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and that the Group's risk management systems and internal control systems are effective and adequate. Based on the internal controls established and maintained by the Group, work performed by the external auditors</p>

## CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		<p>and internal auditors, and reviews performed by Management, the RMC, the AC and the Board, the Board is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2016.</p>
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>(a) Please refer to Note 7 of the Notes to Financial Statements.</p> <p>(b) The Audit Committee has reviewed the non-audit services paid to the external auditors and is satisfied that the external auditors are independent as all the non-audit fees pertained to the work performed by the external auditors for the Company's dual primary listing on The SEHK.</p>
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) Yes. If and where questions are presented by investors, the Company will communicate with its shareholders and attend to such questions. The Company meet with institutional and retail investors at least once a year at the AGM of the Company</p> <p>(b) Yes. The Company has a dedicated investor relations team to provide shareholders and prospective investors with information necessary to make well-informed investment decisions.</p> <p>(c) Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable. The Company is paying dividends for FY2016.

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors:

- (a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, as set out on pages 75 to 157, 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 2016 and 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 subsidiaries and associates are set out in Notes 15 and 16.

#### 2. **Operations Review**

Details of the operations review and the financial review of the Group are set out under the section headed “Operations Review” on pages 12 to 13 and the section headed “Financial Review” pages 13 to 15, respectively.

#### 3. **Results and appropriations**

The results of the Group for the year set out in the consolidated statement of comprehensive income on page 75.

Subsequent to the end of the reporting period, a final dividend of S\$0.3 cents (equivalent to HK\$1.7 cents) per ordinary share for the year ended 31 December 2016 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

#### 4. **Financial summary**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 3.

#### 5. **Investment Properties**

Details of movement in the investment properties of the Group during the year are set out in Note 12 to the consolidated financial statements.

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 6. Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 11 to the consolidated financial statements.

#### 7. Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2016 are set out in the Note 24 to the consolidated financial statements.

#### 8. Share Capital

Details of the Company issued share capital during the year set out in Note 20 to the consolidated financial statements.

#### 9. Purchase, sales or redemption of the Company's listed securities and cancellation of Treasury Shares

From the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

As at 31 December 2015, the Company held 6,365,000 ordinary shares as treasury shares. On 19 December 2016, all of treasury shares of the Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap. 50.

#### 10. Distributable reserves

Distributable reserves of the Company as at 31 December 2016 amounted to S\$2,893,000.

#### 11. Directors

The Directors of the Company during the year and up to the date of this report were:

##### Executive Directors

Teo Cher Koon	(President and Managing Director)
Kong Deyang	

##### Independent Non-executive Directors

Lim Siang Kai	(Chairman)
Soh Beng Keng	
Tan Soon Liang	(Appointed on 18 August 2016)

#### 12. Directors' service contracts

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

## **DIRECTORS' STATEMENT**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

#### **13. Directors' remuneration**

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year.

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

Details of the remuneration of the Directors are set out in Note 8 to the consolidated financial statements.

#### **14. Employee and remuneration policies**

As at 31 December 2016, there were 810 (2015: 901) 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.

#### **15. Permitted Indemnity Provision**

Under the Constitution, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

#### **16. 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 2016, the interests or short positions of our Directors and chief executive of our Company in the Shares or underlying shares of or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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 will be required, recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act (Cap. 50) of Singapore, or, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the SEHK Listing Rules, will be as follows:

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16. 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 Singapore Law

	Holdings registered in the name of directors		Holdings in which a director is deemed to have an interest	
	As at 1.1.2016	As at 31.12.2016	As at 1.1.2016	As at 31.12.2016
<b>The Company</b>				
- ISDN Holdings Limited				
Teo Cher Koon	-	-	129,572,250	131,055,150
Kong Deyang	2,050,000	2,050,000	-	-

By virtue of Section 7 of the Act, Mr Teo Cher Koon is deemed to have an interest in the shares held by the company in all its subsidiary companies. There were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2017.

Under Hong Kong Law

Long positions

Shares and underlying shares of the Company

Name of director	Capacity	Number of ordinary shares		Number of underlying shares held under share option scheme	Number of underlying shares held under warrant listing	Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests				
Mr. Teo Cher Koon	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	54.98%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	1,025,000	3,075,000	0.87%

Note: These shares were held by Assestraise Holdings Limited which is beneficially owned by Mr. Teo and Mrs. Teo. Accordingly, Mr. Teo was deemed to be interested in these 131,055,150 shares by virtue of the SFO.

## DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 16. 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)

Save as disclosed above, as at 31 December 2016, none of the Directors or Chief Executive of the Company or their respective associates had registered an interest or short position in the Shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

### 17. Share options

The Company's Employee Share Option Scheme (the "ESOS") and the amendments to the ESOS were approved by shareholders on an Extraordinary General Meeting held on 22 April 2016 and 16 December 2016, respectively.

Since the commencement of the ESOS till the end of the financial year:

- No options have been granted to the controlling shareholder of the Company and his associates;
- No participant has received 5% or more of the total options available under the ESOS;
- No options have been granted to directors and employees of the Company or its subsidiaries;
- No shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares; and
- No outstanding options to take up unissued shares of the Company or its subsidiaries at the end of the financial year.

### 18. Employee Performance Share Plan

The Company's Employee Performance Share Plan (the "EPSP") and the amendments to the EPSP were approved by shareholders on an Extraordinary General Meeting held on 17 February 2012 and 16 December 2016 respectively.

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

All Directors are eligible to participate in the EPSP. The controlling shareholders and associates who are eligible to participate in the EPSP are Mr. Teo Cher Koon and his spouse, Ms. Thang Yee Chin.

## DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 19. Audit committee

The Audit Committee ("AC") comprises all Independent Non-executive Directors. The members of the AC are:

Lim Siang Kai (Chairman)  
Soh Beng Keng  
Tan Soon Liang (Appointed on 18 August 2016)

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

- Review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Review the quarterly announcement of financial statements and annual financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board of Directors;
- Review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- 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;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- Review the cost effectiveness and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors;
- Recommend to the Board of Directors the external auditors to be nominated, and reviews the scope and results of audit;
- Report actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- Review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual; and
- Undertake such other functions and duties as may be agreed to by the AC and the Board of Directors.

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

## DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 19. Audit committee (cont'd)

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 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's Listing Manual have been complied with.

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

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

The Audit Committee has renewed, with management and the external auditors of the Company, Messrs Moore Stephen LLP, the accounting principles and policies adopted by the Group, and discussed audited financial statements of the Group for the year ended 31 December 2016. The financial statements for the year ended 31 December 2016 has been audited by the Company's external auditors, Moore Stephen LLP.

### 20. Arrangements to purchase shares or debentures

Other than the warrant holdings disclosed above, at no time during the year was the Company or any of its subsidiaries, a part to any arrangements to enable the directors of the Company 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 33 to the financial statements, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

### 22. Management Contracts

Save for service contracts, 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 year ended 31 December 2016.

### 23 Continuing connected transactions

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

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

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 23 Continuing connected transactions (cont'd)

##### (A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement

We have entered into a framework agreement on 5 September 2016 with Resem Technologies Pte. Ltd. ("Resem Technologies") pursuant to which we agreed to supply industrial machines such as special purpose machine tools with mechanical components and motion control systems to Resem Technologies. The salient terms of the agreement are set out below:

- **Contract period:** The agreement shall commence on the 12 January 2017 (the "Listing Date"), and shall continue up to and including 31 December 2018. Subject to compliance with the requirements of the SEHK Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the above term or subsequent renewal term, the agreements automatically renewed for a successive period of three years thereafter (or such other period permitted under the SEHK Listing Rules).
- **Pricing:** the sale price of the industrial machines and motion control systems shall be determined with reference to the prevailing market price of similar products at the time when the order is placed by Resem Technologies Pte. Ltd. with our Group and will be on normal commercial terms or not more favourable terms than those offered by our Group to independent third parties at the relevant time.

##### Relationship

Resem Technologies is owned by Ms. Teo Sok Hun, a sister of Mr. Teo. She owns 70% shareholding interest in Resem Technologies. She is connected person of our Company under Rule 14A.07(1) of the SEHK Listing Rules.

##### Historical transaction amount

For the years ended 31 December 2016, the total purchase amount paid and payable by Resem Technologies to our Group amounted to S\$390,000.

##### Proposed annual caps

For the years ending 31 December 2017 and 2018, the total purchase amounts payable by our Group are not expected to exceed S\$450,000 and S\$450,000 respectively.

##### Implication under the SEHK Listing Rules

As the applicable percentage ratios (other than the profits ratio) of such continuing connected transactions are expected to be less than 5% on an annual basis calculated with reference to Rule 14.07 of the SEHK Listing Rules and the annual caps are less than HK\$3 million, of such continuing connected transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the SEHK Listing Rules.

## DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 23 Continuing connected transactions (cont'd)

#### (B) 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. The salient terms of the agreement are set out below:

**Contract period:** The term of the agreement is two years from 1 January 2017 to 31 December 2018. 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

**Minimum purchase quantity:** We have agreed to make certain amounts of purchases from Maxon Motor. The minimum purchase amounts from Maxon Motor pursuant to the license agreement with Maxon Motor are CHF2,400,000 and CHF2,600,000 for the years ending 31 December 2017 and 2018 respectively. If we fail to purchase the agreed amounts for two consecutive years, the licence and distribution rights under the agreement shall become non-exclusive. As confirmed by our Directors, we were able to meet the minimum purchase requirement during the Track Record Period.

**Territory:** We are authorised to sell products within Singapore, Malaysia, Thailand, Hong Kong, 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 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. As confirmed by our Directors, there were no defects in the products supplied by Maxon Motor that would have had a material impact on our business, financial condition or results of operations during the Track Record Period.

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 23 Continuing connected transactions (cont'd)

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

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

**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 our Group to Maxon Motor for that product during the preceding six months. In case of direct claims by third parties against Maxon Motor, our Group has to indemnify Maxon Motor to the extent that the claim exceeds the agreed maximum thresholds for warranty or liability. As confirmed by our Directors, there was no such claim by third parties against Maxon Motor resulting in our Group's indemnifying Maxon Motor that would have had a material impact on our business, financial condition or results of operations during the Track Record Period.

**Termination:** The agreement may be terminated by either party by serving written notice upon an occurrence of any event of default, including the liquidation, bankruptcy or composition of any party.

**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 Suzhou and Maxon Shanghai and hence, Maxon Motor is a connected person of our Company at the subsidiary level.

###### Historical transaction amount

For the years ended 31 December 2016, the total purchase amount paid and payable by our Group to Maxon Motor amounted to S\$33,744,000.

###### Proposed annual caps

For the years ending 31 December 2017 and 2018, the total purchase amounts payable by our Group to Maxon Motor are not expected to exceed S\$45,350,000 and S\$51,600,000, 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 the Non-exempt CCTs" 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.

## DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 23 Continuing connected transactions (cont'd)

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

##### 2. Service agreements with Maxon Motor

We have entered into two service agreements on 15 February 2008 and 28 January 2014, 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. The salient terms of the agreements are set out below:

**Contract period:** The service agreements are valid up to and including 31 December 2018, 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 AG ("Interelectric"). Interelectric owns 50% of the shareholding interest in Maxon Suzhou and Maxon Shanghai and hence, Maxon Motor is a connected person of our Company at the subsidiary level.

##### Historical transaction amount

For the years ended 31 December 2016, the total service fee paid and payable by our Group to Maxon Motor amounted to S\$106,000.

##### Proposed annual caps

For the years ending 31 December 2017 and 2018, the total service fees payable by our Group to Maxon Motor are not expected to exceed S\$300,000 and S\$300,000, 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 the Non-exempt CCTs" 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.

#### (C) Annual review requirement for Continuing Connected Transactions

As the Shares have not been listed on the SEHK as at 31 December 2016, the annual review and reporting requirement as set out in Chapter 14A of the SEHK Listing Rules was not applicable to the continuing connected transactions of the Company for the year ended 31 December 2016.

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 23 Continuing connected transactions (cont'd)

##### (C) Annual review requirement for Continuing Connected Transactions (cont'd)

The Company will fulfil the annual review requirements by independent non-executive directors and auditors as set out in Rule 14A.55 to 14A.59 of the SEHK Listing Rules, and all other relevant requirements as set out in the SEHK Listing Rules for the annual report for the year ending 31 December 2017.

#### 24. Related party transactions

Our Group entered into certain related party transactions with its related parties during the year ended 31 December 2016.

Details of the Related Party Transactions are set out in Note 33 to the consolidated financial statements. Except as disclosed above, none of the related party transactions constitute a connected transaction or continuing connected transaction under the SEHK Listing Rules.

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

As at 31 December 2016, the persons or entities who have interests or short positions in the shares and underlying shares of the Company 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:

Long positions in the Company Shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares		Number of underlying shares held under share option scheme	Number of underlying shares held under warrant listing	Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests				
Assetraise Holdings Limited <sup>(1)</sup>	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	54.98%
Karl Walter Braun	Beneficial owner	20,000,000	-	-	-	-	5.64%

##### Note:

- (1) Assetraise Holdings Limited, which is solely and beneficially owned by Mr. Teo Cher Koon and his spouse Ms Thang Yee Chin, are the beneficial owner of 131,055,150 Shares. By virtue of the SFO, Mr. Teo Cher Koon and his spouse Ms Thang Yee Chin, are deemed to be interested in all of the Shares held by Assetraise Holdings Limited. Assetraise Holdings Limited held 63,945,125 Warrants.

## **DIRECTORS' STATEMENT**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons (who is not a Director or the Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

#### **26. Pre-emptive Rights**

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

#### **27. Corporate Governance**

As the shares of the Company were not listed on the SEHK until 12 January 2017, the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the SEHK Listing Rules was not applicable to the Company for the year ended 31 December 2016. The Company has adopted the CG Code since to Listing Date (12 January 2017). The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this annual report.

#### **28. Model code of securities transactions by directors**

As the Shares have not been listed on the SEHK as at 31 December 2016, the Model Code as set out in Appendix 10 of the SEHK Listing Rules was not applicable to the Company for the year ended 31 December 2016. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 12 January 2017. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this annual report.

#### **29. Major customers and suppliers**

For the year ended 31 December 2016, the Group sold less than 30% of its goods and services to its 5 largest customers.

For the year ended 31 December 2016, purchases attributable to the Group's largest supplier accounted for approximately 28% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 52% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors, or the irrelative 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.

#### **30. Environmental Policies and Performance**

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

## DIRECTORS' STATEMENT

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 30. Environmental Policies and Performance (cont'd)

As required by the SEHK Listing Rules, the Company is required to report on environmental, social and governance information ("ESG Information") on an annual basis and regarding the same period covered in this 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 three months after the publication of this annual report. The Company will notify the shareholders by way of announcement for the publication of the ESG Information in due course.

#### 31. Donations

During the year, the Group did not make any charitable donation during the year.

#### 32. Deed of Non-Competition

The Company has received the written confirmations from Mr. Teo and Mrs. Teo in respect of the compliance with the provisions of the deed of non-competition ("Deed of Non-completion"), 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, during the year 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 year and up to the date of this annual report.

#### 33. Sufficiency of Public Float

Upon dual listing of the shares of the Company 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 from 12 January 2017 (i.e. the date of listing) to the date of this Annual Report as required under the SEHK Listing Rules.

#### 34. Auditors

The auditors, Moore Stephens LLP, have indicated their willingness to accept re-appointment.

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

On behalf of the Board

.....  
**Lim Siang Kai**  
 Director

.....  
**Teo Cher Koon**  
 Director

Singapore  
 20 March 2017

# INDEPENDENT AUDITORS' 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 (the "Group"), as set out on pages 75 to 157, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, 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, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2016 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.

#### Valuation of Trade and Other Receivables

Refer to Note 2(b)(ii) under "Critical Accounting Judgements and Estimates", Note 3(k) under "Summary of Significant Accounting Policies" and Note 18 to the financial statements.

The carrying amount of the Group's trade and other receivables amounted to S\$82.7 million, which accounted for 38% of the Group's total assets as at 31 December 2016. Management reviews trade and other receivables for objective evidence of impairment on a periodic basis. In determining this, management makes significant judgement on the credit worthiness of the debtors, including whether there have been significant adverse changes in the debtors' financial condition affecting the debtors' ability to settle the debts. Where there is objective evidence of impairment, management estimates the amount of impairment loss that should be recorded against the receivables. We focused on this area because of the significant judgement involved in evaluating impairment indicators and estimating the impairment loss and recoverable amounts of the receivables.

## INDEPENDENT AUDITORS' REPORT

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

#### Key Audit Matters (cont'd)

##### **Valuation of Trade and Other Receivables (cont'd)**

###### *Our response:*

We analysed and tested, on a sample basis, the accuracy of the ageing profile of trade and other receivables by checking to the underlying sales invoices and other supporting documents. We conducted a detailed discussion with management on significant overdue trade and other receivables, and considered their assessment as to whether these aged trade and other receivables are impaired. Our audit procedures included the review of supporting documents provided by management in relation to their assessment such as subsequent receipts, correspondence with the customers, and past payment trends for the significant overdue debts. We reviewed the adequacy and appropriateness of the allowance for impairment made in light of local facts and circumstances currently available for the significant overdue trade and other receivables.

###### *Our findings:*

We found that the results of our evaluation of the Group's allowance for impairment of trade and other receivables to be consistent with management's assessment.

##### **Valuation of Inventories**

Refer to Note 2(b)(i) "Critical Accounting Judgements and Estimates", Note 3(j) under "Summary of Significant Accounting Policies" and Note 17 to the financial statements.

The carrying amount of the Group's inventories amounted to S\$38.9 million, which accounted for 18% of the Group's total assets as at 31 December 2016. Inventories are stated in the financial statements at the lower of cost and net realisable value. We focused on this area because of the high degree of management judgement required in determining the allowance of inventory obsolescence and the net realisable value of the inventories. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

###### *Our response:*

We evaluated the appropriateness of the Group's accounting policy on the valuation of its inventories. We observed the Group's inventory counts to identify the existence of damaged or obsolete products. On a sample basis, we checked and analysed the ageing profile of the inventories by verifying to the underlying suppliers' invoices. On a sample basis, we tested the unit cost of the inventories and checked management's assessment of inventories to state them at the lower of cost and net realisable value by comparing the carrying amount of the inventory items to their recent selling prices. We also evaluated management's assessment of the allowance for inventory obsolescence by taking into consideration the aging, physical condition, and past and expected future sales of the inventories.

###### *Our findings:*

We found that the results of our evaluation of the Group's allowance of inventory obsolescence and the net realisable values of inventories to be consistent with management's assessment.

# INDEPENDENT AUDITORS' REPORT

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

## Key Audit Matters (cont'd)

### *Revenue Recognition*

Refer to Note 2(b)(v) "Critical Accounting Judgements and Estimates", Note 3(t) under "Summary of Significant Accounting Policies" and Note 4 to the financial statements.

The Group's revenue arising from the sales of goods amounted to S\$258.5 million for the financial year ended 31 December 2016.

We have identified sales cut-off to be significant because of the high volume of sales transactions with varying sales contractual and shipping terms. Revenue recognition is susceptible to the higher risk that the revenue is recognised before the transfer of risks and rewards of ownership of goods to the customers especially when the sales transactions occur close to the year end.

#### *Our response:*

We obtained an understanding of revenue recognition process and tested the key controls over the capture, authorisation, and recording of the sales transactions. On a sample basis, we tested the sales transactions and checked that the revenue was recognised only upon transfer of risks and rewards of ownership of goods to customers. We performed sales cut-off test by checking the contractual and shipping terms of selected sales transactions close to the year end to assess whether the revenue was recognised in the appropriate accounting period and in accordance with the Group's revenue recognition policy.

#### *Our findings:*

We found the Group's revenue has been appropriately recognised and in the relevant accounting period.

## **INDEPENDENT AUDITORS' 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 on pages 1 to 68 and 158 to 165, 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 FRSS, 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.

# INDEPENDENT AUDITORS' REPORT

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

### Auditor's Responsibility 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.
- 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.

## **INDEPENDENT AUDITORS' REPORT**

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Group 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 Ms. Lao Mei Leng.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
20 March 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 S\$'000	2015 S\$'000
<b>Revenue</b>	4	258,502	235,299
Cost of sales		(193,503)	(169,589)
<b>Gross profit</b>		64,999	65,710
Other operating income	5	4,039	3,233
Distribution costs		(21,556)	(22,016)
Administrative expenses		(30,557)	(27,785)
Other operating expenses		(2,203)	(1,950)
Finance costs	6	(742)	(774)
Share of profit of associates		351	795
<b>Profit before income tax</b>	7	14,331	17,213
Income tax	9	(4,288)	(5,329)
<b>Profit for the year</b>		10,043	11,884
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations			
- Loss on translation of foreign operation		(1,825)	(151)
- Reclassification		(260)	-
<b>Total comprehensive income for the year</b>		7,958	11,733
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		5,153	8,721
Non-controlling interests		4,890	3,163
		10,043	11,884
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		2,940	9,063
Non-controlling interests		5,018	2,670
		7,958	11,733
<b>Earnings per share:</b>	10		
Basic		1.45	2.46
Diluted		1.45	2.46

The accompanying notes form an integral part of the financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2016

	Note	Group	
		2016 S\$'000	2015 S\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11	27,682	35,554
Investment properties	12	522	542
Land use rights	13	1,376	1,461
Goodwill	14	11,686	11,686
Associates	16	11,649	5,033
Deferred tax assets	26	59	149
<b>Total non-current assets</b>		<b>52,974</b>	<b>54,425</b>
<b>Current Assets</b>			
Inventories	17	38,902	40,855
Trade and other receivables	18	86,288	73,134
Cash and bank balances	19	38,683	39,096
<b>Total current assets</b>		<b>163,873</b>	<b>153,085</b>
<b>Total Assets</b>		<b>216,847</b>	<b>207,510</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	62,408	63,925
Warrants issue	21	3,384	3,384
Treasury shares	22	-	(1,517)
Reserves	23	55,425	53,935
		121,217	119,727
Non-controlling interests	15	14,927	19,541
<b>Total Equity</b>		<b>136,144</b>	<b>139,268</b>
<b>Non-current Liabilities</b>			
Bank borrowings	24	263	360
Finance leases	25	186	339
<b>Total non-current liabilities</b>		<b>449</b>	<b>699</b>
<b>Current Liabilities</b>			
Bank borrowings	24	13,052	13,925
Finance leases	25	150	160
Trade and other payables	27	65,478	51,911
Current tax liabilities		1,574	1,547
<b>Total current liabilities</b>		<b>80,254</b>	<b>67,543</b>
<b>Total Liabilities</b>		<b>80,703</b>	<b>68,242</b>
<b>Total Liabilities and Equity</b>		<b>216,847</b>	<b>207,510</b>

The accompanying notes form an integral part of the financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Company	
		2016 S\$'000	2015 S\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Subsidiaries	15	36,653	36,653
Associates	16	31	31
<b>Total non-current assets</b>		<b>36,684</b>	<b>36,684</b>
<b>Current Assets</b>			
Other receivables	18	74	39
Amount owing by subsidiaries	15	28,312	30,888
Dividend receivable		7,750	3,470
Cash and bank balances	19	346	331
<b>Total current assets</b>		<b>36,482</b>	<b>34,728</b>
<b>Total Assets</b>		<b>73,166</b>	<b>71,412</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	20	62,408	63,925
Warrants issue	21	3,384	3,384
Treasury shares	22	-	(1,517)
Reserves	23	2,715	1,366
<b>Total Equity</b>		<b>68,507</b>	<b>67,158</b>
<b>Current Liabilities</b>			
Other payables	27	4,659	4,254
<b>Total current liabilities</b>		<b>4,659</b>	<b>4,254</b>
<b>Total Liabilities</b>		<b>4,659</b>	<b>4,254</b>
<b>Total Liabilities and Equity</b>		<b>73,166</b>	<b>71,412</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 2016

Group	Attributable to equity holders of the Company									
	Share capital S\$'000	Warrants issue S\$'000	Treasury shares S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance at 1 January 2016	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Profit for the year	-	-	-	-	-	-	5,153	5,153	4,890	10,043
Other comprehensive (loss) / income for the year	-	-	-	-	(2,213)	-	-	(2,213)	128	(2,085)
Total comprehensive (loss) / income for the year	-	-	-	-	(2,213)	-	5,153	2,940	5,018	7,958
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	3,200	3,200
Cancellation of treasury shares	(1,517)	-	1,517	-	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,408)	(4,408)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
De-recognition of a subsidiary	-	-	-	-	-	-	-	-	(8,114)	(8,114)
Payment of dividends (Note 28)	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	205	(236)	(31)	-	(31)
Balance at 31 December 2016	62,408	3,384	-	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Attributable to equity holders of the Company									
	Share capital S\$'000	Warrants issue S\$'000	Treasury shares S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance at 1 January 2015	63,925	3,384	(1,517)	(436)	602	4,478	41,639	112,075	17,654	129,729
Profit for the year	-	-	-	-	-	-	8,721	8,721	3,163	11,884
Other comprehensive income / (loss) for the year	-	-	-	-	342	-	-	342	(493)	(151)
Total comprehensive income for the year	-	-	-	-	342	-	8,721	9,063	2,670	11,733
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	1,810	1,810
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,593)	(2,593)
Payment of dividends (Note 28)	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	11	(3)	8	-	8
Balance at 31 December 2015	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268

The accompanying notes form an integral part of the financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 S\$'000	2015 S\$'000
<b>Cash Flows from Operating Activities</b>		
Profit before income tax	14,331	17,213
Adjustments for:		
Amortisation of land use rights	34	36
Trade receivables written off	149	210
Depreciation of property, plant and equipment	2,024	2,178
Depreciation of investment properties	17	17
Allowance for inventory obsolescence	1,057	1,222
Allowance for impairment of trade receivables	99	135
Gain on disposal of interests in a subsidiary	(411)	-
Gain on disposal of property, plant and equipment	(11)	(31)
Gain on disposal of interest in an associate	(64)	-
Property, plant and equipment written off	1	3
Inventories written off	240	228
Write back of allowance for inventory obsolescence	(77)	(114)
Write back of allowance for trade receivables	(131)	(13)
Interest expense	742	774
Interest income	(267)	(226)
Share of profits of associates	(351)	(795)
Unrealised foreign exchange differences	114	1,041
Operating cash flow before working capital changes	17,496	21,878
Changes in working capital:		
Inventories	733	(7,579)
Trade and other receivables	(17,457)	(3,230)
Trade and other payables	16,343	3,132
Cash generated from operations	17,115	14,201
Interest paid	(742)	(774)
Interest received	267	226
Income tax paid	(4,282)	(5,272)
<b>Net cash generated from operating activities</b>	<b>12,358</b>	<b>8,381</b>

The accompanying notes form an integral part of the financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 S\$'000	2015 S\$'000
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(2,511)	(5,895)
Proceeds from disposal of property, plant and equipment	22	73
Net cash (outflow) / inflow on disposal / acquisition of subsidiary	(3,966)	3
Funds to investee company	(432)	(1,426)
Consideration for acquisition of interest of a subsidiary	(310)	-
Proceed from disposal of an associate	694	-
Loan to associate	-	(981)
Dividend from associates	368	275
<b>Net cash used in investing activities</b>	<b>(6,135)</b>	<b>(7,951)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends to equity holders of the Company	(1,419)	(1,419)
Dividends to non-controlling interests	(3,957)	(2,593)
Repayment from associates	23	-
Amount owing to non-controlling interests	-	3,204
Proceeds from bank borrowings	10,918	11,208
Repayments of bank borrowings	(12,954)	(9,946)
Proceeds from / (repayments of) trust receipts, net	1,067	(69)
Repayments of finance leases	(163)	(165)
Increase in fixed deposit pledged	(1,391)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(7,876)</b>	<b>220</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,653)</b>	<b>650</b>
Cash and cash equivalents at beginning of year	39,096	37,493
Effect of currency translation on cash and cash equivalents	(151)	953
<b>Cash and cash equivalents at end of year (Note 19)</b>	<b>37,292</b>	<b>39,096</b>

The accompanying notes form an integral part of the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

#### 1 General

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

The immediate and ultimate holding company is 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 subsidiary companies and associates are set out in Notes 15 and 16.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

#### 2 Basis of Preparation

##### (a) Basis of Preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016 as follows:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisition of Interests in Joint Operations</i>	1 January 2016

The adoption of these amendments to FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the Group's financial performance or financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (a) Basis of Preparation (cont'd)

##### (ii) New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 <i>Statement of Cash Flows</i>	1 January 2017
Amendments to FRS 12 <i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Improvements to FRSs (December 2016) FRS 112 <i>Disclosure of Interest in Other Entities</i>	1 January 2017

Except for FRS 115, FRS 109 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future period will have no material impact on the financial statements in the period of initial application.

##### FRS 115      *Revenue from Contracts with Customers*

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

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

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

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 115 will not have a material impact to the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (a) Basis of Preparation (cont'd)

##### (ii) New/Revised FRS which are issued but not yet effective (cont'd)

##### FRS 109 *Financial Instruments*

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

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 109 will not have a material impact to the Group's financial statements.

##### FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for accounting periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116. The Group has entered into lease agreements, which are expected to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects in future financial years prior to adoption.

##### (b) Critical Accounting Judgements and Estimates

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### Judgements made in applying accounting policies

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

##### (i) Allowance for inventory obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. The Group writes down the rest of inventories wherever the next realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

During the financial year, the Group recognised a net allowance for inventory obsolescence of S\$980,000 (2015: S\$1,108,000) (Notes 5 and 7). In addition, certain inventories amounted to S\$240,000 (2015: S\$228,000) (Note 7) became obsolete and unusable and were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2016 was S\$38,902,000 (2015: S\$40,855,000) (Note 17).

##### (ii) Impairment of trade and other receivables

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

During the financial year, the Group recognised a net write back of allowance of trade receivables of S\$32,000 (2015: net allowance for impairment loss on trade receivables of S\$122,000) (Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S\$149,000 (2015: S\$210,000) (Note 7) and were written off during the financial year. The carrying amount of the Group's allowance for impairment of trade and other receivables as at 31 December 2016 was S\$719,000 (2015: S\$861,000) (Note 34(a)(iii)) and the carrying amount of the Group's trade and other receivables was S\$82,696,000 (2015: S\$68,933,000) (excluding advances and prepayments) (Note 18).

##### (iii) Impairment of amount owing by subsidiaries

Management reviews the amount owing by subsidiaries for objective evidence of impairment on periodic basis. In determining this, management assesses at each statement of financial position date whether there is objective evidence that its amount owing by subsidiaries are impaired. In determining this, management consider factors such as the subsidiaries' financial performance and financial position, changes in the technology, market, economic or legal environment in which the subsidiaries operate.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### *Judgements made in applying accounting policies (cont'd)*

##### (iii) Impairment of amount owing by subsidiaries (cont'd)

During the financial year, no allowance for impairment of amount owing by subsidiaries was recognised by the Company (2015: S\$1,500,000). The carrying amounts of the Company's amount owing by subsidiaries as at 31 December 2016 is disclosed in Note 15.

##### (iv) Control over subsidiaries

The Group has effective equity interest of certain subsidiaries of those 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. Accordingly, the Group has accounted for these entities as subsidiaries.

##### (v) Revenue recognition

The Group has high volume of sales transactions with varying sales contractual and shipping terms. Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. In determining this, management makes judgement about the varying sales contractual and shipping terms to determine when the significant risks and rewards of ownership of the goods have been transferred to the customer. The Group has recorded revenue arising from the sales of goods amounting to S\$258.5 million (2015: S\$235.3 million) for the financial year ended 31 December 2016.

###### *Key sources of estimation uncertainty*

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### *Key sources of estimation uncertainty* (cont'd)

##### (vi) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 was S\$27,682,000 (2015: S\$35,554,000) (Note 11). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these property, plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such estimate has been changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will decrease/increase by approximately S\$202,000 (2015: S\$218,000).

##### (vii) Impairment of goodwill arising from acquisition of subsidiaries

Goodwill arising from acquisition of subsidiaries is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions could result in changes in the carrying amount of the goodwill. The carrying amount of the goodwill arising from acquisition of subsidiaries as at 31 December 2016 was S\$11,686,000 (2015: S\$11,686,000) (Note 14).

No impairment loss was recognised for the goodwill arising from the acquisition of subsidiaries as at 31 December 2016 (2015: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

If the management's estimated growth rate and pre-tax discount rates applied to the discounted cash flows for the cash-generating units as at 31 December 2016 are decreased and increased by 1% respectively (2015: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the cash-generating units ("CGUs").

##### (viii) Income taxes

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### Key sources of estimation uncertainty (cont'd)

##### (viii) Income taxes

The Group has recognised income tax expense of S\$4,288,000 (2015: S\$5,329,000) for the financial year ended 31 December 2016. The carrying amounts of the Group's current income tax liabilities and deferred tax assets as at 31 December 2016 were S\$1,574,000 (2015: S\$1,547,000) and S\$59,000 (2015: S\$149,000) respectively.

#### 3 Summary of Significant Accounting Policies

##### (a) Group Accounting

##### (i) Subsidiaries

###### Consolidation

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

##### *Consolidation (cont'd)*

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

Acquisition-related costs are expensed as incurred.

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

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

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

##### *Change in ownership interests in subsidiaries without change of control*

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

###### *Disposal of subsidiaries*

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

##### (ii) Associates

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

##### (ii) Associates (cont'd)

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

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

##### (iii) Investments in Subsidiaries and Associates

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

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

##### (b) Functional and Foreign Currencies

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

##### Transactions and balances

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### *Translation of group entities' financial statements*

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

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

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (c) Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (d) Investment Properties

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

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

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

##### (e) Land Use Rights

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

##### (f) Goodwill

Goodwill 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 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. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (g) 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.

##### (h) Derivative Financial Instruments

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

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

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

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

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

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

##### (j) Inventories

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

##### (k) Financial Assets

###### *Classification*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

###### *Recognition and Derecognition*

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

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

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

###### *Initial and Subsequent Measurement*

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

###### *Fair Value*

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

###### *Impairment*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (l) Cash and Cash Equivalents

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

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

###### *Classification as debt or equity*

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

###### *Financial liabilities*

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

Financial liabilities are classified as "other financial liabilities".

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

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

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

###### *Derecognition of financial liabilities*

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (n) Interest-bearing Loans and Borrowings

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

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

##### (o) Assets Under Hire Purchase Arrangements

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

##### (p) Share Capital

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

##### (q) Treasury Shares

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

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

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

##### (r) Dividends to Company's Shareholders

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (s) Financial Guarantees

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

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

- a. the amount of the obligation under the contract, as determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- b. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

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

##### (t) Revenue Recognition

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

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

##### Sale of goods

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

##### Interest income

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

##### Dividend income

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (t) Revenue Recognition (cont'd)

###### Technical service fee

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

###### Property management income

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

###### Administrative income and Commission income

Administrative income and commission income are recognised in the period in which services are rendered.

##### (u) Employee Benefits

###### Defined contribution plans

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

###### Employee leave entitlements

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

##### (v) Operating Leases

###### As lessor

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

###### As lessee

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (w) Income Tax

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

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

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

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

##### (x) Related Parties

A related party is defined as follows:

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

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

##### (x) Related Parties (cont'd)

- 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.

##### (y) Segment Reporting

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

##### (z) Warrants Issue

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

#### 4. Revenue

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 5. Other Operating Income

	Group	
	2016 S\$'000	2015 S\$'000
Commission income	172	102
Gain on disposal of property, plant and equipment	11	31
Gain on disposal of interest in a subsidiary	411	-
Gain on disposal of interests in an associate	64	-
Finance income:		
- interest on bank deposits	197	207
- interest on loan to an associate	70	19
Government grant	336	223
Operating lease rental income:		
- investment properties	59	53
- sub-let of office/warehouse premises	539	695
Property management income	308	451
Recovery of bad debts written off	3	23
Technical service income	743	818
Write back of allowance of inventory obsolescence*	77	114
Write back of allowance of trade receivables	131	13
Miscellaneous income	918	484
	4,039	3,233

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

#### 6 Finance Costs

	Group	
	2016 S\$'000	2015 S\$'000
Interest expense on:		
- Bank loans	697	719
- Trust receipts	26	32
- Finance leases	19	23
	742	774

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 7 Profit before Income Tax

	Group	
	2016 S\$'000	2015 S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	34	36
Audit fees		
- Company's auditors	210	243
- other auditors	134	89
Non-audit fees*		
- Company's auditors	277	-
- other auditors	194	-
Listing expenses (excluding the above non-audit fees)	2,984	-
Depreciation of property, plant and equipment		
- recognised in cost of sales	202	282
- recognised in distribution costs	260	255
- recognised in administrative expenses	1,562	1,641
	2,024	2,178
Depreciation of investment properties	17	17
Other operating expenses included:		
- trade receivables written off	149	210
- allowance for inventory obsolescence	1,057	1,222
- allowance for impairment of trade receivables	99	135
- property, plant and equipment written off	1	3
- inventories written off	240	228
- foreign exchange losses, net	668	17
Operating lease rental expense	1,636	1,382

\* The non-audit fees pertain to fees in connection with the dual-listing exercise during the financial year ended 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 8 Employee Benefits

	Group	
	2016 S\$'000	2015 S\$'000
Directors' fees	129	100
Directors' remuneration		
- salaries and related costs	3,510	4,038
- defined contribution plans	33	30
Key management personnel (other than directors)		
- salaries and related costs	6,182	6,667
- defined contribution plans	528	493
Other than directors and key management personnel		
- salaries and related costs	18,096	17,447
- defined contribution plans	2,746	2,628
	31,224	31,403

#### 9 Income Tax

	Group	
	2016 S\$'000	2015 S\$'000
Current income tax		
- Singapore	113	317
- The PRC	4,331	4,658
- Outside Singapore and The PRC	222	227
(Over) / under provision in respect of prior years:		
- current income tax	(358)	125
- deferred taxation (Note 26)	(20)	2
	4,288	5,329

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 9 Income Tax (cont'd)

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

	Group	
	2016 S\$'000	2015 S\$'000
Profit before income tax	14,331	17,213
Income tax calculated at applicable tax rates	3,771	4,460
Non-deductible expenses	599	327
Singapore statutory stepped income exemption	(63)	(97)
Deferred tax assets not recognised	707	631
Tax credit*	(269)	-
Share of results of associates	(79)	(119)
(Over) / under provision in respect of prior years:		
- current income tax	(358)	125
- deferred tax	(20)	2
	4,288	5,329

\* Tax credit was related to the utilisation of group relief during the year.

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

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2015: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2015: 25%) and 16.5% (2015: 16.5%), respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 9 Income Tax (cont'd)

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

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

#### Unrecognised tax losses

As at 31 December 2016, the Group has unutilised tax losses of approximately S\$20.5 million (2015: S\$16.4 million) which can be carried forward and used to offset against future taxable income of those Group entities in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. Deferred tax asset arising from these unutilised tax losses carry forward has not been recognised in accordance with the Group's accounting policy stated in Note 3(w). The deferred tax asset not recognised is estimated to be S\$3.5 million (2015: S\$2.8 million). The tax losses arise by the Singapore entities of the Group have no expiry date, while the tax losses arise by the PRC entities of the Group are expiring in 5 years from the year that the loss arise.

#### Unrecognised temporary differences relating to investments in subsidiaries

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

As at 31 December 2016, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries in the PRC as the Group has determined that the undistributed earnings of its subsidiaries will not be distributable in the foreseeable future.

Such temporary difference for which no deferred tax liability has been recognised aggregate to S\$41.8 million (2015: S\$40 million). The deferred tax liability is estimated to be S\$2.1 million (2015: S\$2.0 million).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 10 Earnings Per Share

	Group	
	2016	2015
	Singapore	Singapore
	cents per	cents per
	share	share
Basic earnings per share	1.45	2.46
Fully Diluted earnings per share	1.45	2.46

#### 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	
	2016	2015
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the Company	5,153	8,721

	Group	
	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	354,684,950	354,684,950

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares (Note 22) during the year.

#### Diluted earnings per share

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

The outstanding warrants as at 31 December 2016 and 2015 are anti-dilutive because their exercise price is higher than the average share price during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 11 Property, Plant and Equipment

	Freehold land	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
<b>2016</b>								
<b>Cost</b>								
Balance at 1 January	1,158	26,780	1,792	3,119	4,815	6,270	6,954	50,888
Additions	42	73	185	252	472	438	1,049	2,511
Disposals	-	-	-	(63)	(15)	(88)	-	(166)
Written off	-	-	-	-	(8)	(2)	-	(10)
Disposal of subsidiary	(379)	-	-	-	-	-	(6,912)	(7,291)
Translation adjustment	(51)	(964)	(72)	(60)	(41)	(144)	9	(1,323)
Balance at 31 December	770	25,889	1,905	3,248	5,223	6,474	1,100	44,609
<b>Accumulated depreciation</b>								
Balance at 1 January	-	4,409	1,435	1,680	3,058	4,752	-	15,334
Depreciation for the year	-	525	156	417	533	393	-	2,024
Disposals	-	-	-	(63)	(12)	(80)	-	(155)
Written off	-	-	-	-	(8)	(1)	-	(9)
Translation adjustment	-	(119)	(81)	(23)	24	(68)	-	(267)
Balance at 31 December	-	4,815	1,510	2,011	3,595	4,996	-	16,927
<b>Net book value</b>								
Balance at 31 December	770	21,074	395	1,237	1,628	1,478	1,100	27,682
<b>2015</b>								
<b>Cost</b>								
Balance at 1 January	308	26,481	1,808	2,833	4,483	5,457	3,396	44,766
Additions	828	-	194	404	512	705	3,358	6,001
Disposals	-	-	(1)	(158)	(35)	(20)	-	(214)
Written off	-	-	-	-	(12)	(77)	-	(89)
Translation adjustment	22	299	(209)	40	(133)	205	200	424
Balance at 31 December	1,158	26,780	1,792	3,119	4,815	6,270	6,954	50,888
<b>Accumulated depreciation</b>								
Balance at 1 January	-	3,837	1,249	1,377	2,557	4,328	-	13,348
Depreciation for the year	-	541	199	436	539	463	-	2,178
Disposals	-	-	(1)	(140)	(15)	(16)	-	(172)
Written off	-	-	-	-	(9)	(77)	-	(86)
Translation adjustment	-	31	(12)	7	(14)	54	-	66
Balance at 31 December	-	4,409	1,435	1,680	3,058	4,752	-	15,334
<b>Net book value</b>								
Balance at 31 December	1,158	22,371	357	1,439	1,757	1,518	6,954	35,554

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Group's leasehold properties are set out below:

Description and location	Gross Area (approximately)	Use	Encumbrance
<u>Leasehold properties</u>			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 1128 Jiangxing East Road Wujiang Economic Development Zone People's Republic of China ("PRC")	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2016, the net book value of the leasehold properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 24 was S\$20,092,000 (2015: S\$21,320,000).

During the financial year, no property, plant and equipment was acquired by means of finance leases. (2015: S\$106,000). Other property, plant and equipment were acquired by cash payments of S\$2,511,000 (2015: S\$5,895,000).

As at 31 December 2016, the net book value of property, plant and equipment of the Group held under finance leases was S\$474,000 (2015: S\$722,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 12 Investment Properties

	Group	
	2016 S\$'000	2015 S\$'000
<b>Cost</b>		
Balance at 1 January	947	962
Translation adjustment	(2)	(15)
Balance as at 31 December	945	947
<b>Accumulated depreciation</b>		
Balance at 1 January	405	392
Depreciation for the year	17	17
Translation adjustment	1	(4)
Balance at 31 December	423	405
<b>Net book value</b>		
Balance at 31 December	522	542

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S\$785,000 (2015: S\$740,000) as at the balance sheet date based on directors' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in Note 34(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 Johore, 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	Mortgaged for banking facilities
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	Mortgaged for banking facilities

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S\$59,000 (2015: S\$53,000); and direct operating expenses amounted to S\$30,000 (2015: S\$28,000). The net book value of investment properties amounting to S\$467,000 (2015: S\$484,000) are mortgaged to secure bank borrowings as disclosed in Note 24.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 13 Land Use Rights

	Group	
	2016 S\$'000	2015 S\$'000
<b>Cost</b>		
Balance at 1 January	1,705	1,688
Translation adjustment	(58)	17
Balance at 31 December	1,647	1,705
<b>Accumulated amortisation</b>		
Balance at 1 January	244	207
Amortisation for the year	34	36
Translation adjustment	(7)	1
Balance at 31 December	271	244
<b>Net book value</b>		
Balance at 31 December	1,376	1,461
Amount to be amortised:		
- not later than one year	34	36
- later than one year but not later than five years	137	142
- later than five years	1,205	1,283
	1,376	1,461

The land use rights relates to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 40 years (2015: 41 years).

As at 31 December 2016, the carrying amount of the land use rights that 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 2016

#### 14 Goodwill

	Group	
	2016	2015
	S\$'000	S\$'000
Balance at 1 January and 31 December	11,686	11,686

#### *Impairment testing of goodwill*

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

	Group	
	2016	2015
	S\$'000	S\$'000
<b>Engineering Solutions – Motion Control</b>		
- Servo Dynamics (Thailand) Co., Ltd ("Servo Thailand")	75	75
- TDS Technology (S) Pte Ltd ("TDS")	2,103	2,103
<b>Other Specialised Engineering Solution</b>		
- Dirak Asia Pte Ltd ("Dirak Asia")	9,508	9,508
	<u>11,686</u>	<u>11,686</u>

The Group assessed the recoverable amount of each CGU is based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows are using the estimated growth rate of 5% (2015: 5%) per annum for the first five-year period and terminal growth rate of 2.5% and 1.5% (2015: 3.0% and 1.5%) per annum for Dirak Asia and TDS respectively. The growth rate used is based on historical growth rate of each CGU, past experience and with reference to the then long-term average growth rate of the key markets in which the aforesaid entities 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 specific CGU. The pre-tax discount rates used, which management estimates to reflect current market assessments of the time value of money and the risks specific to the CGU's cash flows is 4%, 6% and 6% (2015: 7%, 7% and 7%) for TDS, Servo Thailand and Dirak Asia, respectively. Management believes that any reasonably possible change in the key assumptions i.e. growth rate and pre-tax discount rate, on which the recoverable amount is based would not cause the carrying amount of CGUs to exceed its recoverable amount.

Based on management's review of the recoverable amounts of the CGUs, no impairment on goodwill was required during the financial year ended 31 December 2016 (2015: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-current assets</b>		
Equity shares, at cost	23,026	23,026
Loans to subsidiaries	13,627	13,627
	<u>36,653</u>	<u>36,653</u>
<b>Current assets</b>		
Amount owing by subsidiaries	29,812	32,388
Less: Allowance for impairment loss	(1,500)	(1,500)
	<u>28,312</u>	<u>30,888</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 stated at cost.

The movement in the allowance for impairment loss during the financial year is as follows:

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Current assets</b>		
<i>Amount owing by subsidiaries</i>		
At January	1,500	-
Charged to profit or loss	-	1,500
At 31 December	<u>1,500</u>	<u>1,500</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

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

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by the Company</u>				
Motion Control Group Pte Ltd <sup>(1)</sup>	Singapore	100	100	Investment holding
Servo Dynamics Pte Ltd <sup>(1)</sup>	Singapore	100	100	Motion control solutions and industrial computing solutions
Portwell Singapore Pte Ltd <sup>(1)</sup>	Singapore	100	100	Industrial computing solutions
Leaptron Engineering Pte Ltd <sup>(1)</sup>	Singapore	100	100	Other specialised engineering solutions
ISDN Investments Pte Ltd <sup>(1)</sup>	Singapore	100	100	Investment holdings
<u>Held by Motion Control Group Pte Ltd</u>				
Precision Motion Control Pte Ltd <sup>(1)</sup>	Singapore	100	100	Motion control solutions
Servo Dynamics Co., Ltd. <sup>(2)</sup>	PRC	100	100	Motion control solutions
Servo Dynamics (Thailand) Company Limited <sup>(4)</sup>	Thailand	59.73	59.73	Motion control solutions
Servo Engineering Sdn Bhd <sup>(3)</sup>	Malaysia	90	90	Motion control solutions
Servo Dynamics (H.K.) Limited <sup>(3)</sup>	Hong Kong	100	100	Motion control solutions
Eisele Asia Co., Ltd <sup>(2)(7)</sup>	PRC	50	50	Other specialised engineering solutions
IGB (HK) Company Ltd <sup>(2)</sup>	Hong Kong	51	51	Investment holdings
Servo Dynamics Sdn Bhd <sup>(3)</sup>	Malaysia	100	100	Motion control solutions

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Motion Control Group Pte Ltd (cont'd)</u>				
Excel Best Industries (Suzhou) Co., Ltd <sup>(2)</sup>	PRC	100	100	Properties holding
IDI (INA) Laser Services Private Limited <sup>(10)</sup>	India	-	59.99	Inactive
Weiyi M&E Equipment (Shanghai) Co., Ltd <sup>(2)</sup>	PRC	51	51	Inactive
Suzhou PDC Co., Ltd <sup>(2)</sup>	PRC	100	100	Properties holding
Gateway Motion (Shanghai) Co., Ltd <sup>(2)</sup>	PRC	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co. Ltd <sup>(2)</sup>	PRC	95.33	95.33	Other specialised engineering solutions
DBASIX Singapore Pte Ltd <sup>(1)</sup>	Singapore	51.92	51.92	Investment holding
TDS Technology (S) Pte Ltd <sup>(1)</sup>	Singapore	61.18	61.18	Motion control solutions
ISDN Enterprise Management (Wu Jiang) Co., Ltd <sup>(2)</sup>	PRC	100	100	Investment holdings
Accel Technologies (China) Co., Ltd <sup>(2)</sup>	PRC	100	100	Other specialised engineering solutions
A Tracks Pte Ltd <sup>(1)</sup>	Singapore	70	70	Motion control solutions
Dirak Asia Pte Ltd <sup>(6)(7)(11)</sup>	Singapore	49	49	Other specialised engineering solutions
Suzhou Xiancheng Automation Technology Co., Ltd <sup>(2)</sup>	PRC	100	100	Motion control solutions

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Servo Dynamics Pte Ltd</u>				
Maxon Motor (Suzhou) Co., Ltd <sup>(2)(7)</sup>	PRC	50	50	Motion control solutions
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd <sup>(2)(7)</sup>	PRC	50	50	Motion control solutions
Servo Dynamics Engineering Company Limited <sup>(5)</sup>	Vietnam	51	51	Motion control solutions
<u>Held by Servo Dynamics Co., Ltd</u>				
Su Zhou Servo Dynamics Co., Ltd <sup>(2)</sup>	PRC	100	100	Motion control solutions
Beijing Junyizhicheng Technology Developing Co., Ltd <sup>(2)</sup>	PRC	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd <sup>(2)</sup>	PRC	100	100	Motion control solutions
Shanghai Delta Automation International Trade Co., Ltd <sup>(2)(10)</sup>	PRC	-	100	Inactive
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd <sup>(2)(7)</sup>	PRC	50	50	Other specialised engineering solutions
Trace Linear Technology (Suzhou) Co., Ltd <sup>(2)(7)(8)</sup>	PRC	50	-	Motion control solutions
<u>Held by IGB (H.K.) Co., Ltd</u>				
SEJINIGB (Suzhou) Co., Ltd <sup>(2)</sup>	PRC	51	51	Other specialised engineering solutions

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by DBASIX Singapore Pte Ltd</u>				
Shanghai DBASIX M&E Equipment Co., Ltd <sup>(2)</sup>	PRC	51.92	51.92	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd <sup>(3)</sup>	Malaysia	51.92	51.92	Other specialised engineering solutions
<u>Held by Shanghai DBASIX M&amp;E Equipment Co., Ltd</u>				
DBASIX Industrial Aluminium Extrusion Profiles (Shanghai) Co., Ltd <sup>(10)</sup>	PRC	-	51.92	Other specialised engineering solutions
<u>Held by TDS Technology (S) Pte Ltd</u>				
ADL Control (S) Pte Ltd <sup>(1)(7)</sup>	Singapore	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd <sup>(3)(7)</sup>	Malaysia	48.94	48.94	Motion control solutions
TDS Technology (KL) Sdn Bhd <sup>(3)(7)</sup>	Malaysia	48.94	48.94	Motion control solutions
PT TDS Technology <sup>(2)(7)</sup>	Indonesia	36.71	36.71	Motion control solutions
SDL Control (Penang) Sdn Bhd <sup>(3)</sup>	Malaysia	61.18	61.18	Motion control solutions
SDL Control (KL) Sdn Bhd <sup>(3)</sup>	Malaysia	61.18	61.18	Motion control solutions
<u>Held by ISDN Investments Pte Ltd</u>				
Agri Source Pte Ltd <sup>(1)</sup>	Singapore	100	100	Investment holdings
ISDN Resource Pte Ltd <sup>(1)</sup>	Singapore	100	100	Investment holdings
ISDN Energy Pte Ltd (formerly known as ISDN Myanmar Energy Pte Ltd) <sup>(1)</sup>	Singapore	51	100	Inactive
ISDN Myanmar Power Pte Ltd <sup>(1)</sup>	Singapore	100	100	Inactive

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by ISDN Investments Pte Ltd (cont'd)</u>				
Aenergy Holdings Company Limited <sup>(12)</sup>	Hong Kong	-	55	Investment holdings
LAA Energy HK Company Limited <sup>(2)</sup>	Hong Kong	100	100	Investment holdings
ISDN Myanmar Infrastructure Investment Pte. Ltd <sup>(1)</sup>	Singapore	100	100	Inactive
ISDN Bantaeng Pte Ltd <sup>(1)</sup>	Singapore	60	60	Investment holdings
<u>Held by Aenergy Holdings Company Limited</u>				
PT Potensia Tomini Energi <sup>(12)</sup>	Indonesia	-	44	Inactive
PT Charma Paluta Energi <sup>(12)</sup>	Indonesia	-	44	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera <sup>(12)</sup>	Indonesia	-	52.25	Investment holdings
PT Abantes Energi Indonesia <sup>(12)</sup>	Indonesia	-	26.95	Inactive
PT Simalem Bumi Energi <sup>(12)</sup>	Indonesia	-	26.95	Inactive
PT Senina Hidro Energi <sup>(12)</sup>	Indonesia	-	26.95	Inactive
PT Karo Bumi Energi <sup>(12)</sup>	Indonesia	-	26.95	Inactive
PT Galang Hidro Energi <sup>(12)</sup>	Indonesia	-	26.95	Inactive
<u>Held by LAA Energy HK Company Limited</u>				
PT LAA Energy <sup>(2)</sup>	Indonesia	90	90	Inactive

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Agri Source Pte Ltd</u>				
Agri Source Farms Sdn Bhd <sup>(3)</sup>	Malaysia	100	100	Inactive
Agri Source Suzhou Co., Ltd <sup>(2)</sup>	PRC	100	100	Inactive
Dietionary Farm Holding Pte Ltd <sup>(1)</sup>	Singapore	100	51	Investment holdings
Prima Infrastructure Sdn Bhd <sup>(2)</sup>	Malaysia	49	49	Land holding
<u>Held by Dietionary Farm Holding Pte Ltd</u>				
Dietionary Farms Sdn Bhd <sup>(2)</sup>	Malaysia	100	51	Carrying out hydroponic growing with the application of our in-house motion control solutions
<u>Held by ISDN Resource Pte Ltd</u>				
Jin Zhao Yu Pte Ltd <sup>(1)</sup>	Singapore	51	51	Inactive
PT Leaptron Armadatrans International <sup>(12)</sup>	Indonesia	-	49	Inactive
<u>Held by ISDN Bantaeng Pte Ltd</u>				
PT ISDN Bantaeng Corporation <sup>(2)</sup>	Indonesia	51	51	Inactive
<u>Held by PT SDM Bahagia Sejahtera</u>				
PT Punggawa Datara Energy <sup>(12)</sup>	Indonesia	-	25.60	Inactive

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Dirak Asia Pte Ltd</u>				
Suzhou Dirak Co., Ltd <sup>(6)(7)</sup>	PRC	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd <sup>(6)(7)</sup>	PRC	49	49	Other specialised engineering solutions
Taiwan Dirak Co., Ltd <sup>(6)(7)</sup>	Republic of China (Taiwan)	29.89	29.89	Other specialised engineering solutions
Zhuzhou Dirak Technology Co., Ltd <sup>(6)(7)</sup>	PRC	29.4	29.4	Other specialised engineering solutions
<u>Held by Suzhou Dirak Co., Ltd</u>				
Beijing Dirak Co., Ltd <sup>(6)(7)</sup>	PRC	31.85	31.85	Other specialised engineering solutions
Dirak (Shanghai) Co., Ltd <sup>(6)(7)(8)</sup>	PRC	49	49	Inactive
<u>Held by Servo Dynamics (H.K.) Limited</u>				
SDHK (Shenzhen) Technology Co., Ltd <sup>(6)(8)</sup>	PRC	100	-	Inactive
<u>Held by Leaptron Engineering Pte Ltd</u>				
PT Leaptron Engineering <sup>(2)</sup>	Indonesia	100	100	Inactive
* Less than \$1,000				

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

- (1) Audited by Moore Stephens LLP Singapore
- (2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
- (3) Audited by member firms of Moore Stephens International Limited in the respective countries
- (4) Audited by A.S.K.N. International Audit Services Co., Ltd
- (5) Audited by Founders Asia Consulting Auditing Co., Ltd.
- (6) Audited by Ernst & Young LLP Singapore
- (7) Deemed to be a subsidiary as the Group controls the entity via substantive rights (Note 2(b)(iv))
- (8) Incorporated during the financial year
- (9) Acquired during the financial year
- (10) De-registered during the financial year
- (11) The other 1% ownership interest is held by the Managing Director and President of the Company
- (12) Collectively referred to "Aenergy subgroup". All members of Aenergy subgroup became associates as at 30 June 2016 as disclosed in Note 16.

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	
		FY2016	FY2015	FY2016 S\$'000	FY2015 S\$'000	FY2016 S\$'000	FY2015 S\$'000
Dirak Asia subgroup	Singapore	51%	51%	474	237	6,121	5,759
Aenergy subgroup	Hong Kong	-	45%	-	(632)	-	4,914
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")	PRC	50%	50%	3,264	3,477	4,155	4,444
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd ("Maxon Shanghai")	PRC	50%	50%	814	478	1,167	851
Individual immaterial subsidiaries with non-controlling interests				466	(890)	3,484	3,573
<b>Total</b>				<b>5,018</b>	<b>2,670</b>	<b>14,927</b>	<b>19,541</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

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

	Dirak Asia subgroup		Aenergy subgroup		Maxon Suzhou		Maxon Shanghai	
	FY2016 S\$'000	FY2015 S\$'000	FY2016 S\$'000	FY2015 S\$'000	FY2016 S\$'000	FY2015 S\$'000	FY2015 S\$'000	FY2016 S\$'000
<u>Summarised statement of comprehensive income</u>								
Revenue	20,209	21,092	-	-	42,640	39,079	13,236	10,084
Profit/(loss) before income tax	1,124	966	-	(1,405)	8,886	9,305	2,168	1,281
Income tax expense	(194)	(501)	-	-	(2,358)	(2,350)	(540)	(326)
Profit/(loss) after tax and total comprehensive income/(loss)	930	465	-	(1,405)	6,528	6,955	1,628	955
<u>Summarised balance sheets</u>								
Current								
Assets	17,461	15,950	-	8,712	17,284	16,959	8,219	4,360
Liabilities	(7,209)	(6,182)	-	(3,977)	(9,209)	(8,196)	(5,886)	(2,658)
Net current assets	10,252	9,768	-	4,735	8,075	8,763	2,333	1,702
Non-current								
Assets	1,750	1,721	-	6,185	235	124	-	-
Liabilities	-	(196)	-	-	-	-	-	-
Net non-current assets	1,750	1,525	-	6,185	235	124	-	-
Net assets	12,002	11,293	-	10,920	8,310	8,887	2,333	1,702
<u>Other summarised information</u>								
Cash flow generated from operating activities	682	2,955	-	1,349	6,848	6,482	2,570	383
Dividends paid to non-controlling interests during the year	-	146	-	-	3,356	2,240	897	-
Acquisition of property, plant and equipment	408	821	-	3,194	167	49	1	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 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\$8,976,000 (2015: S\$6,388,000) held by Maxon Suzhou and Maxon Shanghai in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

(a) Change in the Group's ownership interest in a subsidiary

During the financial year, the Group acquired additional ownership interest of 49% in Dietionary Farm Holding Pte Ltd ("Dietionary Farm"), increasing its continuing interest to 100%. The consideration for Dietionary Farm of S\$310,000 was paid in cash during the financial year.

(b) Disposal of Aenergy Holdings Company Limited

In prior years, the Company, through its subsidiaries, ISDN Investments Pte Ltd ("ISDN Investments") and Aenergy, entered into investment agreements with Mr Robert Alexander Stone ("Mr Robert") and SHS Limited ("SHS"), to divest 20% and 25% of its shareholdings held in Aenergy for an additional capital injection of US\$6.4 million and US\$8.0 million respectively. As at 31 December 2015, a total balance from Mr Robert and SHS amounted to US\$2.7 million had not yet been converted to investment in Aenergy and was recorded under amount owing to non-controlling interests.

During the financial year ended 31 December 2016, this amount of US\$2.7 million (S\$3.2 million) has been converted by the non-controlling interests as equity contribution in Aenergy before the disposal as described below.

During the current financial year, the Company's wholly owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investments"), entered into a sale and purchase agreement (the "SPA") with Mr Robert (the "Purchaser"), to dispose of its 3,181 ordinary shares in Aenergy representing approximately 17.5% of the total issued share capital of Aenergy (the "Sale Shares") to the Purchaser, upon the terms of the SPA (the "Disposal"). The aggregate consideration is US\$2.6 million (S\$3.7 million) which US\$0.5 million (S\$0.6 million) has been received in cash, and the remaining balance of S\$3.1 million (Note 18) has been recorded as amount due from investor as at 31 December 2016.

The Disposal had been completed on 30 June 2016. Upon completion of the Disposal, ISDN Investments' shareholding interest in Aenergy was reduced to approximately 37.5%. As a result, Aenergy ceased to be a subsidiary of the Company and the financial position and operating results of Aenergy and its subsidiaries ceased to be consolidated as subsidiaries into the Group from the completion date of Disposal.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

##### (b) Disposal of Aenergy Holdings Company Limited (cont'd)

###### *Analysis of assets and liabilities over the disposal of 17.5% ownership interest*

	<b>2016</b>
	<b>S\$'000</b>
	<hr/>
Cash and cash equivalents	4,631
Receivables	8,790
Property, plant and equipment	7,291
Payables	<u>(2,680)</u>
Net assets disposed of	<u>18,032</u>
Net assets disposed of 17.5% ownership interest	<u><u>3,156</u></u>
Non-controlling interest as at the date of disposal of 45%	<u><u>8,114</u></u>
 <i>Gain on disposal of 17.5% ownership interest</i>	
	<hr/>
	<b>2016</b>
	<b>S\$'000</b>
Consideration receivable	3,567
Net assets disposed of 17.5% ownership interest	<u>(3,156)</u>
Gain on disposal (Note 5)	<u><u>411</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 15 Subsidiaries (cont'd)

##### (b) Disposal of Aenergy Holdings Company Limited (cont'd)

*The aggregate cash inflow arising from disposal of subsidiary*

	<b>2016</b> <b>S\$'000</b>
Consideration receivable in cash and cash equivalents	665
Less: cash and cash equivalent balances disposed of	<u>(4,631)</u>
	<u><u>(3,966)</u></u>

##### (c) Termination of agency agreement

During the financial year ended 31 December 2015, the Company's wholly-owned subsidiary, ISDN Resource Pte Ltd ("ISDN Resources"), together with a third party Indonesian company incorporated PT Leaptron Armadatrans International ("PTLAI") under a partnership agreement entered by both parties. Management was of the view that the Group can exercise control over the entity through the partnership agreement with evidenced through, among others, (i) its ability of directing and managing the entity's relevant operating and financing activities on a day to day basis; and (ii) its ability of affecting the entity's returns as a whole by exercising its control. The non-controlling interest, who has a shareholding of 51% of PTLAI, undertakes that it will vote in conjunction with ISDN Resources's vote in the general meeting of shareholders of PTLAI. As a result, the Group has substantive rights during the financial year ended 31 December 2015 over PTLAI, and consequently, PTLAI was consolidated as subsidiary during the financial year ended 31 December 2015.

During the current financial year, the above-mentioned partnership agreement was terminated and the Group remains to have significant influence over PTLAI. As a result, PTLAI ceased to become a subsidiary of the Company and the financial position and operating results of PTLAI ceased to be consolidated as subsidiary into the Group upon the termination. No gain/loss on disposal arises from this termination.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16 Associates

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Equity shares, at cost	9,248	1,798	*	*
Share of post-acquisition profits	4,196	4,543	-	-
Share of dividends	(1,533)	(1,105)	-	-
Translation adjustment	(319)	(291)	-	-
	11,592	4,945	*	*
Loans to associates	57	88	31	31
	11,649	5,033	31	31

\* Less than S\$1,000

All of the above associates are accounted for using the equity method in these consolidated financial statements.

As at 31 December 2016, investment in associates includes goodwill of S\$125,000 (2015: S\$125,000).

During the financial year, the Group recognised dividend income of S\$428,000 (2015: \$275,000) from its investments in associates. The dividend income of S\$368,000 has been received in cash, and the remaining balance of S\$60,000 has been included as sundry debtors under other receivables as at 31 December 2016.

The summarised financial information in respect of the Group's material associate is set out below.

	Aenergy subgroup	
	2016 S\$'000	2015 S\$'000
Current assets	13,424	-
Non-current assets	9,632	-
Current liabilities	(4,955)	-
Non-current liabilities	-	-
Non-controlling interests	(283)	-
	2016 S\$'000	2015 S\$'000
Revenue	-	-
Loss for the year	(266)	-
Total comprehensive income	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16 Associates (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy subgroup recognised in the consolidated financial statements:

	<b>2016</b> <b>S\$'000</b>
Net assets of Aenergy subgroup	18,101
Proportion of the Group's ownership	37.5%
Carrying amount of the Group's interest in Aenergy subgroup	<u>6,788</u>

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

	<b>Group</b>	
	<b>2016</b> <b>S\$'000</b>	<b>2015</b> <b>S\$'000</b>
Assets and Liabilities:		
- total assets	25,679	22,772
- total liabilities	<u>11,922</u>	<u>11,372</u>
Results:		
- revenue	28,645	30,301
- profit for the year	1,378	2,206
- other comprehensive income	<u>-</u>	<u>193</u>

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

<b>Name</b>	<b>Country of incorporation/ principal place of business</b>	<b>Effective equity interest held by the Group</b>		<b>Principal activities</b>
		<b>2016</b> %	<b>2015</b> %	
<u>Held by the Company</u>				
W2Energy Pte Ltd <sup>(2) (12)(14)</sup>	Singapore	-	35	Dormant
<u>Held by ISDN Investments Pte Ltd</u>				
Aenergy Holdings Company Limited <sup>(2)</sup>	Hong Kong	37.50	-	Investment holdings

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Servo Dynamics Pte Ltd</u>				
Maxon Motor Taiwan Co., Ltd <sup>(11)(12)</sup>	Republic of China (Taiwan)	50	50	Motion control solutions
<u>Held by Motion Control Group Pte Ltd</u>				
DKM South Asia Pte Ltd <sup>(8)</sup>	Singapore	35	35	Motion control solutions
Precision Motion Control Philippines Inc. <sup>(4)</sup>	Philippines	40	40	Motion control solutions
IDI Laser Services Pte Ltd <sup>(5)</sup>	Singapore	33.33	33.33	Inactive
Prestech Industrial Automation Pte Ltd <sup>(6)</sup>	Singapore	37.5	37.5	Motion control solutions
JM Vistec System Pte Ltd <sup>(1)</sup>	Singapore	40	40	Other specialised engineering solutions
Schneeberger Linear Technology Pte Ltd <sup>(7)(12)(13)</sup>	Singapore	-	50	Motion control solutions
<u>Held by TDS Technology (S) Pte Ltd</u>				
TDS Technology (Thailand) Company Limited <sup>(9)</sup>	Thailand	28.15	28.15	Motion control solutions
<u>Held by JM Vistec System Pte Ltd</u>				
JM Vistec (Suzhou) Co., Ltd <sup>(11)</sup>	PRC	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd <sup>(11)</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
JM Vistec System (Thailand) Co., Ltd <sup>(9)(10)</sup>	Thailand	19.6	19.6	Other specialised engineering solutions

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2016 %	2015 %	
<u>Held by Aenergy Holdings Company Limited</u>				
PT Potensia Tomini Energi <sup>(2)</sup>	Indonesia	30	-	Inactive
PT Charma Paluta Energy <sup>(2)</sup>	Indonesia	30	-	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera <sup>(2)</sup>	Indonesia	35.63	-	Investment holdings
PT Abantes Energi Indonesia <sup>(2)</sup>	Indonesia	18.38	-	Inactive
PT Simalem Bumi Energi <sup>(2)</sup>	Indonesia	18.38	-	Inactive
PT Senina Hidro Energi <sup>(2)</sup>	Indonesia	18.38	-	Inactive
PT Karo Bumi Energi <sup>(2)</sup>	Indonesia	18.38	-	Inactive
PT Galang Hidro Energi <sup>(2)</sup>	Indonesia	18.38	-	Inactive
<u>Held by PT SDM Bahagia Sejahtera</u>				
PT Punggawa Datara Energy <sup>(2)</sup>	Indonesia	17.46	-	Inactive
<u>Held by ISDN Resource Pte Ltd</u>				
PT Leaptron Armadatrans International <sup>(2)</sup>	Indonesia	49	-	Inactive

\* Less than \$1,000

(1) Audited by Moore Stephens LLP Singapore

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

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

(4) Audited by Aclan & Co

(5) Audited by S L Koh & Co

(6) Audited by Ecovis Trustnet Alliance LLP

(7) Audited by Subraco LLP

(8) Audited by ASQM

(9) Audited by MPN Accounting Co., Ltd for the financial year ended 31 December 2016

(10) Audited by Smile Audit Co for the financial year ended 31 December 2015

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 16 Associates (cont'd)

- (11) Audited by Lin Hua CPA Firm  
 (12) No management control over the financial and operating policy decisions  
 (13) De-registered during the financial year  
 (14) Struck off during the financial year

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

#### *Disposal of an associate*

During the current financial year, the Company, through its wholly-owned subsidiary, Motion Control Group Pte Ltd ("MCG"), entered into a sales and purchase agreement with a third party to dispose the 50% equity share of Schneeberger Linear for a total consideration of S\$812,000. The disposal had been completed during the financial year ended 31 December 2016. Consequently, an amount of S\$748,000 was transferred out from investment in associates and a gain on disposal of S\$64,000 has been recognised in profit or loss for the financial year end 31 December 2016.

Sales proceeds of S\$694,000 have been received in cash, and the remaining balance of S\$118,000 has been included as sundry debtors under other receivables as at 31 December 2016.

#### 17 Inventories

	Group	
	2016	2015
	S\$'000	S\$'000
Components parts	16,565	16,740
Finished goods	26,134	28,672
Work-in-progress	2,164	1,228
Goods-in-transit (finished goods)	1,369	885
Total inventories at cost	46,232	47,525
Less: allowance for inventory obsolescence	(7,330)	(6,670)
Total inventories at the lower of cost and net realisable value	<u>38,902</u>	<u>40,855</u>
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	<u>193,384</u>	<u>169,928</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 18 Trade and Other Receivables

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Trade receivables, net of impairment (a):</u>				
- note receivables (b)	6,147	7,336	-	-
- third parties	59,707	45,957	-	-
- associates	2,237	1,847	-	-
- related parties	1,340	814	-	-
	69,431	55,954	-	-
<u>Other receivables:</u>				
Funding to investee company (c)	4,476	7,820	-	-
Amount due from investor Note 15(b)	3,072	-	-	-
Advances paid to				
- suppliers	2,756	3,284	-	-
- associates (d)	113	149	-	-
- related parties (d)	24	36	-	-
Deposits	673	671	-	-
Loans to associates (e)	1,313	1,031	-	-
Sundry debtors	3,731	3,457	-	37
	16,158	16,448	-	37
Prepayments	699	732	74	2
	86,288	73,134	74	39

(a) Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 31 December 2016 were trade receivables from third parties amounted to S\$792,000 (2015: S\$546,000) which are under the Account Receivables Bulk Factoring arrangement (Note 24) via a bank facility agreement entered by a subsidiary of the Company. These factored trade receivables are 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 18 Trade and Other Receivables (cont'd)

(c)

	Group	
	2016 S\$'000	2015 S\$'000
Funding to investee company		
Note (c)(i)	447	470
Note (c)(ii)	-	3,348
Note (c)(iii)	3,928	3,947
Others	101	55
	4,476	7,820

(i) The funding is secured by personal guarantees and shares pledged by the existing shareholders of an investee company and the amount is refundable on demand with 10% guaranteed return per annum.

(ii) In prior years, Aenergy funded S\$3,348,000 to two investee companies under a non-binding term sheet, which did not represent or create an obligation to conclude a transaction, for exploring an energy related project. The funding shall be refunded to Aenergy at no interest if the investment risk or returns profile is not in favour to it.

The amounts were deconsolidated as at 31 December 2016 as a result of the disposal of 17.5% shares of Aenergy (Note 15(b)).

(iii) In prior years, ISDN Resource entered into mining operation agreement with two investee companies to which ISDN Resource will provide financing and other management related services to them. ISDN Resource provided approximately S\$4.0 million as loan and advances for working capital pursuant to the signing of the agreement.

The loan and advances are non-trade, unsecured, interest-free, and are repayable on demand.

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

(e) The loans to associates bear interest of 2.9% to 5.0% (2015: 3.5% to 5.0%) per annum, and are unsecured and repayable on demand in cash.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 19 Cash and Bank Balances

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash and bank balances	35,807	34,034	346	331
Fixed deposits	2,876	5,062	-	-
	<u>38,683</u>	<u>39,096</u>	<u>346</u>	<u>331</u>
Effective interest rate per annum	0.1% to 5.80%	0.05% to 5.80%	-	-

The fixed deposits have a maturity period of 1 to 12 months (2015: 1 to 6 months).

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

	Group	
	2016 S\$'000	2015 S\$'000
Cash and fixed deposits	38,863	39,096
Less: bank deposit pledged	(1,391)	-
Cash and cash equivalents	<u>37,292</u>	<u>39,096</u>

As at 31 December 2016, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$17,884,000 (2015: S\$14,578,000). 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 20 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2016	2015	2016 S\$'000	2015 S\$'000
<b>Group and Company</b>				
Balance at 1 January	361,049,950	361,049,950	63,925	63,925
Cancellation	(6,365,000)	-	(1,517)	-
Balance at 31 December	354,684,950	361,049,950	62,408	63,925

Ordinary shares of the Company do not have any par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with respect to the Company's residual assets.

The number of ordinary shares includes treasury shares as disclosed in Note 22.

#### 21 Warrants Issue

	No. of ordinary shares		Amount	
	2016	2015	2016 S\$'000	2015 S\$'000
	<b>Group and Company</b>			
Balance at 1 January and 31 December	179,972,475	179,972,475	3,384	3,384

On 13 November 2013, the Company issued a renounceable non-written rights issue of 179,972,475 warrants at an issue price of S\$0.02 for each warrant. Each warrant carries the right to subscribe to one new ordinary share of the Company at an exercise price of S\$0.60 for each new share, on the basis of one warrant for every 2 existing ordinary shares, to be exercised at any time during the period commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 12 November 2018. There was no exercise of warrants during the current financial year. As at 31 December 2016 (2015: Nil), the number of outstanding warrants amounted to 179,972,475 (2015: 179,972,475).

#### 22 Treasury Shares

	No. of ordinary shares		Amount	
	2016	2015	2016 S\$'000	2015 S\$'000
	<b>Group and Company</b>			
Balance at 1 January	6,365,000	6,365,000	1,517	1,517
Cancellation	(6,365,000)	-	(1,517)	-
Balance at 31 December	-	6,365,000	-	1,517

On 19 December 2016, 6,365,000 ordinary shares held by our Company as treasury shares were cancelled pursuant to Section 76K of the Companies Act.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 23 Reserves

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(1,269)	944	-	-
Other reserves (c)	4,694	4,489	(178)	(178)
Retained earnings	52,436	48,938	2,893	1,544
	55,425	53,935	2,715	1,366

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

- (a) The merger reserve arose from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation in the restructuring as described in the Group's financial statements for the financial year ended 31 December 2005.
- (b) The exchange translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of group entities whose functional currencies are different from that of the Group's presentation currency.
- (c) In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC 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.

#### 24 Bank Borrowings

	Group	
	2016	2015
	S\$'000	S\$'000
<b>Non-current liabilities</b>		
Unsecured bank loans	263	360
<b>Current liabilities</b>		
Secured bank loans	3,810	5,084
Unsecured bank loans	6,564	7,476
Trust receipts	1,886	819
Account receivables bulk factoring	792	546
	13,052	13,925

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 24 Bank Borrowings (cont'd)

##### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate	Year of maturity	2016	2015
				S\$'000	S\$'000
Secured bank loan	RMB	PBOC Base Rate + 108%	2017	1,411	2,131
Secured bank loan	MYR	COF + 2%	2017	444	-
Secured bank loan	SGD	COF + 2%	2017	1,200	2,000
Secured bank loan	RMB	PBOC Base Rate + 120%	2017	755	953
Unsecured bank loan	RMB	PBOC Base Rate + 125%	2017	628	347
Unsecured bank loan	RMB/USD	PBOC Base Rate + 110%/120%	2017	3,955	4,717
Unsecured bank loan	SGD	COF + 2.5%	2017	400	-
Unsecured bank loan	SGD	3.5%	2017 - 2020	1,081	1,352
Unsecured bank loan	SGD	2.9%	2017	763	119
Unsecured bank loan	SGD	3.0%	2016	-	162
Unsecured bank loan	USD	COF + 2%	2017	-	1,139
Trust receipt	EUR/USD	COF + 2.5%	2017	953	819
Trust receipt	USD	COF + 2.5%	2017	593	-
Trust receipt	EUR	COF + 1.75%	2017	340	-
Account receivables bulk factoring	SGD	COF + 3.25%	2017	792	546
Total interest-bearing liabilities				<u>13,315</u>	<u>14,285</u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$20,092,000 (2015: S\$21,320,000) (Note 11), investment properties with carrying amount of S\$467,000 (2015: S\$484,000) (Note 12) and land use rights with carrying amounts of \$1,376,000 (2015: \$1,461,000) (Note 13).

The weighted average effective interest rate of the Group's bank borrowings is 4.69% (2015: 4.56%) per annum. The bank borrowings are secured by mortgage of properties by subsidiaries, corporate guarantees provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 25 Finance Leases

	Group	
	2016 S\$'000	2015 S\$'000
Minimum lease payments payable:		
- due not later than one year	168	179
- due later than one year and not later than five years	207	379
	375	558
Finance charges allocated to future years	(39)	(59)
Present value of minimum lease payments	336	499
<b>Non-current liabilities</b>		
Due later than one year	186	339
<b>Current liabilities</b>		
Due not later than one year	150	160
	336	499

The weighted average effective interest rate of the Group's finance leases is 2.90% (2015: 2.90%) per annum.

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

#### 26 Deferred Tax Assets

	Group	
	2016 S\$'000	2015 S\$'000
Deferred tax assets		
- to be settled within one year	59	149
Movement in deferred tax assets is as follows:		
Balance at 1 January	149	94
Credited to profit or loss (Note 9)		
- under / (over) provision in respect of prior year	20	(2)
Disposals/written off	(70)	-
Translation adjustment	(40)	57
Balance at 31 December	59	149

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 27 Trade and Other Payables

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Trade payables (a):				
- note payables (b)	2,083	-	-	-
- third parties	27,641	21,152	-	-
- associates	125	143	-	-
- related parties	7,417	2,857	-	-
	37,266	24,152	-	-
Advances received from:				
- customers	6,449	7,248	-	-
- subsidiaries (c)	-	-	6	328
Accrued operating expenses	13,600	10,431	4,189	3,871
Amount owing to an associate(d)	3,784	-	-	-
Amount owing to non-controlling interests (e)	-	4,347	-	-
Other payables (f)	4,379	5,733	464	55
	65,478	51,911	4,659	4,254

- (a) Trade payables are non-interest bearing and are usually settled within 30 - 90 days term.
- (b) Note payables to banks matured at varying dates within the next twelve months.
- (c) Advances received from subsidiaries are non-trade, unsecured, interest-free and are repayable on demand in cash.
- (d) The amount owing to an associate is non-trade, unsecured, interest-free, and repayable on demand.
- (e) The amount owing to non-controlling interests was non-trade, unsecured, interest-free, and repayable on demand in cash.
- (f) Included in other payables was an amount of S\$865,000 (2015: S\$877,000) being dividend payable to non-controlling interests.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 28 Dividends

	Group and Company	
	2016	2015
	S\$'000	S\$'000
Tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share (2015: 0.4 cents) paid in respect of the previous financial year	1,419	1,419

The Board of Directors of the Company has recommended a tax-exempt (one-tier) final dividend of Singapore 0.3 cents per share to be approved by the Company's shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ended 31 December 2016, subject to 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 (2015: Nil).

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 29 Segment Information (cont'd)

##### (a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Revenue</b>												
External sales	202,767	184,101	49,670	46,127	6,065	5,071	-	-	-	-	285,502	235,299
Inter-segment sales	3,056	1,763	1,511	1,410	30	70	-	-	(4,597)	(3,243)	-	-
	<u>205,823</u>	<u>185,864</u>	<u>51,181</u>	<u>47,537</u>	<u>6,095</u>	<u>5,141</u>	<u>-</u>	<u>-</u>	<u>(4,597)</u>	<u>(3,243)</u>	<u>285,502</u>	<u>235,299</u>
<b>Results</b>												
Segment results	17,848	22,259	511	84	561	775	(1,122)	(2,910)	-	-	17,798	20,208
Share of profit of associates	351	795	-	-	-	-	-	-	-	-	351	795
Corporate expenses											(3,941)	(3,990)
Rental income											598	748
Interest income											267	226
Finance costs											(742)	(774)
Profit before income tax											<u>14,331</u>	<u>17,213</u>
Income tax											<u>(4,288)</u>	<u>(5,329)</u>
Profit for the year											<u><u>10,043</u></u>	<u><u>11,884</u></u>
<b>Assets</b>												
Segment assets	109,573	103,959	29,945	30,750	2,746	2,276	15,461	19,065	(3,418)	(4,897)	154,307	151,153
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	11,649	5,033	-	-	-	-	-	-	-	-	11,649	5,033
Investment properties											522	542
Cash and bank balances											<u>38,683</u>	<u>39,096</u>
Consolidated total assets											<u><u>216,847</u></u>	<u><u>207,510</u></u>
<b>Liabilities</b>												
Segment liabilities	45,896	33,442	13,195	15,295	603	698	6,389	5,628	(3,418)	(4,897)	62,665	50,166
Bank borrowings and finance leases											13,651	14,784
Income tax liabilities											1,574	1,547
Others unallocated corporate liabilities											<u>2,813</u>	<u>1,745</u>
Consolidated total liabilities											<u><u>80,703</u></u>	<u><u>68,242</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 29 Segment Information (cont'd)

##### (a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Other information</b>												
Capital expenditure on												
- Property, plant and equipment	763	1,720	556	900	143	-	-	23	-	-	1,462	2,643
- Progress payments for properties under development	-	-	-	-	-	-	-	3,358	-	-	-	3,358
Depreciation of properties, plant and equipment	1,282	1,367	641	676	7	6	94	129	-	-	2,024	2,178
Depreciation of investment properties	17	17	-	-	-	-	-	-	-	-	17	17
Other non-cash expenses												
- amortisation of land use rights	34	36	-	-	-	-	-	-	-	-	34	36
- trade receivables written off	134	192	-	18	-	-	15	-	-	-	149	210
- allowance for inventory obsolescence	681	425	376	774	-	23	-	-	-	-	1,057	1,222
- allowance for impairment of trade receivables	60	(100)	37	235	-	-	2	-	-	-	99	135
- property, plant and equipment written off	1	2	-	1	-	-	-	-	-	-	1	3
- inventories written off	215	135	25	93	-	-	-	-	-	-	240	228
- write back of allowance of trade receivables	(131)	(1)	-	(12)	-	-	-	-	-	-	(131)	(13)
- write back of allowance of inventory obsolescence	(11)	(114)	(66)	-	-	-	-	-	-	-	<u>(77)</u>	<u>(114)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 29 Segment Information (cont'd)

##### (b) Geographical Information

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

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

	Revenue from external customers		Non-current Assets	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Singapore	36,977	35,004	26,811	20,765
PRC	180,790	165,638	23,024	30,775
HK	15,064	10,932	1,382	780
Malaysia	7,122	5,723	937	1,037
Others	18,549	18,002	824	1,068
	<b>258,502</b>	<b>235,299</b>	<b>52,974</b>	<b>54,425</b>

##### (c) Information about Major Customers

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

#### 30 Operating Lease Commitments

##### *Where the Group is a lessor*

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

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

	Group	
	2016 S\$'000	2015 S\$'000
Future minimum lease payment receivable:		
- not later than one year	522	515
- later than one year and not later than five years	310	413
	<b>832</b>	<b>928</b>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2015: 1 to 2 years).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 30 Operating Lease Commitments (cont'd)

##### *Where the Group is a lessee*

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

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

	Group	
	2016 S\$'000	2015 S\$'000
Future minimum lease payment payable:		
- not later than one year	1,221	1,611
- later than one year and not later than five years	779	1,320
	2,000	2,931

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2015: 1 to 3 years).

#### 31 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Commitment in respect of:		
- plant and equipment	290	290
- construction in progress hydropower plant under development	-	12,999
	290	13,289

#### 32 Corporate Guarantees

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	-	-	13,315	14,285

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 32 Corporate Guarantees (cont'd)

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.

#### 33 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 related parties at mutually agreed amounts during the financial year:

	Group		Subsidiaries	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Sales to associates	(1,734)	(2,149)	-	-
Sales to related parties	(35)	(109)	(3,903)	(3,595)
Purchases from associates	867	849	-	-
Purchases from related parties	2,001	2,104	34,782	30,034
Administrative income charged to associates	(52)	(67)	-	-
Rental charged to associates	-	(5)	-	-
Rental charged to a related party	(287)	(323)	-	-
Interest charged to associates	(76)	(79)	-	-
Interest charged by a related party	-	-	25	25
Management fee charged to related party	(42)	(45)	-	-
Other expenses charged by related parties	8	2	373	252
Other income charged to associates	-	(12)	-	-
Other income charged to a related party	(1)	-	(143)	(100)

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, are disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 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>2016</u>				
<b>Financial assets</b>				
Trade and other receivables	50,087	8,256	1,252	1,235
Cash and bank balances	17,884	9,159	1,479	2,035
	<u>67,971</u>	<u>17,415</u>	<u>2,731</u>	<u>3,270</u>
<b>Financial liabilities</b>				
Bank borrowings	6,749	890	-	996
Trade and other payables	31,075	9,816	3,378	2,553
	<u>37,824</u>	<u>10,706</u>	<u>3,378</u>	<u>3,549</u>
<b>Net financial assets/(liabilities)</b>	30,147	6,709	(647)	(279)
Less: Net financial assets denominated in the respective entities' functional currencies	(30,147)	-	-	-
<b>Currency exposure</b>	<u>-</u>	<u>6,709</u>	<u>(647)</u>	<u>(279)</u>
<u>2015</u>				
<b>Financial assets</b>				
Trade and other receivables	41,091	5,099	960	880
Cash and bank balances	14,578	10,988	1,411	1,801
	<u>55,669</u>	<u>16,087</u>	<u>2,371</u>	<u>2,681</u>
<b>Financial liabilities</b>				
Bank borrowings	7,461	1,825	-	-
Trade and other payables	21,679	7,488	2,275	1,007
	<u>29,140</u>	<u>9,313</u>	<u>2,275</u>	<u>1,007</u>
<b>Net financial assets</b>	26,529	6,774	96	1,674
Less: Net financial assets denominated in the respective entities' functional currencies	(26,529)	-	-	-
<b>Currency exposure</b>	<u>-</u>	<u>6,774</u>	<u>96</u>	<u>1,674</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 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% (2015: 5%) against S\$ at the balance sheet date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group	
	Increase/(Decrease) Profit before tax	
	S\$'000	
	2016	2015
USD	335	339
CHF	(32)	5
Euro	(14)	84

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

No disclosures for foreign currency risk have been made for the Company as it was not a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currency as at the financial year ended 31 December 2016 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 relates to fixed deposits that are short term in nature and are not held for speculative purposes but are placed to have better yield returns than cash at banks. 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 relates to bank borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 Financial Instruments (cont'd)

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

###### *Interest rate risk* (cont'd)

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2015: 0.5%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S\$21,000, S\$34,000 and S\$4,000 respectively (2015: S\$25,000, S\$37,000 and S\$9,000) as a result of higher/lower interest expense on these bank borrowings.

###### *Credit risk*

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

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

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

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

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<u>By geographical areas</u>		
Singapore	8,943	6,405
PRC	49,284	40,163
HK	3,425	1,784
Malaysia	1,508	1,468
Others	6,271	6,134
	<u>69,431</u>	<u>55,954</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 Financial Instruments (cont'd)

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

##### Credit risk (cont'd)

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

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

As at 31 December 2016, trade and other receivables which are neither past due nor impaired amounted to S\$65,677,000 (2015: S\$55,822,000).

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

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

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Trade receivables past due:		
- not more than 3 months	11,123	7,538
- 3 to 6 months	2,192	2,169
- over 6 months	3,704	3,404
	<u>17,019</u>	<u>13,111</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 Financial Instruments (cont'd)

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

##### Credit risk (cont'd)

##### (iii) Financial assets that are past due and impaired

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

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Trade receivables	719	861
Less: Allowance for impairment	(719)	(861)
	-	-

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

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Balance at 1 January	861	971
Allowance for the year	99	135
Write back of allowance for the year	(131)	(13)
Amount written off	(85)	(291)
Translation	(25)	59
Balance at 31 December	719	861

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

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 Financial Instruments (cont'd)

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

##### *Liquidity risk* (cont'd)

As at 31 December 2016, the Group maintains the following lines of credit:

- (i) S\$0.70 million of overdraft facilities;
- (ii) S\$6.28 million of foreign exchange contract hedging limit. Limit in excess of S\$6.28 million is determined at the discretion of some banks when entering into each contract;
- (iii) S\$33.66 million of other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc); and
- (iv) S\$4.46 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2016 amounted to approximately S\$31.83 million (2015: S\$58.27 million).

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

	Carrying amount S\$'000	Contractual cash flows S\$'000	Within one year S\$'000	Within two to five years S\$'000
<b>Group</b>				
<u>2016</u>				
Bank borrowings	13,315	13,654	13,370	284
Finance leases	336	375	168	207
Trade and other payables	59,029	59,029	59,029	-
	<u>72,680</u>	<u>73,058</u>	<u>72,567</u>	<u>491</u>
<u>2015</u>				
Bank borrowings	14,285	14,780	14,379	401
Finance leases	499	558	179	379
Trade and other payables	44,663	44,663	44,663	-
	<u>59,447</u>	<u>60,001</u>	<u>59,221</u>	<u>780</u>
<b>Company</b>				
<u>2016</u>				
Trade and other payables	4,659	4,659	4,659	-
<u>2015</u>				
Trade and other payables	4,254	4,254	4,254	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 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.

	Within one year S\$'000	Within two to five years S\$'000	Total S\$'000
<b>Company</b>			
<u>2016</u>			
Financial guarantee contracts	13,052	263	13,315
<u>2015</u>			
Financial guarantee contracts	13,925	360	14,285

##### (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 2016

#### 34 Financial Instruments (cont'd)

##### (b) Fair Value (cont'd)

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

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000	Carrying amount S\$'000
2016					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	630	-	630	467
Commercial property unit located in Malaysia (refer Note 12)	-	155	-	155	55
	-	785	-	785	522
<u>Liabilities</u>					
Bank borrowings	-	284	-	284	263
Finance leases	-	207	-	207	186
	-	491	-	491	449
	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000	Carrying amount S\$'000
2015					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	570	-	570	484
Commercial property unit located in Malaysia (refer Note 12)	-	170	-	170	58
	-	740	-	740	542
<u>Liabilities</u>					
Bank borrowings	-	401	-	401	360
Finance leases	-	379	-	379	339
	-	780	-	780	699

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 34 Financial Instruments (cont'd)

##### (b) Fair Value (cont'd)

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

##### Other financial assets and liabilities

The fair values of other financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables, cash and bank and 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.

##### Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate S\$284,000 (2015: S\$401,000), as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

The fair value of finance leases approximate the present value of payments as disclosed in Note 25.

#### 35 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 2016 and 2015.

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 2016 and 2015.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

#### 35 Capital Management (cont'd)

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

	Group	
	2016 S\$'000	2015 S\$'000
Net debt	40,446	27,599
Total equity	136,144	139,268
Net debt-to-equity ratio	30%	20%

#### 36 Subsequent Events

- (a) Subsequent to the financial year ended 31 December 2016, shares of the Company have been listed on the Main Board of the SEHK since 12 January 2017.
- (b) On 3 March 2017, the Company entered into a joint venture agreement with a third party to subscribe for 100,000 ordinary shares in Emmett Capital (Private) Limited ("ECPL"), representing 50% of the enlarged issued and paid-up share capital of S\$200,000 of ECPL for a total consideration of S\$100,000.

#### 37 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

## SHAREHOLDERS' INFORMATION

### AS AT 9 MARCH 2017

Issued and fully paid-up capital	:	S\$62,408,000
Number of Issued Shares	:	394,684,950
Class of Shares	:	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>	131,055,150	33.21	-	-
Teo Cher Koon	-	-	131,055,150 <sup>(1)</sup>	33.21
Karl Walter Braun	20,000,000	5.07	-	-

Note:

- (1) 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 131,055,150 shares held by Assetraise Holdings Limited.

#### PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 9 March 2017, approximately 61.72% 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 9 MARCH 2017

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	315	18.78	1,965	0.00
100 - 1,000	55	3.28	42,102	0.01
1,001 - 10,000	395	23.56	2,784,780	0.71
10,001 - 1,000,000	890	53.07	78,021,437	19.77
1,000,001 AND ABOVE	22	1.31	313,834,666	79.51
<b>TOTAL</b>	<b>1,677</b>	<b>100.00</b>	<b>394,684,950</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	189,511,050	48.02
2	CITIBANK NOMINEES SINGAPORE PTE LTD	21,982,762	5.57
3	OCBC SECURITIES PRIVATE LIMITED	13,922,322	3.53
4	PHILLIP SECURITIES PTE LTD	12,763,195	3.23
5	WONG KOON CHUE @ WONG KOON CHUA	10,226,800	2.59
6	RAFFLES NOMINEES (PTE) LIMITED	10,020,600	2.54
7	UOB KAY HIAN PRIVATE LIMITED	8,631,168	2.19
8	DBS NOMINEES (PRIVATE) LIMITED	6,714,343	1.70
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,754,000	1.20
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,700,704	1.19
11	LEE YAN GWAN	4,251,000	1.08
12	LIM TECK CHAI DANNY	4,172,000	1.06
13	ASSETRAISE HOLDINGS LIMITED	3,164,900	0.80
14	CHIENG YOU PING	3,060,100	0.78
15	HONG LEONG FINANCE NOMINEES PTE LTD	3,020,000	0.77
16	LEE ENG TEIK	2,500,000	0.63
17	GOH YEO HWA	2,394,000	0.61
18	RHB SECURITIES SINGAPORE PTE. LTD.	2,228,500	0.56
19	KONG DEYANG	2,050,000	0.52
20	PEK CHOON HENG	1,380,000	0.35
	<b>TOTAL</b>	<b>311,447,444</b>	<b>78.92</b>

## STATISTICS OF WARRANTHOLDINGS

### AS AT 9 MARCH 2017

#### DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS		NO. OF WARRANTS	
		%		%
1 - 99	4	0.84	89	0.00
100 - 1,000	97	20.25	93,742	0.05
1,001 - 10,000	185	38.62	915,846	0.51
10,001 - 1,000,000	176	36.74	23,508,912	13.06
1,000,001 AND ABOVE	17	3.55	155,453,886	86.38
<b>TOTAL</b>	<b>479</b>	<b>100.00</b>	<b>179,972,475</b>	<b>100.00</b>

#### TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,625,125	34.24
2	RHB SECURITIES SINGAPORE PTE. LTD.	15,653,578	8.70
3	LIM XIN HONG, SEAN	14,740,911	8.19
4	TAN CHIN HOCK	11,124,369	6.18
5	ONG CHUAN SAN	10,000,000	5.56
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,899,638	5.50
7	OCBC SECURITIES PRIVATE LIMITED	8,714,000	4.84
8	GOH YEO HWA	6,578,956	3.66
9	PHILLIP SECURITIES PTE LTD	2,923,577	1.62
10	LIM & TAN SECURITIES PTE LTD	2,707,000	1.50
11	ASSETRAISE HOLDINGS LIMITED	2,500,000	1.39
12	PEK CHOON HENG	2,050,000	1.14
13	UOB KAY HIAN PRIVATE LIMITED	1,637,832	0.91
14	FOO SEK LOCK	1,579,900	0.88
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,377,000	0.77
16	WONG KOON CHUE @ WONG KOON CHUA	1,317,000	0.73
17	KONG DEYANG	1,025,000	0.57
18	YAP XI MING	940,000	0.52
19	GOH YEOW LIAN	837,500	0.47
20	CHIENG CHEU LIN	804,500	0.45
	<b>TOTAL</b>	<b>158,035,886</b>	<b>87.82</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of ISDN HOLDINGS LIMITED (the “**Company**”) shall be held at 1 Robinson Road #18-00, AIA Tower, Singapore 048542 on Friday, 28 April 2017 at 9:30 a.m. (the “**Annual General Meeting**”) for the purpose of transacting the following businesses:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a tax-exempt (one-tier) final dividend of Singapore 0.3 cents per share for the year ended 31 December 2016. **(Resolution 2)**
3. To re-elect Mr. Teo Cher Koon, a director retiring under Article 89 of the Constitution of the Company, as the Managing Director and President of the Company. **(Resolution 3)**
4. To re-elect Mr. Lim Siang Kai, a director retiring under Article 89 of the Constitution of the Company, as an Independent Non-executive Director of the Company. **(Resolution 4)**
5. To re-elect Mr. Tan Soon Liang, a director retiring under Article 88 of the Constitution of the Company, as an Independent Non-executive Director of the Company. **(Resolution 5)**
6. To approve the payment of Directors’ fees of S\$130,000 for the year ending 31 December 2017 (2016: S\$129,000). **(Resolution 6)**
7. To re-appoint Messrs Moore Stephens LLP as the auditor of the Company for the year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

### AS SPECIAL BUSINESS

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

8. General Share Issue Mandate

“That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”), the SGX-ST Listing Manual and the SEHK Listing Rules approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

- (a) (1) issue shares in the Company (the “**Shares**”), whether by way of rights, bonus or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

## NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the board of Directors (the “**Board**”) may, in their absolute discretion, deem fit; and

- (b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

provided always, that subject to any applicable regulations as may be prescribed by the SGX-ST and the SEHK:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued Shares in the capital of the Company (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below) of which the aggregate number of Shares to be issued other than on a pro-rata basis to the Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);
- (2) (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 issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for the following events:
- (aa) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (bb) any subsequent consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual, as amended from time to time (unless such compliance has been waived by the SGX-ST), the SEHK Listing Rules, as amended from time to time (unless such compliance has been waived by the SEHK) and the Constitution of the Company; and
- (4) the authority conferred by this resolution shall continue in force until the earliest of:
- (aa) the conclusion of the next annual general meeting of the Company;
- (bb) the date by which the next annual general meeting of the Company is required by law to be held; and
- (cc) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Shareholders in general meetings;

**(Resolution 8)**

9. To approve the proposed amendments to the ISDN Performance Share Plan.

**(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

10. To grant the PSP Annual Mandate to the Board to issue and allot shares under the ISDN Performance Share Plan:

“That subject to and conditional upon the SGX-ST and the SEHK granting the listing of, and permission to deal in, such number of new Shares which may fall to be allotted or issued pursuant to the equity awards which may be granted under the ISDN PSP:

- (a) the aggregate number of additional shares underlying all PSP Awards granted by the Directors pursuant to the approval of this resolution (excluding PSP Awards that have lapsed or been cancelled in accordance with the PSP rules) shall not exceed 3% of the total number of shares of the Company in issue at the date of passing of this resolution;
- (b) the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to grant and to allot, issue, procure the transfer of and otherwise deal with additional shares pursuant to the ISDN PSP be and is hereby approved; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
  - (iii) the revocation or variation of the approval given by this resolution by a resolution of members of the Company in general meeting.”

**(Resolution 10)**

11. To transact any other business that may be properly transacted at the annual general meeting of the Company.

By Order of the Board

**Gwendolyn Gn Jong Yuh**  
**Tang Chi Chiu**  
*Joint Company Secretaries*

Singapore, 27 March 2017

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:

- (i) Mr. Lim Siang Kai, upon re-election will continue to serve as Chairman of the Board, Audit Committee and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).
- (ii) Mr. Tan Soon Liang, upon re-election will continue to serve as Chairman of the Remuneration Committee and a member of the Audit Committee and Risk Management Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).
- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 8 is passed.

### Notes:

- (1) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the “**Act**”) or a clearing house, a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting (“**AGM**”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
- (2) A clearing house, or a member who is a Relevant Intermediary as defined under Section 181(1C) of the Act is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
- (3) A proxy need not be a member of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

- (4) A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- (5) The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **10 Kaki Bukit Road, #01-30 KB Industrial Building, Singapore 416175**, (for Singapore shareholders), or at the Hong Kong share registrar of the Company, **Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders) not less than 72 hours before the time set for the AGM.**
- (6) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
- (7) Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- (8) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

### Personal Data Privacy:

“Personal data” in this notice has the same meaning as “personal data” in the Personal Data Protection Act 2012 (“**PDPA**”), which includes you and your proxy’s and/or representative’s name, address and NRIC/Passport No. By submitting an instrument 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 (i) consents to the collection, use and disclosure of the member’s and its proxy(ies)’s or representative’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) 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), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. You and your proxy and/or representative’s personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company’s verification and record purposes.

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# ISDN HOLDINGS LIMITED

(Incorporated In the Republic of Singapore -  
Company Registration No. 200416788Z)  
(Singapore Stock Code: 107.SI)  
(Hong Kong Stock Code: 1656)

## IMPORTANT:

1. A clearing house, or a Relevant Intermediary (as defined under (Section 181(1C) of the Companies Act, Chapter 50 (the "Act")) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We.....(name)of .....

.....(address)

being a member/members\* of ISDN Holdings Limited (the "Company"), hereby appoint:

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

and/or\*

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

or failing him/her, the Chairman of the Meeting as my/our\* proxy/proxies\* to vote for me/us\* on my/our\* behalf at the Annual General Meeting ("AGM") of the Company to be held at 1 Robinson Road #18-00, AIA Tower, Singapore 048542 on Friday, 28 April 2017 at 9.30 a.m. and at any adjournment thereof.

I/We\* direct my/our\* proxy/proxies\* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies\* will vote or abstain from voting at his/her\* discretion. The authority herein includes the right.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of Shares in the boxes provided.)

No.	Resolutions relating to:	For	Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Teo Cher Koon as Director of the Company		
4.	Re-election of Mr Lim Siang Kai as Director of the Company		
5.	Re-election of Mr Tan Soon Liang as Director of the Company		
6.	Approval of Directors' fees amounting to S\$130,000 for the financial year ending 31 December 2017		
7.	Re-appointment of Moore Stephens LLP, as Auditors and to authorise the Directors to fix their remuneration		
8.	Authority to allot and issue new shares		
9.	Approval to amend the ISDN Performance Share Plan		
10.	To grant the PSP Annual Mandate to the Board to issue and allot shares under the ISDN Performance Share Plan		

Dated this ..... day of ..... 2017

Total Number of Shares Held

.....  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

## NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act") or a clearing house, a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("AGM"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. A clearing house, or a member who is a Relevant Intermediary as defined under Section 181(1C) of the Act is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175**, (for Singapore shareholders), or at the Hong Kong share registrar of the Company, **Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders) not less than 72 hours before the time set for the AGM.**
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

## GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

## PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) 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), 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) 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.





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

Company registration No. 200416788Z