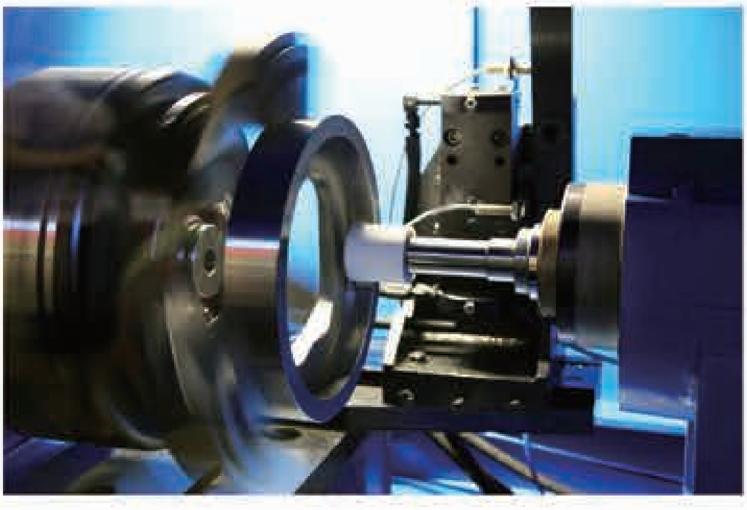
ANNUAL REPORT 2013

ISDNHoldings LIMITED

BUILDING UPON OUR VISION



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

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.

CONTENTS

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200416788Z

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

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

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

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

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

SECRETARY
Gn Jong Yuh Gwendolyn

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

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

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

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

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

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

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

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

Partner-in-charge:
Lao Mei Leng
Date of appointment: 30 April 2012
Number of Years in-charge: 2

FINANCIAL HIGHLIGHTS

	2013	2012	2011
Revenue (S$'000)	**164,852**	153,515	165,932
Profit for the year attributable to Equity holders of the Company (S$'000)	**4,754**	5,409	8,423
Basic earnings per share (S$ cents)	**1.39**	1.81	2.82
Net assets value per share (S$ cents)	**31.61**	28.95	28.07
Cash and cash equivalents (S$'000)	**40,697**	25,071	28,403

164,852

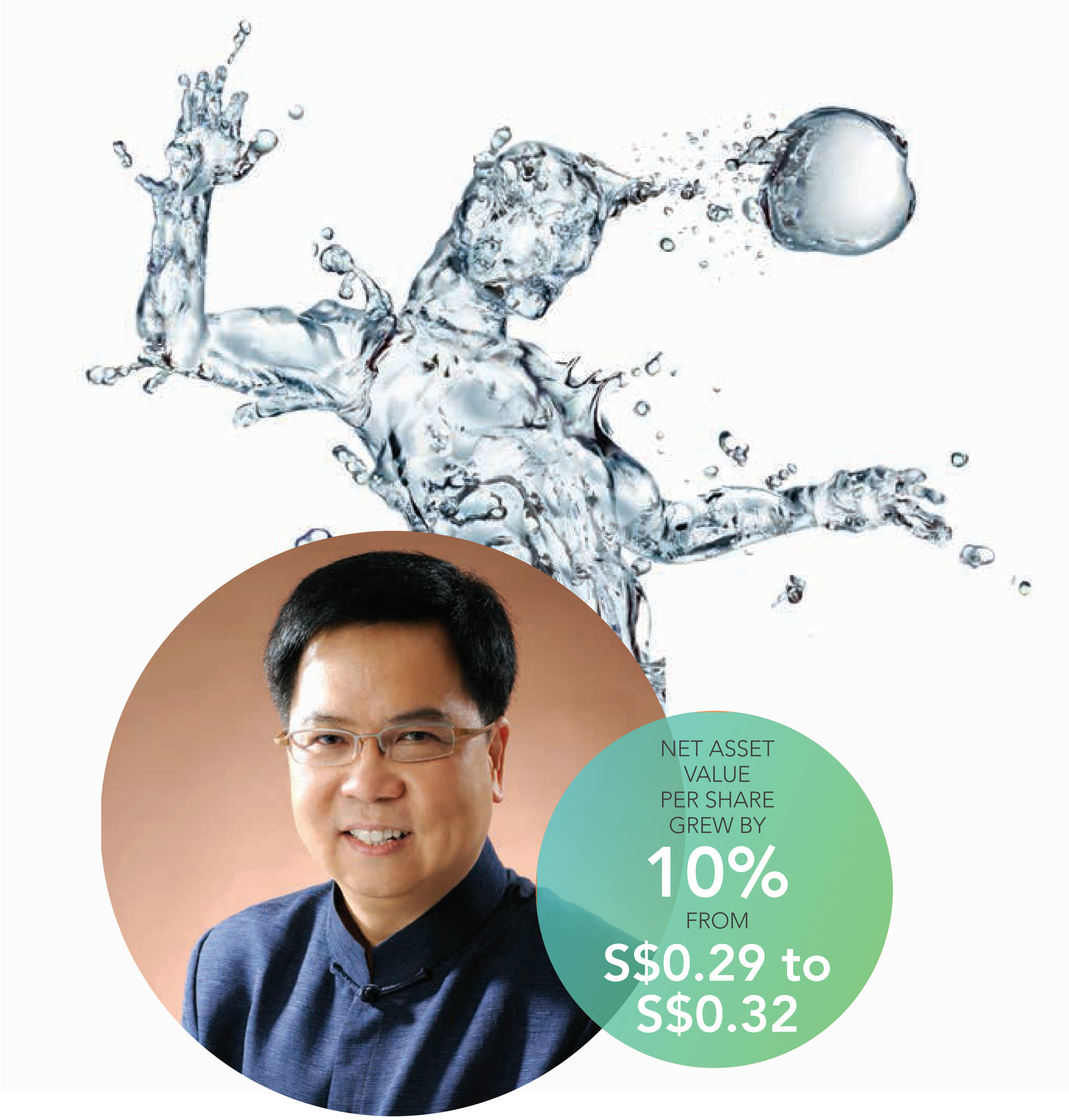
Revenue (S$'000)

Across Asia

119,843

Revenue (S$'000)

In China



Dear shareholders,

This year marked a significant point in our transformation into a bona fide energy play. The seeds of this milestone were planted five years ago when we began our foray into the sustainable energy business. It was a steep learning curve, one that required the Group to leverage on our engineering heritage to build our body of knowledge and technical competence, forge new contacts and alliances, and establish on-the-ground operations in order to carve a credible presence in the energy sector, often in new markets and terrains. The challenge before us was immense but nonetheless surmountable after we carefully weighed in the expected returns against any possible risks and the resources required to execute this new endeavour successfully.

Our traditional mainstay business in Motion Control has afforded the Group a degree of stability. In FY2013, Motion Control products generated higher revenue, raking in 7.8% increase in sales, from $115.6 million in FY2012 to $124.6 million in FY2013, mainly due to stronger customer demand. It accounted for 75.6% of Group sales, the largest among the four business segments.

Overall, Group revenue grew by 7.4% from $153.5 million to $164.9 million, buoyed by stronger demand for Motion Control products in China. In line with the increase in Group revenue, gross profit inched marginally from $47.4 million to $47.7 million, resulting in gross margin of 28.8%, within the Group's targeted band of between 26% and 30%. Net earnings, however, slid by 12.7% from $7.4 million to $6.4 million.

Cash and cash equivalents rose from $24.6 million to $40.7 million after taking into account $18.9 million and $3.4 million proceeds from share placement and warrant issues respectively. The Board of Directors is pleased to announce final cash dividend of 0.4 cents per share.

Going forward, we expect to benefit from the growth in the mobile phone sector as this uptrend translates to stronger demand for our Motion Control products in

PRESIDENT'S MESSAGE

North Asia. In the long-run, however, we need a fresh catalyst that could vault ISDN into the next phase of growth. The need for a new business driver has been one of the key motivating reasons that spurred the Group's diversification efforts. The key tenet of the diversification blueprint was to identify potential new businesses that could offer a steady stream of revenue, adding to the relatively stable income from the Motion Control business. At the same, this would enhance the diversity of the Group's entire customer base, resulting in a more balanced customer portfolio.

The energy business, with its vast global potential and recurring income was identified as a suitable new growth driver. To date, I am pleased to note, that we have revealed plans to develop a series of mini-hydropower plants in Indonesia – four in Sumatra and another three in Sulawesi, amounting to 50 megawatt (MW) combined installed base capacity. Additionally we are seeking in-principle approval for the larger scale 126 MW Laa River hydropower facility in Central Sulawesi. Attaining this approval would mean ISDN could exceed its original target of amassing 100 MW electric power generation earlier than FY2014.

More recently, in January 2014, the Group, through its wholly-owned subsidiary, Aenergy Holdings Company Ltd, inked a master engineering, procurement and construction (EPC) contract with China Huadian Engineering Co. Ltd, one of China's leading state-owned power and industrial conglomerates, to pave the way for the construction of the maiden mini hydropower project. ISDN has earmarked three mini-hydropower plants located within a 25 kilometre-radius in North Sumatra – to be the first projects to be undertaken and developed by China Huadian. The first plant is expected to commence construction within the second quarter of FY2014.

As has been our corporate culture and company tradition, we take a long-term stance of our relationships with our key partners. We look at our partnership with China Huadian as a shared vision for both companies to chart our footprint in the hydropower business and in the process grow to cement our reputation and stamp our competitive advantage. Including China Huadian, we have assembled a world-class ensemble comprising front-runners in the energy sphere. For instance, we have engaged AECOM, a Fortune 500 company serving clients in various industries such as energy, water and the environment to conduct feasibility studies for our hydropower projects.

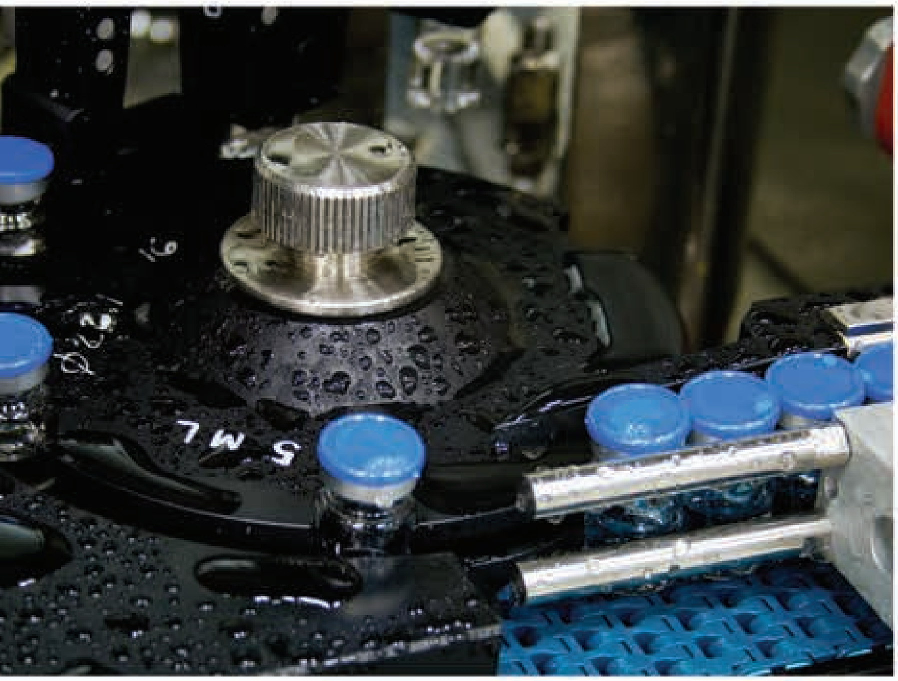
Our Memorandum of Understanding with Japanese corporation, Industrial Decisions, Inc (IDI), signed in October last year, is yet another example where we seek to bring another trailblazer into the fold of our energy business. IDI is an energy-focused strategic consulting and financial advisory comprised of investment professionals with extensive expertise in the energy and finance sectors. By bringing such esteemed partners into the mix, we could potentially offer exceptional value and depth to our energy ventures. It would also allow the Group to consider projects with increased complexity, technological know-how and size in diverse markets. More specifically, the MOU with IDI brings us a step closer towards a joint venture in the development of a 4 x 135 MW coal-fired power plant in Myanmar.

Earlier in the year, ISDN had announced a joint venture agreement with Myanmar-based Tun Thwin Mining Co., Ltd to invest, develop, construct, operate and manage the said coal-fired power plant. Parallel to this JV, a separate agreement was signed by both ISDN and Tun Thwin Mining to acquire the concession rights to a coal mine for the purpose of coal mine production that could be partly used to fuel the coal-fired power facility. As announced to the media, we could potentially raise funds via convertible loans to finance for our coal-related ventures that may possibly eventually lead to a public listing. As for our planned hydropower projects, we have in mind the establishment of a business trust to hold these series of projects under one single umbrella as a way to unlock maximum value for our investors.

To realize this vision, it was imperative to put in place a solid and experienced team to spearhead our energy business from Day One. I am glad to report that we have an able team on the ground to develop new business, liaise with local authorities – which is key when you operate in virgin territories and remote locations – as well as our professional advisers who are attuned to matters such as financing, legalities as well as communicating and addressing the concerns of our investors and shareholders. I am confident with these resources in place, we are poised to chart new footprints in our energy pursuits.

Allow me to take this opportunity to express my heartfelt appreciation to our Board of Directors, key management team and all our staff for their dedication and valued contribution. I would also like to thank our customers, suppliers and business partners for their loyal and valuable support.

Teo Cher Koon
ISDN Holdings Limited
Managing Director and President



CORPORATE PROFILE

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

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

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

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

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

ENGINEERING

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

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

Motion Control

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

CORPORATE PROFILE

Other Specialised Engineering Solutions

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

INDUSTRIAL COMPUTING

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

HIGH-TECH FARMING

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

ENERGY

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

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

OPERATIONS REVIEW

Staying Resilient Amidst External Challenges

The Group's traditional core business in Motion Control and Other Specialised Engineering Solutions demonstrated resilience despite facing headwinds brought on by lackluster business sentiments in the semi-conductor industry and tepid customer demand at some points of the year in review. Combined together, the two business segments accounted for 94.8% of Group sales or $156.3 million, an increase of 5.5%, from $148.1 million from the previous year.

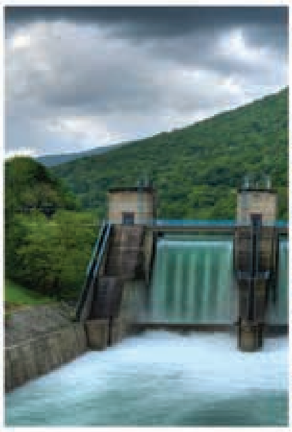
China remained the dominant revenue contributor and growing, accounting for 72.7% of Group sales as compared to 70.0% a year earlier. Revenue from the Group's China operations rose by 11.5% from $107.5 million to $119.8 million. Sales from Singapore, ISDN's second largest revenue earner, however, eased by 19.2% from $33.8 million to $27.3 million due to weaker demand from customers in the semi-conductor sector. On the other hand, demand for the Group's products from Malaysia and Other markets remained strong with a combined increase in sales of $5.4 million in FY2013 as compared to FY2012.

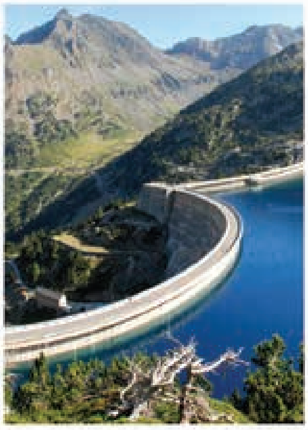
Powering Ahead in the Energy Business

On the new business front, the Group focused its efforts in fortifying its foundation in its nascent energy business. Besides putting in place the requisite manpower and building on its reservoir of talent, the Group cemented its presence in the energy sphere through a series of acquisitions and memorandum of understanding.

ISDN acquired 80% of PT Potensia Tomini Energi in June 2013 for the purpose of developing a combined installed base capacity of 11.5 MW of hydropower generation in Central Sulawesi, Indonesia. Further south, ISDN announced in November last year, it planned to acquire a larger equity stake in the Datara mini-hydropower project in South Sulawesi through a proposed joint venture agreement between PT SDM and the Gowa Regency Government. Prior to this JV, ISDN had entered into a sales and purchase agreement to acquire 95% of PT SDM's shares. The Datara mini-hydropower plant is targeted to have an installed base capacity of 10 MW and is expected to produce approximately annual energy output of 53 GWh.

Through its 80% ownership of PT Potensia Tomini Energi, ISDN was invited by the Governor of Central Sulawesi to develop a 126 MW hydropower plant at the Laa River in that region. A recommendation letter by the Governor was handed to PT Potensia Tomini Energi to facilitate the attainment of approval from the relevant government agencies to conduct the environmental impact study. This initiative was mooted by the Central Sulawesi Government in their bid to tap into their surrounding natural resources and developing hydro-powered energy plants due to the presence of a substantial number of huge mountains, rivers and lakes as well as sufficient rainfall, and due to the fact that





hydropower is increasingly seen as a viable, cost-effective and renewable form of energy supply.

In August 2013, the Group through its wholly owned subsidiary Aenergy Holdings Company Ltd, entered into a sale and purchase agreement to acquire 80% equity stake in PT Charma Paluta Energy, a company incorporated in Indonesia with primary businesses in building, owning and operating hydroelectric plants and related businesses for US$450,000 from its equal and joint owners – Mr Charles D Marpaung and Mr Sugiharto Sulaiman. The acquisition is to be funded by ISDN's cash reserves.

PT Charma Paluta has entered into a power purchase agreement (PPA) with PT PLN (Persero), Indonesia's state-run power distribution company to build, own and operate a 4.6 MW mini-hydropower plant at Aek Sisira Tarabintang Sub-district, Humbang Hasundutan, North Sumatra province. PT PLN will purchase the energy output at a tariff rate of IDR 787 or USD6.7 cents per kWh for a tenure of 20 years. Running costs are expected to hover between USD0.5 and 0.7 cents per KWh. Construction is expected to commence within the second quarter of FY2014 with investment cost projected to amount to approximately USD$10 million, generating estimated annual revenue of USD$2 million based on 27 GWh annual electricity production. The construction of the facility is expected to last between 18 to 24 months and the first income stream is expected to flow in after full operations commences.

A month later in September 2013, ISDN signed yet another sales purchase and agreement with the same seller to acquire two more energy-related companies, PT Alabama Energy and PT Prima Paluta Energy, further strengthening ISDN's energy footprint in Sumatra, home to about 13 million people. One of Indonesia's major islands, Sumatra presents enormous opportunities in energy production as the territory ramps up its electricity sources in tandem with population and economic growth. All three mini-hydropower projects are located proximally to each other, offering economies of scale in its construction. In total it will result in a combined installed base capacity of 24.6 MW.

In January 2014, ISDN entered into a Memorandum of Understanding with Indonesia-based PT Izmi Power Mandiri to develop an 8.0 MW mini-hydropower plant in Aek Sisira Desa Tomuan Holbung, Kecamatan Bandar Pasir Mandoge, Kebupaten Asahan, North Sumatra province.

Under the terms of the MOU, ISDN will acquire 89% shareholding interest in PT Tomuan, by way of cash payment of IDR 18 billion through a series of agreed milestones that will be subsequently capitalized as paid-up capital of PT Tomuan. The hydropower plant is expected to generate approximately 52 GWh of electricity annually, posting estimated revenue of USD$3.4 million yearly. The project is expected to cost USD$12 million to develop and will be financed by a combination of capital injection, bank borrowings and other forms of suitable investment instruments.

To date, the Group has revealed plans to develop seven mini-hydropower projects – four in Sumatra and three in Sulawesi – amounting to 50 MW combined installed base capacity. Attaining in-principle approval for the larger scale Laa River hydropower facility would mean ISDN could exceed its original target of 100 MW earlier than end FY2014.

Fuelling Myanmar Coal Power Needs

As the company forges ahead in its hydropower ventures, it is also at the same time pursuing opportunities in coal power in Myanmar. In August 2013, the Group's foray into Myanmar's fast-developing energy sector received another boost with an official endorsement from Myanmar's Ministry of Electricity, naming ISDN as the new partner in the Kalewa coal-fired power plant. ISDN will develop the Kalewa facility, located in the north-western part of the country with Myanmar-based Tun Thwin Mining Co. Ltd (TTMCL). The power plant will be developed into two phases. Both phases will be equipped with an installed base capacity of 270 MW powered by two turbines of 135 MW. When fully completed, the plant will have a total 540 MW electricity generating capacity.

Laying the Ground for Future Funding Needs

In anticipation of the funding needs for the coal and hydropower projects, the company had in FY2013, raised two occasions of fund-raising – a warrants issue and two rounds of share placement. It announced the allotment and issuance of 179,972,475 warrants which commenced trading on 13 November 2013. ISDN expects a cash inflow of approximately $108 million if these warrants are exercised within five years, up till 2018. The two tranches of share placements in the first half of FY2013 raised additional $18.9 million net proceeds. Besides putting aside use for the new energy ventures, the funds raised will also be utilized for working capital needs as well as for the Group's existing businesses in motion control, high-tech farming and mining.

Rewarding ISDN's Most Valuable Asset – Its People

Whilst making sure that the Group's financial resources are sufficiently buffered, ISDN is cognizant that the interests of one of its most valuable assets – its people – have to be safeguarded. With this in mind, the company implemented the ISDN Performance Share Plan to reward best performing and long serving staff.

A total of 1,560,000 treasury shares valued at $177,840 were officially transferred to 15 employees in April 2013 under this staff incentive scheme.

With the various necessary resources in place, the Group is well-poised to embark on its expansionary pursuits guided by its prudent and measured business approach.

BOARD OF DIRECTORS

Lim Siang Kai
Chairman and Independent Director

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

Kong Deyang
Executive Director and Senior Vice President - PRC Operations

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

Teo Cher Koon
Managing Director and President

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

Tay Gim Sin, Leonard
Independent Director

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

Soh Beng Keng
Independent Director

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

EXECUTIVE OFFICERS

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

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

Han Moo Juan
Vice President – Sales (Industrial Computing, Software)
Mr Han joined Servo Dynamics as a sales engineer in 1997 and has been with our Group ever since. Mr. Han is responsible for the sales and marketing activities our Group's products, negotiating and securing projects and orders from our customers and formulating new strategies to improve the sales and marketing activities of our Group. From 1994 to 1997, he was a director with Abeltech Pte Ltd, and is in charge of the sales of provision of services, solutions and trading in AC power related products. From 1990 to 1994 he was a sales engineer with Boustead Services Pte Ltd, a distributor of test measurement, medical equipment and power conditioner products. From 1987 to 1990, he was a service engineer with Gould Electronics Pte Ltd, a company engaged in the trading of control instrument, test measurement, medical equipment and power conditioner products. Mr. Han obtained a Diploma in Management Studies from the Singapore Institute of Management in 1993 and a Technician Diploma in Electrical and Electronic Engineering from Ngee Ann Polytechnic Singapore in 1984.

Lau Choon Guan

Vice President – Sales (Motion Control)

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

Ngai Kok Hoong

Chief Financial Officer

Mr Ngai is responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters.

He has many years of working experience in corporate accounting and financial management, including the last several years as Financial Controller of public-listed and private companies.

He is a Fellow Member of the Association of Chartered Certified Accountants (UK) and a non-practising member of the Institute of Singapore Chartered Accountants. He obtained a Master of Business Administration degree from the University of Adelaide (Australia) in 2007.

Sim Leong Seang

Vice President – Technical Support (Motion Control)

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

Udom Warasatian

Vice President – Thailand Operation

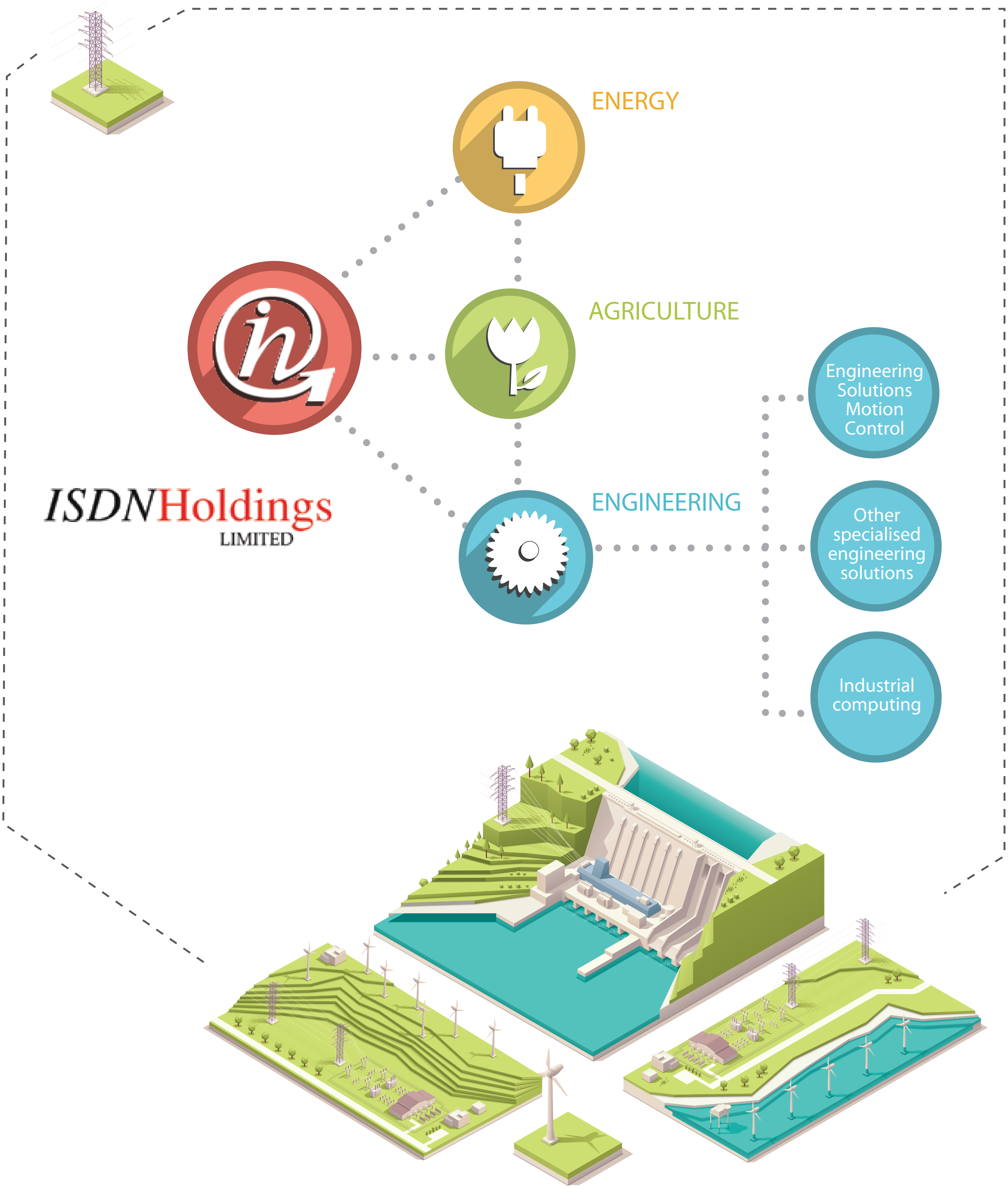
Mr Warasatian has been the managing director of our subsidiary Servo Dynamics (Thailand) Co., Ltd ("SD Thailand") since 1995. He is in charge of the day-to-day operations of SD Thailand and is responsible for the sales and service engineering of the motion control systems that we provide in Thailand.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

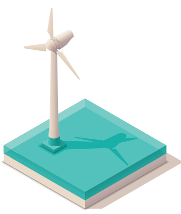
Wong Kwok Whye Peter

Vice President – R&D and General Manager of Leaptron Engineering Pte Ltd ("Leaptron")

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

GROUP STRUCTURE





The year 2013 marked a significant point in our transformation into a bona fide energy play !

DIRECTORSHIP

LIM SIANG KAI

Group companies
ISDN Holdings Limited

Other companies
China Print Power Group Limited
Foreland Fabrictech Holdings Limited
Joyas International Holdings Limited
Natural Cool Holdings Ltd
Texchem-Pack Holdings Ltd

TEO CHER KOON

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

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

KONG DEYANG

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

SOH BENG KENG

Group companies
ISDN Holdings Limited

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

TAY GIM SIN, LEONARD

Group companies
ISDN Holdings Limited

Other companies
Encapture Pte Ltd
Swiber Attantis Pte Ltd
Swiber Capital Pte Ltd
Swiber Corporate Services Pte Ltd
Swiber Holdings Limited
Swiber Marine (B) Sbd Bhd
Swiber Offshore marine Pte Ltd
Swiber PJW 3000 Pte Ltd
Resolute Offshore Pte Ltd

CORPORATE GOVERNANCE

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

The Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance on 2 May 2012 (the "2012 Code") and is effective for annual reports relating to financial years commencing from 1 November 2012. The Code is not mandatory, but listed Companies are required under the Singapore Exchange Listing Rules 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 2013 ("FY2013") with specific references made to each of the principles of the Code in the annual report.

1 Board Matters

Principle 1: Board's Conduct of its Affairs

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

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

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	55	28/12/2004	N.A.	Managing Director
Kong Deyang	53	26/09/2005	27/04/2011	Executive Director
Lim Siang Kai	57	26/09/2005	27/04/2011	Independent Director
Tay Gim Sin, Leonard	45	26/09/2005	30/04/2012	Independent Director
Soh Beng Keng	60	26/09/2005	30/04/2012	Independent 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 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. The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

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

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

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

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

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

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

N/A- Not applicable

Principle 2: Board Composition and Guidance

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

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

Executive Directors
Teo Cher Koon
Kong Deyang

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

1 Board Matters (cont'd)

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

There is a good balance between the Executive and Independent Directors and a strong and independent element on the Board. Key information on directors can be found in the "Management Profile" section of the Annual Report.

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

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

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.

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

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

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

The role of the Chairman and Executive Directors are separate. 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 President and Managing Director Teo Cher Koon. He is assisted by an experienced and qualified team of executive officers of the Group.

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

Principle 4: Board Membership

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

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

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

The NC performs the following principal functions:

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

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

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

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

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

Principle 4: Board Membership (cont'd)

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. However, all Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties, notwithstanding their multiple board representations in other listed companies.

Principle 5: Board Performance

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

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

The Board is assessed based on the following criteria:

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

Each Board member is asked to assess the effectiveness of the Board as a whole and its Committees. The ratings are then averaged out to finalise the assessment.

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

Principle 6: Access to Information

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

The Board is provided with adequate information, management accounts, financial and corporate reports in a timely manner by Management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

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

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

2 **Remuneration Matters**

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

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.

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

2 **Remuneration Matters (cont'd)**

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

Primary functions to be performed by RC:

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme and ISDN Performance Share Scheme (the "Schemes") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; 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.

Share Option Scheme & Performance Share Plan

The Company has the ISDN Holdings Share Option Scheme (the "ESOS") and the ISDN Performance Share Scheme (the "ISDNPSS"). These schemes were approved and adopted by shareholders on 27 September 2005 and 17 February 2012 respectively. The purpose of the ESOS and ISDNPSS is to reward, retain and motivate employees, directors, controlling shareholders and their associate to perform excellently and to participate in the equity of the Company. Unlike the ESOS whereby participants are required to pay the exercise price of the options, the ISDNPSS allows the Company to award fully paid shares to deserving participants.

There was no performance share granted in FY 2013. The ESOS is currently not utilized.

Principle 8: Level and Mix of Remuneration

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

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

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

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. The service agreements cover the terms of employment and specifically, the salaries and bonuses. There are no long-term incentive schemes for any of the Directors.

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 2013 are set out below:

	Number of Directors	
	2013	**2012**
$500,000 and above	**2**	2
$250,000 to $499,999	**0**	0
Below $250,000	**3**	3
Total	**5**	5

For competitive reason, the Company is not disclosing the full remuneration details on a named basis and continues to disclose within bands of S$250,000 for both directors and key executive officers.

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

	Salary %	**Bonus** %	**Directors Fees** %	**Other Benefits** %	**Total** %
Teo Cher Koon	28	62	–	10	100
Kong Deyang	24	70	–	6	100
Tay Gim Sin Leonard	–	–	100	–	100
Lim Siang Kai	–	–	100	–	100
Soh Beng Keng	–	–	100	–	100

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

	Salary %	**Bonus** %	**Directors Fees** %	**Other Benefits** %	**Total** %
Below $250,000					
Individual A	92	4	–	4	100
Individual B	82	18	–	–	100
Individual C	88	6	–	6	100
Individual D	47	53	–	–	100
S$250,000 to S$499,999					
Individual E	34	–	63	3	100

It is not in the best interests of the Company to set out names of its key executives due to the sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors.

2 **Remuneration Matters (cont'd)**

Principle 9: Disclosure on Remuneration (cont'd)

(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	81	19	–	–	100

Thang Yee Chin is a Director of eight of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of ISDN's President and Managing Director, Teo Cher Koon. Her remuneration was in the band of between S$250,000 and S$499,999 for the financial year under review.

3 **Accountability and Audit**

Principle 10: Accountability

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

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

3 Accountability and Audit (cont'd)

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

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

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

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) regarding the effectiveness of the Group's risk management systems and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate as at 31 December 2013.

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

Principle 12: Audit Committee

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

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

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

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

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

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

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for the financial year ended 31 December 2013 is disclosed under Note 7 of the Notes to the Financial Statements:

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2013 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired. Non-audit fees paid to the external auditors during the year under review was NIL.

The Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of Moore Stephens LLP as its external auditors.

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

Principle 12: Audit Committee (cont'd)

In performing those functions, the AC reviews:

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

The internal and external auditors have full access to the AC who has the 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.

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. The Board is aware that there was no internal audit being carried out in FY2013 while in the previous financial year, the Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("WCA"). The Board has decided not to conduct internal audit in FY2013 as it was evaluating a proposal for an Enterprise Risk Management System by WCA. However, such proposal was found to be inappropriate or unsuitable for the Group and hence such proposal was not implemented. In place of an internal audit, two staffs (with accounting background) had been tasked to carry out an independent financial review on major operating subsidiaries and to submit timely analysis report to the Management for review.

For the financial year under review, the Board is of the opinion, with the concurrence of the AC, that the internal controls system, addressing the financial, operational, compliance and information technology controls risks faced by the Company, is adequate to safeguard the interests of the shareholders. However, in line with the Board's commitment to maintain sound internal controls, the Board will continue to engage WCA to perform internal audit for FY2014. Moving forward, selected executives within the Company with the guidance from WCA will be trained to perform internal audit. The internal auditor's primary line of reporting shall be to the AC. The internal auditor shall meet the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal audit function shall be adequately resourced and shall have appropriate standing within the Company.

4 **Shareholder Rights and Responsibilities**

Principle 14: Shareholder Rights

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

Principle 15: Communication with Shareholders

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

4 Shareholder Rights and Responsibilities (cont'd)

Principle 16: Greater Shareholder Participation

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

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

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

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

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

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

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

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

5 **Material Contracts**

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

6 **Interested Person Transactions**

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

7 **Dealings in Securities**

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

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

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

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

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

8 **Risk Management**

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

REPORT OF THE DIRECTORS

31 DECEMBER 2013

The directors are pleased to present their report to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2013 and the balance sheet of the Company as at
31 December 2013.

1 Directors

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

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

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

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

	Number of ordinary shares registered in the name of director		
	As at 1.1.2013	**As at 31.12.2013**	**As at 21.1.2013**
The Company – ISDN Holdings Limited			
Teo Cher Koon	153,890,250*	127,890,250*	127,890,250*
Kong Deyang	2,850,000	2,050,000	2,050,000
Tay Gim Sin Leonard	396,000	396,000	396,000
The holding company – Assetraise Holdings Limited			
Teo Cher Koon	1	1	1

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

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

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from the Group's subsidiaries in their capacity as directors of those subsidiaries.

5 Share Options

Options Granted

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

Options Exercised

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

Options Outstanding

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

6 Performance Share Plan

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

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

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

7 Audit Committee

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

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

7 Audit Committee (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 Independent Auditors

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

On behalf of the Board of Directors,

TEO CHER KOON

LIM SIANG KAI

Singapore
4 April 2014

STATEMENT BY DIRECTORS

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company together with the notes thereon, as set out on pages 40 to 116, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; and

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

On behalf of the Board of Directors,

TEO CHER KOON

LIM SIANG KAI

Singapore
4 April 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

We have audited the accompanying consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 40 to 116, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
4 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 S$'000	Group 2012 S$'000
Revenue	4	**164,852**	153,515
Cost of sales		**(117,159)**	(106,093)
Gross profit		**47,693**	47,422
Other operating income	5	**2,286**	2,515
Distribution costs		**(17,929)**	(15,177)
Administrative expenses		**(21,164)**	(20,892)
Other operating expenses		**(1,270)**	(2,447)
Finance costs	6	**(1,019)**	(1,016)
Share of profit of associates		**604**	1,035
Profit before income tax	7	**9,201**	11,440
Income tax	9	**(2,787)**	(4,089)
Profit for the year		**6,414**	7,351
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**1,741**	(1,614)
Total comprehensive income for the year		**8,155**	5,737
Profit for the year attributable to:			
Equity holders of the Company		**4,754**	5,409
Non-controlling interests		**1,660**	1,942
		6,414	7,351
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**6,406**	3,931
Non-controlling interests		**1,749**	1,806
		8,155	5,737
Earnings per share:	10		
Basic		**1.39**	1.81
Diluted		**1.30**	1.81

The accompanying notes form an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	Group 2013 S$'000	Group 2012 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	**28,306**	26,546
Investment properties	12	**590**	611
Intangible assets	13	**–**	24
Land use rights	14	**1,496**	1,467
Goodwill	15	**11,686**	11,686
Associates	17	**3,713**	3,416
Total non-current assets		**45,791**	43,750
Current Assets			
Inventories	19	**28,467**	25,532
Trade and other receivables	20	**48,600**	49,138
Cash and cash equivalents	21	**40,697**	25,071
Total current assets		**117,764**	99,741
Total Assets		**163,555**	143,491
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**63,925**	44,855
Warrants issue	23	**3,384**	–
Treasury shares	24	**(162)**	(162)
Reserves	25	**39,997**	35,625
		107,144	80,318
Non-controlling interests		**6,634**	6,606
Total Equity		**113,778**	86,924
Non-current liabilities			
Bank borrowings	26	**814**	5,557
Finance leases	27	**214**	275
Deferred tax liabilities	28	**12**	7
Total non-current liabilities		**1,040**	5,839
Current Liabilities			
Bank borrowings	26	**12,516**	15,602
Finance leases	27	**57**	62
Trade and other payables	29	**35,654**	33,102
Current tax liabilities		**510**	1,962
Total current liabilities		**48,737**	50,728
Total Liabilities		**49,777**	56,567
Total Liabilities and Equity		**163,555**	143,491

The accompanying notes form an integral part of the financial statements

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	Company 2013 S$'000	Company 2012 S$'000
ASSETS			
Non-current Assets			
Subsidiaries	16	**36,082**	35,882
Associates	17	**31**	31
Total non-current assets		**36,113**	35,913
Current Assets			
Trade and other receivables	20	**381**	193
Amount owing by subsidiaries	16	**27,049**	9,489
Dividend receivable		**5,750**	4,500
Cash and cash equivalents	21	**3,710**	92
Total current assets		**36,890**	14,274
Total Assets		**73,003**	50,187
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	**63,925**	44,855
Warrants issue	23	**3,384**	–
Treasury shares	24	**(162)**	(162)
Retained earnings	25	**2,663**	1,636
Total Equity		**69,810**	46,329
Current Liabilities			
Trade and other payables	29	**3,193**	3,858
Total current liabilities		**3,193**	3,858
Total Liabilities		**3,193**	3,858
Total Liabilities and Equity		**73,003**	50,187

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the Company									
	Share capital S$'000	Warrants issue S$'000	Treasury shares S$'000	Merger reserve S$'000	Exchange translation reserve S$'000	Other reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Group										
Balance at 1 January 2013	44,855	–	(162)	(436)	(1,339)	3,174	34,226	80,318	6,606	86,924
Profit for the year	–	–	–	–	–	–	4,754	4,754	1,660	6,414
Other comprehensive income										
– Exchange differences on translation of foreign operations	–	–	–	–	1,652	–	–	1,652	89	1,741
Total comprehensive income for the year	–	–	–	–	1,652	–	4,754	6,406	1,749	8,155
Capital contributed by non-controlling interest	–	–	–	–	–	–	–	–	185	185
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	259	259
Disposal of a subsidiary	–	–	–	–	–	–	–	–	11	11
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(2,254)	(2,254)
Payment of dividends (Note 30)	–	–	–	–	–	–	(1,800)	(1,800)	–	(1,800)
Share placement proceeds	19,318	–	–	–	–	–	–	19,318	–	19,318
Placement share expense	(426)	–	–	–	–	–	–	(426)	–	(426)
Warrants issue proceeds	–	3,600	–	–	–	–	–	3,600	–	3,600
Warrant issue expense	–	(216)	–	–	–	–	–	(216)	–	(216)
Transfer of performance shares	178	–	–	–	–	(178)	–	–	–	–
Transfer to other reserves	–	–	–	–	–	771	(827)	(56)	78	22
Balance at 31 December 2013	63,925	3,384	(162)	(436)	313	3,767	36,353	107,144	6,634	113,778

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to equity holders of the Company									
	Share capital S$'000	Warrants issue S$'000	Treasury shares S$'000	Merger reserve S$'000	Exchange translation reserve S$'000	Other reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Group										
Balance at 1 January 2012	44,855	–	(340)	(436)	139	1,909	31,675	77,802	6,018	83,820
Profit for the year	–	–	–	–	–	–	5,409	5,409	1,942	7,351
Other comprehensive loss										
– Exchange differences on translation of foreign operations	–	–	–	–	(1,478)	–	–	(1,478)	(136)	(1,614)
Total comprehensive income for the year	–	–	–	–	(1,478)	–	5,409	3,931	1,806	5,737
Capital contributed by non-controlling interest	–	–	–	–	–	–	–	–	1,083	1,083
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	(8)	(8)	(2)	(10)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(2,421)	(2,421)
Payment of dividends (Note 30)	–	–	–	–	–	–	(1,493)	(1,493)	–	(1,493)
Transfer to other reserves	–	–	–	–	–	1,265	(1,357)	(92)	122	30
Grant of performance shares (Note 24)	–	–	178	–	–	–	–	178	–	178
Balance at 31 December 2012	44,855	–	(162)	(436)	(1,339)	3,174	34,226	80,318	6,606	86,924

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 S$'000	2012 S$'000
Cash Flows from Operating Activities		
Profit before income tax	**9,201**	11,440
Adjustments for:		
Amortisation of intangible assets	**23**	23
Amortisation of land use rights	**35**	33
Trade receivables written off	**84**	72
Depreciation of property, plant and equipment	**1,845**	1,823
Depreciation of investment properties	**19**	19
Allowance for inventory obsolescence	**684**	893
Allowance for impairment of trade receivables	**274**	221
Gain on disposal of interests in subsidiary	**(84)**	–
Loss on disposal of property, plant and equipment	**91**	19
Performance share expense	**–**	178
Property, plant and equipment written off	**3**	11
Inventories written off	**76**	217
Write back of allowance for inventory obsolescence	**(14)**	(261)
Write back of allowance for trade receivables	**(84)**	(108)
Write back of gain in stock count variance	**–**	(18)
Interest expense	**1,019**	1,016
Interest income	**(160)**	(108)
Share of profits of associates	**(604)**	(1,035)
Unrealised foreign exchange differences	**337**	265
Operating cash flow before working capital changes	**12,745**	14,700
Changes in working capital:		
Inventories	**(3,681)**	2,846
Trade and other receivables	**1,409**	(12,963)
Trade and other payables	**2,113**	3,599
Cash generated from operations	**12,586**	8,182
Interest paid	**(1,019)**	(1,016)
Interest received	**160**	108
Income tax paid	**(4,234)**	(3,711)
Net cash generated from operating activities	**7,493**	3,563

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 S$'000	2012 S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(2,711)**	(1,523)
Proceeds from disposal of property, plant and equipment	**185**	43
Acquisition of a subsidiary	**(1,037)**	–
Dividend from an associate	**60**	146
Net cash used in investing activities	**(3,503)**	(1,334)
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	**(1,800)**	(1,493)
Dividends to non-controlling interests	**(1,963)**	(4,161)
Investment in subsidiaries by non-controlling interests	**185**	1,083
Repayment from associates	**15**	227
Repayment from a joint venture	**–**	89
Amount owing to non-controlling interests	**122**	17
Decrease/(Increase) on restricted bank balances	**500**	(500)
Proceeds from share placement	**19,318**	–
Share placement expense	**(426)**	–
Proceeds from warrants issue	**3,600**	–
Warrants issue expense	**(216)**	–
Proceeds from bank loans	**4,634**	5,848
Repayment of bank loans	**(4,911)**	(5,902)
Repayment of short term loans	**(4,402)**	(3,752)
(Repayment of)/Proceeds from trust receipts (net)	**(3,150)**	3,309
Repayment of finance leases	**(66)**	(94)
Net cash generated from/(used in) financing activities	**11,440**	(5,329)
Net increase/(decrease) in cash and cash equivalents	**15,430**	(3,100)
Cash and cash equivalents at beginning of year	**24,571**	28,403
Effect of currency translation on cash and cash equivalents	**696**	(732)
Cash and cash equivalents at end of year (Note 21)	**40,697**	24,571

The accompanying notes form an integral part of the financial statements

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

1 General

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

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

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

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 Basis of Preparation

(a) Basis of Preparation

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

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 2013 as follows:

Description		**Effective for annual periods beginning on or after**
FRS 1 (Amendment)	*Presentation of Items of Other Comprehensive Income*	1 July 2012
FRS 107	*Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities*	1 January 2013
FRS 113	*Fair Value Measurements*	1 January 2013
Improvements to FRSs		1 January 2013
FRS 16 (Amendment)	*Property, Plant and Equipment*	
FRS 32 (Amendment)	*Financial Instruments: Presentation*	

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to FRS 1 require entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss and to present separately from items that will never be reclassified subsequently to profit or loss. The amended FRS is effective for annual periods beginning on or after 1 July 2012. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, there is no impact on the financial position or performance of the Group upon adoption of these amendments

Amendment to FRS 107 *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities*

Amendments to FRS 107 contain new disclosure requirements for financial assets and financial liabilities that are offset in the balance sheet or are subject to master netting arrangements or similar agreements. Therefore, an entity needs to identify all financial assets and financial liabilities that fall within the two categories mentioned. The amendments explain that their scope includes financial assets and financial liabilities subject to similar agreements that cover similar financial instruments and transactions. It is effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. As this is a disclosure standard, it did not have any impact on the financial position or financial performance of the Group when implemented.

FRS 113 *Fair Value Measurement*

FRS 113 provides a single source of guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosures about fair values. It does not address or change the requirements on when fair values should be used, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The application of this standard has no material impact to the financial position or performance of the Group when implemented. Accordingly, the Group have provided the required disclosures in the Group's financial statements.

Amendment to FRS 16 *Property, plant and equipment*

Amendments to FRS 16 clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The application of this standard has no material impact to the financial position or performance of the Group when implemented.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

Amendment to FRS 32 *Financial Instruments: Presentation*

Amendments to FRS 32 clarify that income tax arising from/relating to distributions to equity holders are accounted for in accordance to FRS 12 Income Taxes. The application of this standard has no material impact to the financial position or performance of the Group when implemented.

(ii) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Description		**Effective for annual periods beginning on or after**
FRS 27 (Revised)	*Separate Financial Statements*	1 January 2014
FRS 28 (Revised)	*Investments in Associates and Joint Ventures*	1 January 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 111	*Joint Arrangements*	1 January 2014
FRS 112	*Disclosures of Interests in Other Entities*	1 January 2014
Amendments to FRS 24	*Related Party Disclosure*	1 July 2014
Amendments to FRS 32	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36	*Recoverable Amount Disclosure for Non-Financial Assets*	1 January 2014
Amendments to FRS 108	*Operating Segments*	1 July 2014

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. It is effective for accounting periods beginning on or after 1 January 2014. The Group is currently determining the impact of these amendments.

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

FRS 28 (Revised) changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. It is effective for annual periods beginning on or after 1 January 2014 and the Group is currently determining the impact of these amendments.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*, it changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The changes are effective for accounting periods beginning on or after 1 January 2014. The Group is currently determining the impact of these amendments.

FRS 111 *Joint Arrangements*

FRS111 which is effective for annual periods beginning on or after 1 January 2014, supersedes FRS 31 *Interests in Joint Ventures Arrangements*, eliminates the option of using proportionate consolidation for joint controlled entity and FRS 31's 'jointly controlled operations' and 'jointly controlled assets' categories. These categories will fall into the newly defined category 'joint operation'. The Group is currently assessing the impact on the financial performance and the financial position of the Group and Company for its joint ventures, previously accounted for under proportionate consolidation, to equity accounting when implemented.

FRS 112 *Disclosure of Interests in Other Entities*

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

Amendments to FRS 24 *Related Party Disclosures*

The amendments to FRS 24 *Related Party Disclosures* clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRS 24 are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and Company when implemented.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

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

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

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

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

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

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

Improvements to FRS 108 — *Operating Segments*

The improvements to FRS 108 *Operating Segments* require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments. The improvements also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The improvements to FRS 108 are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and Company when implemented.

2 Basis of Preparation (cont'd)

(b) Critical Accounting Judgements and Estimates

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

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

Judgements made in applying accounting policies

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

(i) Allowance for inventory obsolescence

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

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$670,000 (2012: S$632,000) (see Notes 5 and 7). In addition, certain inventories which became obsolete and unusable amounted to S$76,000 (2012: S$217,000) (Note 7) were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2013 was S$28,467,000 (2012: S$25,532,000) (Note 19).

(ii) Impairment of trade receivables

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

During the financial year, the Group recognised a net allowance for impairment loss on trade receivables of S$190,000 (2012: S$113,000) (see Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$84,000 (2012: S$72,000) (Note 7) and were written off during the financial year. The carrying amount of the Group's allowance for impairment of trade receivables as at 31 December 2013 was S$791,000 (2012: S$595,000) (Note 36(a)(iii)) and the carrying amount of the Group's trade receivables was S$39,563,000 (2012: S$41,266,000) (Note 20).

2 Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2013 was S$28,306,000 (2012: S$26,546,000) (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$185,000 (2012: S$182,000).

(ii) Impairment of goodwill arising from acquisition of subsidiaries and joint ventures

Goodwill arising from acquisition of subsidiaries and joint ventures 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 and joint ventures as at 31 December 2013 was S$11,686,000 (2012: S$11,686,000) (Note 15).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries and joint ventures assessed as at 31 December 2013 (2012: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

If the management's estimated pre-tax discount rates applied to the discounted cash flows for the cash-generating units as at 31 December 2013 is increased by 1 % (2012: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the goodwill.

2 Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty (cont'd)

(iii) Income taxes

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

The Group has recognised income tax expense of S$2,787,000 (2012: S$4,089,000) for the financial year ended 31 December 2013. The carrying amounts of the Group's current income tax liabilities and deferred tax liabilities as at 31 December 2013 were S$510,000 (2012: S$1,962,000) and S$12,000 (2012: S$7,000) respectively.

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) Subsidiaries

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains or losses on transactions between group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in (f) below. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

(ii) Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting. Investment in associates in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition and is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associates over the Group's share of the fair value of the identifiable net assets of the associates and is included in the carrying amount of the investment.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(ii) Associates (cont'd)

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against 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 non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet 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 amount and recognises the impairment loss in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Investment in associates is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

(iii) Joint Ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(iii) Joint Ventures (cont'd)

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other ventures. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

(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.

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, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2005, the Goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

(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.

3 Summary of Significant Accounting Policies (cont'd)

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

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.

(d) Investment Properties

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

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

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

(e) Land Use Rights

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

(f) Goodwill

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

3 Summary of Significant Accounting Policies (cont'd)

(f) Goodwill (cont'd)

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

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

(g) Intangible Assets

Research and development costs

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

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

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

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

(h) Investments in Subsidiaries, Joint Ventures and Associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are accounted for at cost less any impairment losses. An assessment of investments in subsidiaries, joint ventures and associates is performed when there is an indication that the investment may have been impaired.

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

3 Summary of Significant Accounting Policies (cont'd)

(i) 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.

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

Non-financial assets are tested for impairment whenever there is any objective evidence or 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(k) 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.

(l) Financial Assets

Classification

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

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

Recognition and Derecognition

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

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

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.

3 Summary of Significant Accounting Policies (cont'd)

(l) Financial Assets (cont'd)

Impairment (cont'd)

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.

(m) 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.

(n) Trade and Other Payables

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are de-recognised when the obligation under the liability is discharged or cancelled or expired.

The carrying amount of the current trade and other payables carried at amortised cost approximate their fair values.

(o) Interest-bearing Loans and Borrowings

Borrowings are initially recognised at fair value (net of transaction costs), and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

3 Summary of Significant Accounting Policies (cont'd)

(p) 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.

(q) Share Capital

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

(r) 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.

(s) Dividends to Company's Shareholders

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

(t) Financial Guarantees

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(t) Financial Guarantees (cont'd)

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

(u) Revenue Recognition

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

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

Sale of goods

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

Interest income

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

Dividend income

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

Technical service fee

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

Property management income

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

(v) 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.

3 Summary of Significant Accounting Policies (cont'd)

(v) Employee Benefits (cont'd)

Employee leave entitlements

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

(w) 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.

(x) 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, joint ventures 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.

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

(x) **Income Tax (cont'd)**

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.

(y) **Related Parties**

A related party is defined as follows:

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

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

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

   ii. has significant influence over the reporting entity; or

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(z) 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.

(aa) Warrants Issue

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

4 Revenue

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

5 Other Operating Income

	Group	
	2013	**2012**
	S$'000	**S$'000**
Administrative income	**137**	253
Commission income	**35**	13
Gain on disposal of interests in subsidiary	**84**	–
Finance income:		
– interest on bank deposits	**151**	107
– interest on loan to an associate	**9**	1
Foreign exchange gain, net	**223**	–
Government grant	**69**	84
Miscellaneous income	**187**	389
Operating lease rental income:		
– investment properties	**66**	57
– sub-let of office/warehouse premises	**430**	312
Property management income	**204**	154
Technical service income	**593**	758
Write back of allowance of inventory obsolescence*	**14**	261
Write back of allowance of trade receivables	**84**	108
Write back of gain on stock count variance	**–**	18
	2,286	2,515

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

6 Finance Costs

	Group 2013 S$'000	Group 2012 S$'000
Interest expense on:		
– bank loans	**881**	985
– trust receipts	**130**	23
– finance leases	**8**	8
	1,019	1,016

7 Profit before Income Tax

	Group 2013 S$'000	Group 2012 S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of intangible assets	**23**	23
Amortisation of land use rights	**35**	33
Audit fees		
– Company's auditors	**240**	227
– other auditors	**40**	36
Depreciation of property, plant and equipment		
– recognised in cost of sales	**378**	388
– recognised in distribution costs	**143**	103
– recognised in administrative expenses	**1,324**	1,332
	1,845	1,823
Depreciation of investment properties	**19**	19
Other operating expenses included:		
– trade receivables written off	**84**	72
– allowance for inventory obsolescence	**684**	893
– allowance for impairment of trade receivables	**274**	221
– property, plant and equipment written off	**3**	11
– inventories written off	**76**	217
– loss on disposal of property, plant and equipment	**91**	19
– foreign exchange loss, net	**–**	957
Directors' fees	**100**	100
Performance share expenses	**–**	178
Operating lease rental expense	**1,302**	1,245

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2013 (2012: Nil).

8 Employee Benefits

	Group 2013 S$'000	Group 2012 S$'000
Directors' remuneration		
– salaries and related costs	**2,705**	3,178
– defined contribution plans	**27**	25
Key management personnel (other than directors)		
– salaries and related costs	**5,148**	4,275
– defined contribution plans	**423**	366
Other than directors and key management personnel		
– salaries and related costs	**12,895**	13,203
– defined contribution plans	**1,971**	1,771
	23,169	22,818

9 Income Tax

	Group 2013 S$'000	Group 2012 S$'000
Current income tax	**3,196**	4,051
Under/(Over) provision in respect of prior years:		
– current income tax	**(414)**	53
– deferred taxation (Note 28)	**5**	(15)
	2,787	4,089

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 2013 S$'000	Group 2012 S$'000
Profit before income tax	**9,201**	11,440
Income tax calculated at applicable tax rates	**2,252**	2,702
Non-deductible expenses	**616**	769
Singapore statutory stepped income exemption	**(146)**	(122)
Deferred tax assets not recognised	**558**	779
Utilisation of deferred tax benefits previously not recognised	**(5)**	(62)
Share of results of associates	**(79)**	(15)
Under/(Over) provision in respect of prior years:		
– current income tax	**(414)**	53
– deferred tax	**5**	(15)
	2,787	4,089

9 Income Tax (cont'd)

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 % (2012: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2012: 25%) and 16.5% (2012: 16.5%), respectively.

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 2013, the Group has unutilised tax losses of approximately S$15,713,000 (2012: S$12,461,000) which can be carried forward and used to offset against future taxable income of those Group entities in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. Deferred tax asset arising from these unutilised tax losses carry forward has not been recognised in accordance with the Group's accounting policy stated in Note 3(x). The deferred tax asset not recognised is estimated to be S$2,671,000 (2012: S$2,118,000).

Unrecognised temporary differences relating to investments in subsidiaries and joint ventures

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 2013, no deferred tax liability (2012: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures in the PRC as:

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

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

Such temporary difference for which no deferred tax liability has been recognized aggregate to S$25,655,000 (2012: S$21,402,000). The deferred tax liability is estimated to be S$1,283,000 (2012: S$1,070,000).

10 Earnings Per Share

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to the equity holders of the Company dividend by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

The basic earnings per share calculated based on the above is as follows:

	Group	
	2013	**2012**
Profit for the year attributable to equity holders of the Company (S$'000)	**4,754**	5,409
Weighted average number of ordinary shares outstanding for basic earnings per share computation	**342,515,608**	298,736,155
Weighted average number of ordinary shares outstanding for diluted earnings per share computation	**366,676,296**	298,736,155
Basic earnings per share (Singapore cents)	**1.39**	1.81
Fully Diluted earnings per share (Singapore cents)	**1.30**	1.81

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

	Group	
	2013	**2012**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**342,515,608**	298,736,155
Shares deemed to be issued for no consideration in respect of:		
Warrants issue	**24,160,688**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures)	**366,676,296**	298,736,155

11 Property, Plant and Equipment

	Leasehold properties S$'000	Renovations S$'000	Motor vehicles S$'000	Plant and equipment S$'000	Furniture, fittings and office equipment S$'000	Construction in progress S$'000	Total S$'000
Group							
2013							
Cost							
Balance at 1 January 2013	**23,965**	**1,185**	**1,772**	**3,916**	**4,605**	**663**	**36,106**
Additions	**1,079**	**44**	**177**	**287**	**386**	**738**	**2,711**
Disposals	**–**	**(64)**	**(160)**	**(313)**	**(168)**	**–**	**(705)**
Written off	**–**	**–**	**(12)**	**–**	**(12)**	**–**	**(24)**
Translation adjustment	**1,085**	**93**	**73**	**182**	**93**	**38**	**1,564**
Balance at 31 December 2013	**26,129**	**1,258**	**1,850**	**4,072**	**4,904**	**1,439**	**39,652**
Accumulated depreciation							
Balance at 1 January 2013	**2,672**	**710**	**934**	**1,752**	**3,492**	**–**	**9,560**
Depreciation for the year	**514**	**165**	**231**	**455**	**480**	**–**	**1,845**
Disposals	**–**	**(11)**	**(129)**	**(140)**	**(149)**	**–**	**(429)**
Written off	**–**	**–**	**(11)**	**–**	**(10)**	**–**	**(21)**
Translation adjustment	**83**	**70**	**33**	**154**	**51**	**–**	**391**
Balance at 31 December 2013	**3,269**	**934**	**1,058**	**2,221**	**3,864**	**–**	**11,346**
Net book value							
Balance at 31 December 2013	**22,860**	**324**	**792**	**1,851**	**1,040**	**1,439**	**28,306**
2012							
Cost							
Balance at 1 January 2012	24,754	1,064	1,755	3,371	4,438	691	36,073
Additions	–	194	149	856	408	–	1,607
Disposals	–	–	(105)	(20)	(113)	–	(238)
Written off	–	–	–	(36)	(80)	–	(116)
Translation adjustment	(789)	(73)	(27)	(255)	(48)	(28)	(1,220)
Balance at 31 December 2012	23,965	1,185	1,772	3,916	4,605	663	36,106
Accumulated depreciation							
Balance at 1 January 2012	2,227	575	783	1,356	3,236	–	8,177
Depreciation for the year	486	192	221	468	456	–	1,823
Disposals	–	–	(67)	(4)	(105)	–	(176)
Written off	–	–	–	(34)	(71)	–	(105)
Translation adjustment	(41)	(57)	(3)	(34)	(24)	–	(159)
Balance at 31 December 2012	2,672	710	934	1,752	3,492	–	9,560
Net book value							
Balance at 31 December 2012	21,293	475	838	2,164	1,113	663	26,546

11 Property, Plant and Equipment (cont'd)

The Group's leasehold properties are set out below:

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

As at 31 December 2013, the net book value of the leasehold properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 26(b) and 26(c) was S$22,860,000 (2012: S$21,293,000).

During the financial year, no property, plant and equipment were acquired by means of finance (2012: S$84,000). Other property, plant and equipment were acquired by cash payments of S$2,711,000 (2012: S$1,523,000).

As at 31 December 2013, the net book value of property, plant and equipment of the Group held under finance leases was S$299,000 (2012: S$412,000).

12 Investment Properties

	Group 2013 S$'000	2012 S$'000
Cost		
Balance at 1 January	**969**	974
Translation adjustment	**(3)**	(5)
Balance as at 31 December	**966**	969
Accumulated depreciation		
Balance at 1 January	**358**	341
Depreciation for the year	**19**	19
Translation adjustment	**(1)**	(2)
Balance at 31 December	**376**	358
Net book value		
Balance at 31 December	**590**	611

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$1,000,615 (2012: S$827,000) as at the balance sheet date based on directors' and independent brokers' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed under Note 36(b).

The Group's investment properties are set out below:

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

12 **Investment Properties (cont'd)**

As at 31 December 2013, the net book value of the investment properties set out above (other than freehold building) are mortgaged to secure the Group's bank borrowings as disclosed in Note 26(b) was S$517,000 (2012: S$534,000).

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S$66,000 (2012: S$57,000); and direct operating expenses amounted to S$29,000 (2012: S$28,000).

13 **Intangible Assets**

	Group	
	2013	**2012**
	S$'000	**S$'000**
Cost		
Balance at 1 January	**2,288**	2,384
Translation adjustment	**138**	(96)
Balance at 31 December	**2,426**	2,288
Accumulated amortisation		
Balance at 1 January	**2,264**	2,343
Amortisation for the year	**23**	23
Translation adjustment	**139**	(102)
Balance at 31 December	**2,426**	2,264
Net book value		
Balance at 31 December	**–**	24

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

14 Land Use Rights

	Group 2013 S$'000	Group 2012 S$'000
Cost		
Balance at 1 January	**1,597**	1,648
Translation adjustment	**70**	(51)
Balance at 31 December	**1,667**	1,597
Accumulated amortisation		
Balance at 1 January	**130**	101
Amortisation for the year	**35**	33
Translation adjustment	**6**	(4)
Balance at 31 December	**171**	130
Net book value		
Balance at 31 December	**1,496**	1,467
Amount to be amortised:		
– not later than one year	**35**	33
– later than one year but not later than five years	**139**	132
– later than five years	**1,322**	1,302
	1,496	1,467

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 43 years (2012: 44 years).

As at 31 December 2013, the net book value of the land use rights set out above that are mortgaged to secure the Group's bank borrowings as disclosed in Note 26(c) and (d) was S$389,000 (2012: S$377,000).

15 Goodwill

	Group 2013 S$'000	Group 2012 S$'000
Balance at 1 January and 31 December	**11,686**	11,686

15 Goodwill (cont'd)

Impairment testing of goodwill

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

	Group	
	2013	**2012**
	S$'000	**S$'000**
Engineering Solutions – Motion Control		
– Servo Dynamics (Thailand) Co., Ltd	**75**	75
– TDS Technology (S) Pte Ltd	**2,103**	2,103
	2,178	2,178
Other Specialised Engineering Solutions		
– Dirak Asia Pte Ltd	**9,508**	9,508
	11,686	11,686

The Group assessed the recoverable amount of goodwill based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 5 % (2012: 5%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid entities operate. The pre-tax discount rates used, which management estimates to reflect the risks specific to the CGU's cash flows ranged from 4% to 8% and 5% (2012: 5% to 8% and 5%) for Engineering Solutions – Motion Control segment and Other Specialised Engineering Solutions segments, respectively. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

Based on management's review of the recoverable amounts of the CGUs, no impairment on goodwill was required during the financial year ended 31 December 2013 (2012: Nil).

16 Subsidiaries

	Company	
	2013	**2012**
	S$'000	**S$'000**
Non-current assets		
Equity shares, at cost	**23,026**	23,026
Loans to subsidiaries	**13,056**	12,856
	36,082	35,882
Current assets		
Amount owing by subsidiaries	**27,049**	9,489

16 Subsidiaries (cont'd)

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

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

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

Name	Country of incorporation/ principal place of business	Cost of investment by the Company		Effective equity interest held by the Group		Principal activities
		2013 S$'000	2012 S$'000	2013 %	2012 %	
Held by the Company						
Motion Control Group Pte Ltd[1]	Singapore	**19,006**	19,006	**100**	100	Investment holding
Servo Dynamics Pte Ltd[1]	Singapore	**2,558**	2,558	**100**	100	Importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions
Portwell Singapore Pte Ltd[1]	Singapore	**988**	988	**100**	100	Providing integrated solutions of industrial computing software and hardware
Leaptron Engineering Pte Ltd[1]	Singapore	**474**	474	**100**	100	Importing, exporting, servicing and trading of automation products, and providing integrated solutions
ISDN Investments Pte Ltd[1]	Singapore	*	*	**100**	100	Provision of technical consultancy, training services, and management services
		23,026	23,026			

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 %	2012 %	
Held by Motion Control Group Pte Ltd				
Precision Motion Control Pte Ltd[1]	Singapore	**100**	100	Importing, exporting, distributing, servicing and repairing of motion control products, electric motor and accessories, and providing integrated solutions
Servo Dynamics Co., Ltd.[2]	PRC	**100**	100	Investment holding and provision of procurement, sales and marketing of products and services for the group in PRC
Servo Dynamics (Thailand) Co., Ltd[5]	Thailand	**59.7**	59.7	Trading and installation of automation control product
Servo Engineering (M) Sdn Bhd[3]	Malaysia	**90**	90	Engaging in the importing, exporting, purchasing, selling, distributing, servicing, repairing and otherwise dealing in automation products, amplifiers, gear boxes, electric motors and equipment and any parts or accessories used in connection therewith
Servo Dynamics (H.K.) Limited[3]	Hong Kong	**100**	100	Trading in electronics products
Eisele Asia Co., Ltd[2][7]	PRC	**50**	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd[3]	Hong Kong	**51**	51	Investment holding and provision of engineering solutions

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2013 %	2012 %	Principal activities
Held by Motion Control Group Pte Ltd (cont'd)				
USAS Motion Co., Ltd[3][9]	Hong Kong	–	95	Investment holding and provision of engineering solutions and supply special purpose motors
Servo Dynamics Sdn Bhd[3]	Malaysia	**100**	100	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd[2]	PRC	**100**	100	Land investment
IDI (INA) Laser Services Pvt Ltd[4]	India	**53.33**	53.33	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd[2]	PRC	**51**	51	Provision of other engineering solutions to packaging, textile and plastic industries in China
Suzhou PDC Co., Ltd[2]	PRC	**100**	100	Land investment
Gateway Motion (Shanghai) Co., Ltd[2]	PRC	**100**	100	Integrating and selling of motion control products and providing system integrated solutions
JAPV Mechanical Technology (Wujiang) Co. Ltd[2]	PRC	**95.33**	95.33	Manufacturing and selling of machines for bending and cutting fully-automatic coil wire
DBASIX Singapore Pte Ltd[1]	Singapore	**51.92**	51.92	Investment holding
TDS Technology (S) Pte Ltd[1]	Singapore	**61.2**	61.2	Wholesalers of electrical and electronic components and wiring accessories
ISDN Enterprise Management (Wujiang) Co., Ltd[2]	PRC	**100**	100	Management of ISDN High-Tech Industrial Park in Wujiang, China

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 %	2012 %	
Held by Motion Control Group Pte Ltd (cont'd)				
Accel Technologies (China) Co., Ltd[2]	PRC	**100**	100	Manufacturing of special purpose motors and provision of engineering solutions
A Tracks Pte Ltd[1]	Singapore	**70**	70	Manufacture and repair of electric motors, semiconductor assembly and testing equipment
Held by Servo Dynamics Pte Ltd				
Maxon Motor (Suzhou) Co., Ltd[2][7]	PRC	**50**	50	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd[2][7]	PRC	**50**	50	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products
Servo Dynamics Engineering Co., Ltd[6][8]	Vietnam	**51**	–	Engaging in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing solutions and mechanical and engineering services
Held by Servo Dynamics Co., Ltd				
Su Zhou Servo Dynamics Co., Ltd[2]	PRC	**100**	100	Manufacturing and selling of motion control products and providing system integrated solutions
Chongqing Junzhi Automatic Instrument Control Co., Ltd[2]	PRC	**100**	100	Developing and selling of motion control products and providing system integrated solutions

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 **%**	2012 %	
Held by Servo Dynamics Co., Ltd (cont'd)				
Beijing Junyizhicheng Technology Developing Co., Ltd(2)	PRC	**100**	100	Selling of precise motion control products and providing system integrated solutions
Shenzhen Servo Dynamics Co., Ltd(2)	PRC	**100**	100	Supplying of precision motion control products and providing system integrated solutions
Shanghai Delta Automation International Trade Co., Ltd(2)	PRC	**100**	100	International trade and entreport trade
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd(2)(7)	PRC	**50**	50	Carrying on the business of technology development, technology consultancy, technology transfer, technology training and technology services regarding digital controlled equipment and automatically controlled apparatus and selling of machinery equipment, electronic equipment, apparatus and instruments, electronics computer and accessories
Held by IGB (H.K.) Co., Ltd				
SejinIGB (Suzhou) Co., Ltd(2)	PRC	**51**	51	Manufacturing and provision of engineering solutions
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd(2)	PRC	**51.92**	51.92	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd(3)	Malaysia	**51.92**	51.92	Sale of aluminum profiles, actuators and related components

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 %	2012 %	
Held by Shanghai DBASIX M&E Equipment Co., Ltd				
Hefei Hongchengsheng Machinery & Equipment Co., Ltd(2)(7)	PRC	**31.15**	31.15	Assemble and sale of machinery, equipment, hardware and parts and related services
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd(1)(7)	Singapore	**45.9**	45.9	Industrial plant engineering services
TDS Technology (Penang) Sdn Bhd(3)(7)	Malaysia	**48.96**	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
TDS Technology (KL) Sdn Bhd(3)(7)	Malaysia	**48.96**	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
PT TDS Technology(3)(7)	Indonesia	**36.72**	36.72	Trading and distribution of advanced industrial control and factory automation products
SDL Control (Penang) Sdn Bhd(3)(8)	Malaysia	**61.20**	–	Provide project and system engineering services
SDL Control (KL) Sdn Bhd(3)(8)	Malaysia	**61.20**	–	Provide project and system engineering services
Held by ISDN Investments Pte Ltd				
Agri Source Pte Ltd(1)	Singapore	**100**	100	Hydroponics and high tech farming

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 %	2012 %	
Held by ISDN Investments Pte Ltd (cont'd)				
RLM Pte Ltd(1)(7)	Singapore	**50**	50	Providing resource and logistics management and services relating to mining and natural resources business. Providing financing for resource and logistics management and services relating to mining and natural resources business
ISDN Resource Pte Ltd(1)(8)	Singapore	**100**	–	Trading of coal and similar and/ or related natural resources
ISDN Myanmar Energy Pte Ltd(1)(8)	Singapore	**100**	–	Coal mining, processing and supply and the management of energy plants, including the joint ownership, development and management of coal-fired and other non-fossil power plants
ISDN Myanmar Power Pte Ltd(1)(8)	Singapore	**100**	–	Business of joint ownership, development and management power plants in Myanmar
Aenergy Holdings Company Limited(2)(8)	Hong Kong	**100**	–	Exploring investment opportunities in energy business in Indonesia
LAA Energy HK Company Limited(2)(8)	Hong Kong	**100**	–	Investment into hydropower projects at the LAA River in Central Sulawesi, Indonesia

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2013 **%**	2012 %	
Held by Aenergy Holdings Company Limited				
PT Potensia Tomini Energi(2)(10)	Indonesia	**80**	–	Constructing, operating and maintaining hydropower plants and the production of electric power
Held by Agri Source Pte Ltd				
Agri Source Farms Sdn Bhd(3)	Malaysia	**100**	100	Hydroponics and high tech farming
Agri Source Suzhou Co., Ltd(2)	PRC	**100**	100	Hydroponics and high tech farming
Dietionary Farm Holding Pte Ltd(1)	Singapore	**51**	51	Hydroponics and high tech farming
Held by Dietionary Farm Holding Pte Ltd				
Dietionary Farms Sdn Bhd(3)	Malaysia	**51**	51	Manufacturers, wholesalers, retailers, traders of all leafy and fruit vegetables and relevant farm products

* Less than $1,000
(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by Kannan and Alamelu
(5) Audited by A.S.K.N. International Audit Services
(6) Audited by AS Auditing Company
(7) With management control over the financial and operating policy decisions
(8) Incorporated during the financial year (see details below)
(9) Dissolved during the financial year (see details below)
(10) Acquired during the financial year (see details below)

16 Subsidiaries (cont'd)

(a) Incorporation of subsidiaries

(i) During the financial year, Servo Dynamics Pte Ltd ("Servo Singapore"), a 100% subsidiary of the Group, incorporated Servo Dynamics Engineering Co., Ltd ("Servo Vietnam") in Vietnam with an initial share capital of US$300,000 (equivalent to S$377,000) of which Servo Singapore holds a 51% equity interest in Servo Vietnam. Therefore, the Group's effective equity interest held in Servo Dynamics is 51%.

(ii) During the financial year, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated Aenergy Holdings Company Limited ("Aenergy HK") in Hong Kong with an initial share capital of HKD10,000 (equivalent to S$2,000), of which ISDN Investments holds a 100% equity interest in Aenergy HK. Therefore, the Group's effective equity interest held in Aenergy HK is 100%.

(iii) During the financial year, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated LAA Energy HK Company Limited ("LAA Energy") in Hong Kong with an initial share capital of HKD10,000 (equivalent to S$2,000), of which ISDN Investments holds a 100% equity interest in Aenergy HK. Therefore, the Group's effective equity interest held in Aenergy HK is 100%.

(iv) During the financial year, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated ISDN Resource Pte Ltd ("ISDN Resource") in Singapore with an initial share capital of S$1, of which ISDN Investments holds a 100% equity interest in ISDN Resource. Therefore, the Group's effective equity interest held in ISDN Resource is 100%.

(v) During the financial year, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated ISDN Myanmar Energy Pte Ltd ("ISDN Energy") in Singapore with an initial share capital of S$1, of which ISDN Investments holds a 100% equity interest in ISDN Energy. Therefore, the Group's effective equity interest held in ISDN Energy is 100%.

(vi) During the financial year, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated ISDN Myanmar Power Pte Ltd ("ISDN Power") in Singapore with an initial share capital of S$1, of which ISDN Investments holds a 100% equity interest in ISDN Power. Therefore, the Group's effective equity interest held in ISDN Power is 100%.

(vii) During the financial year, TDS Technology Pte Ltd ("TDS Tech"), a 61.20% subsidiary of the Group, incorporated SDL Control (KL) Sdn Bhd ("SDL KL") in Malaysia with an initial share capital of RM2.00 (equivalent to S$1.00), of which TDS Tech holds a 100% equity interest in SDL KL. Therefore, the Group's effective equity interest held in SDL KL is 61.20%.

(viii) During the financial year, TDS Technology Pte Ltd ("TDS Tech"), a 61.20% subsidiary of the Group, incorporated SDL Control (Penang) Sdn Bhd ("SDL Penang") in Malaysia with an initial share capital of RM2.00 (equivalent to S$1.00), of which TDS Tech holds a 100% equity interest in SDL Penang. Therefore, the Group's effective equity interest held in SDL Penang is 61.20%.

16 Subsidiaries (cont'd)

(b) *Dissolution of a subsidiary*

During the financial year, USAS Motion Company Limited, a 95% subsidiary of the Group has dissolved.

(c) *Acquisition of PT Potensia Tomini Energi ("PT PTE")*

During the current financial year, Aenergy Holdings Limited ("Aenergy HK"), a wholly-owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 80% equity interest in PT PTE from third parties for an aggregate consideration of approximately S$1,037,000. Accordingly, PT PTE became a subsidiary of the Group with an effective interest of 80%. The principal activity of PT PTE is that of constructing, operating and maintaining hydropower plants and the production of electric power.

The fair value of the assets and liabilities relating to PT PTE and the impact of the acquisition on the cash flows of the Group are as follows:

	2013 S$'000
Consideration transferred – cash	**1,037**
Other receivables	**1,296**
Total identifiable net assets	**1,296**
Non-controlling interests	**(259)**
Total	**1,037**

PT PTE was acquired to allow the Company to diversify and embark into the business of constructing, operating and maintaining hydropower plants. As at 31 December 2013. PT PTE has not commenced operations. Non-controlling interest is measured at the non-controlling interest's proportionate share of the identifiable net assets.

17 Associates

	Group		Company	
	2013 S$'000	2012 S$'000	2013 S$'000	2012 S$'000
Equity shares, at cost	**1,688**	1,688	*****	*
Share of post-acquisition profits	**2,731**	2,136	**–**	–
Share of dividends paid	**(509)**	(224)	**–**	–
Share of pre-acquisition losses on acquisition	**(142)**	(142)	**–**	–
Translation adjustment	**(143)**	(145)	**–**	–
	3,625	3,313	**–**	–
Loans to associates	**88**	103	**31**	31
	3,713	3,416	**31**	31

* Less than S$1,000

17 Associates (cont'd)

As at 31 December 2013, investment in associates includes goodwill of S$125,000 (2012: S$125,000).

During the financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.37 per ordinary share in respect of the financial year ended 31 December 2012. In previous financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.19 per ordinary share in respect of the financial year ended 31 December 2011.

During the financial year, Schneeberger Linear Technology Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$450.74 per ordinary share in respect of the financial year ended 31 December 2012. Subsequently, the Company and Schneeberger Linear have converted this final dividend to loan to associate. In previous financial year, Schneeberger Linear Technology Pte Ltd ("Schneeberger Linear") declared and paid a tax-exempt (one-tier) interim dividend of S$2.32 per ordinary share in respect of the financial year ended 31 December 2011.

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

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

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

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

	Group	
	2013	**2012**
	S$'000	**S$'000**
Assets and Liabilities:		
– total assets	**16,776**	14,334
– total liabilities	**8,588**	6,901
Results:		
– revenue	**27,508**	30,404
– profit for the year	**1,670**	2,152

17 Associates (cont'd)

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

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2013 S$'000	2012 S$'000	2013 %	2012 %	
Held by the Company						
W2Energy Pte Ltd[2]	Singapore	*	*	**35**	35	Dormant
Held by Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd[2][11]	Republic of China (Taiwan)	**117**	117	**50**	50	Engaging in offering of Maxon motor motion control solutions
Held by Motion Control Group Pte Ltd						
DKM South Asia Pte Ltd[8]	Singapore	**105**	105	**35**	35	Provision of DKM integrated engineering solutions and services
Servo-matic Technology (M) Sdn Bhd[8][11]	Malaysia	**25**	25	**50**	50	Carrying on all kinds of automation business, engineering works, trading import export design and servicing of industrial automation parts and all related fields
Precision Motion Control Phils. Inc.[4]	Philippines	**9**	9	**40**	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd[5]	Singapore	**700**	700	**33.33**	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd[6]	Singapore	**175**	175	**37.5**	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions
JM Vistec System Pte Ltd[1]	Singapore	**445**	445	**40**	40	Trading and supplying of vision related products and industrial automation solutions

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2013 S$'000	2012 S$'000	2013 %	2012 %	
Held by Motion Control Group Pte Ltd (cont'd)						
Schneeberger Linear Technology Pte Ltd[7][11]	Singapore	**50**	50	**50**	50	Marketing, sale, customisation, application engineering, technical support and after sale services for Schneeberger brand of motion control products
Held by TDS Technology (S) Pte Ltd						
TDS Technology (Thailand) Co., Ltd[3]	Thailand	**62**	62	**30**	30	Trading of electrical and electronic equipment
		1,688	1,688			
Held by JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd[2]	PRC	**–**	–	**40**	40	Trading and supplying of vision related products and industrial automation solutions
JM Vision Technologies Co., Ltd[2]	Republic of China (Taiwan)	**–**	–	**40**	40	Trading and supplying of vision related products and industrial automation solutions
C True Vision Pte Ltd[2]	Singapore	**–**	–	**40**	40	Supplying, import and export of vision related product and industrial automation solution
JM Vistec System (Thailand) Co., Ltd[9][10]	Thailand	**–**	–	**19.6**	–	Trading of machine vision components

* Less than $1,000
(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by SGV & Co
(5) Audited by Ong Teh & Co
(6) Audited by Ecovis Trustnet Alliance LLP
(7) Audited by Subraco LLP
(8) Audited by ASQM
(9) Audited by Smile Audit Co.
(10) Acquired during the financial year
(11) No management control over the financial and operating policy decisions

18 Joint Ventures

The joint ventures 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
		2013 %	2012 %	
Held by Motion Control Group Pte Ltd				
Dirak Asia Pte Ltd(1)	Singapore	**49**	49	Sale of industrial locks, hinges and enclosure products
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd(1)	PRC	**49**	49	Manufacturing and sale of industrial locks, hinges and enclosure products
Suzhou D Snap Technologies Co., Ltd(1)	PRC	**49**	49	Manufacturing and sales of industrial locks, hinges and enclosure products and applications
Taiwan Dirak Co., Ltd(1)	Republic of China (Taiwan)	**29.89**	29.89	Sale of industrial locks, hinges and enclosure products
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd(1)	PRC	**31.85**	31.85	Sale of industrial locks, hinges and enclosure products

(1) Audited by Ernst & Young LLP Singapore

The following amounts represent the Group's share of the assets and liabilities and income and expenses of the joint ventures which are included in the consolidated balance sheet and consolidated statement of comprehensive income using the line-by-line format of proportionate consolidation:

	Group 2013 S$'000	Group 2012 S$'000
Assets and Liabilities:		
Current assets	**7,518**	6,325
Non-current assets	**709**	685
Total assets	**8,227**	7,010
Current liabilities	**(3,332)**	(2,603)
Non-current liabilities	**–**	(3)
Total liabilities	**(3,332)**	(2,606)
Income and Expenses:		
Income	**8,615**	7,044
Expenses	**(8,069)**	(7,184)

19 Inventories

	Group 2013 S$'000	Group 2012 S$'000
Components parts	**9,512**	8,540
Finished goods	**16,960**	14,222
Work-in-progress	**1,414**	856
Goods-in-transit (finished goods)	**581**	1,914
Total inventories at the lower of cost and net realisable value	**28,467**	25,532
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	**116,853**	105,876

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

20 Trade and Other Receivables

	Group 2013 S$'000	Group 2012 S$'000	Company 2013 S$'000	Company 2012 S$'000
Trade receivables, net of impairment:				
– note receivables (b)	**5,585**	5,401	**–**	–
– third parties	**32,210**	33,997	**–**	–
– associates	**1,330**	1,495	**–**	–
– joint ventures	**2**	–	**–**	–
– related parties	**436**	373	**–**	–
	39,563	41,266	**–**	–
Other receivables:				
Funding to investee company (c)	**1,847**	672	**246**	–
Advances paid to				
– suppliers	**2,966**	3,689	**–**	–
– associates (d)	**567**	191	**–**	31
– joint ventures (d)	**153**	162	**43**	43
– related parties (d)	**67**	57	**–**	–
Deposits	**326**	225	**–**	–
Loans to associates (e)	**341**	116	**–**	–
Amount owing from a non-controlling interest (f)	**209**	50	**–**	–
Tax recoverable	**1**	9	**–**	–
Sundry debtors	**1,947**	2,031	**87**	112
	8,424	7,202	**376**	186
Prepayments	**613**	670	**5**	7
	48,600	49,138	**381**	193

(a) Trade receivables are non-interest bearing and are usually due within 30 – 90 days term.

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

20 Trade and Other Receivables (cont'd)

(c) (i) The funding amount of US$330,000 (equivalent to S$406,000) was provided by the Group's wholly owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investment"), to PT Putra Perkasa Indah ("PT PPI"), a company incorporated in Indonesia, under an Investment Agreement in which ISDN Investment proposed to acquire 51% equity interests of PT PPI, for its mining business in Indonesia. The funding is secured by personal guarantees and shares pledged by the existing shareholders of PT PPI and the amount is refundable on demand with 10% guaranteed return per annum.

As at the date of this report, the Company is in discussion with PT PPI to take over a mine owned by PT PPI to secure its amount due to ISDN Investment.

(ii) In previous year, ISDN Investment, a wholly owned subsidiary of the Group, funded S$100,000 to two Indonesia-based companies under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

During the financial year, the Company and ISDN Investment has made additional advances of S$874,000 to Indonesia-based companies under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

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

Subsequent to the financial year end, a wholly owned subsidiary of the Group has completed the acquisition of one of the abovementioned Indonesia-based companies. Refer note 38(a).

(iii) In previous financial year, the Group's wholly owned subsidiary, ISDN Investment, provided USD135,000 (equivalent S$166,185) to PT Prisma Karun Energy ("PT PKE") as working capital pursuant to the signing of term sheet dated August 2012.

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

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

ISDN Investments made additional advances of US$231,170 (equivalent to approximately S$301,048) to PTPKE during the year.

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

The acquisition has not been completed as at 31 December 2013.

20 Trade and Other Receivables (cont'd)

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

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

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

21 Cash and Cash Equivalents

	Group		Company	
	2013	**2012**	**2013**	**2012**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	**30,678**	23,859	**3,710**	92
Fixed deposits	**10,019**	1,212	**–**	–
	40,697	25,071	**3,710**	92
Effective interest rate per annum	**0.03%**	0.07%	**–**	–

The fixed deposits have a maturity period of 1 to 12 months (2012: 1 to 2 months).

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

	Group	
	2013	**2012**
	S$'000	**S$'000**
Cash and bank balances	**30,678**	23,859
Fixed deposits	**10,019**	1,212
	40,697	25,071
Less: Restricted bank balances	**–**	(500)
	40,697	24,571

22 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2013	**2012**	**2013**	**2012**
			S$'000	**S$'000**
Group and Company				
Balance at 1 January	**301,319,950**	301,319,950	**44,855**	44,855
Placement of shares	**59,730,000**	–	**18,892**	–
Transfer of performance shares	**–**	–	**178**	–
Balance at 31 December	**361,049,950**	301,319,950	**63,925**	44,855

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 24.

23 Warrants Issue

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

The Company issued a renounceable non-written rights issue of 179,972,472 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. There was no exercise of warrants during the current financial year. As at 31 December 2013, the number of outstanding warrants amounted to 179,972,475.

24 Treasury Shares

	No. of ordinary shares		Amount	
	2013	2012	2013 S$'000	2012 S$'000
Group and Company				
Balance at 1 January	**1,105,000**	2,665,000	**162**	340
Reissued pursuant to the ISDN Performance Share Plan	**–**	(1,560,000)	**–**	(178)
Balance at 31 December	**1,105,000**	1,105,000	**162**	162

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

In previous financial year, the Company re-issued 1,560,000 of treasury shares to eligible employees pursuant to ISDN Performance Share Plan. The exercise price is equivalent to the market price on the date of grant of S$0.114 per share.

The number of shares granted was in accordance with the ISDN Performance Share Plan approved by the shareholders at a previous extraordinary general meeting and is administered by the remuneration committee.

25 Reserves

	Group		Company	
	2013 S$'000	2012 S$'000	2013 S$'000	2012 S$'000
Merger reserve (a)	**(436)**	(436)	**–**	–
Exchange translation reserve (b)	**313**	(1,339)	**–**	–
Other reserves (c)	**3,767**	3,174	**(178)**	–
Retained earnings	**36,353**	34,226	**2,841**	1,636
	39,997	35,625	**2,663**	1,636

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

25 Reserves (cont'd)

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

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

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

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

26 Bank Borrowings

		Group					
		2013			2012		
	Note	Unsecured S$'000	Secured S$'000	Total S$'000	Unsecured S$'000	Secured S$'000	Total S$'000
Bank loan #1	(a)	**195**	**–**	**195**	757	–	757
Bank loan #2	(b)	**–**	**833**	**833**	–	2,500	2,500
Bank loan #3	(b)	**–**	**1,250**	**1,250**	–	2,917	2,917
Bank loan #4	(b)	**–**	**33**	**33**	–	264	264
Bank loan #5	(c)	**–**	**3,382**	**3,382**	–	4,030	4,030
Bank loan #6	(d)	**–**	**972**	**972**	–	–	–
Bank loan #7	(e)	**–**	**–**	**–**	51	–	51
Bank loan #8	(e)	**45**	**–**	**45**	130	–	130
		240	**6,470**	**6,710**	938	9,711	10,649
Short-term loans #1	(f)	**5,775**	**–**	**5,775**	4,515	–	4,515
Short-term loans #2	(g)	**–**	**–**	**–**	2,000	–	2,000
		5,775	**–**	**5,775**	6,515	–	6,515
Trust receipts #1	(h)	**149**	**–**	**149**	323	–	323
Trust receipts #2	(i)	**696**	**–**	**696**	1,123	–	1,123
Trust receipts #3	(j)	**–**	**–**	**–**	–	2,549	2,549
		845	**–**	**845**	1,446	2,549	3,995
Total borrowings		**6,860**	**6,470**	**13,330**	8,899	12,260	21,159
Non-current liabilities							
Repayable later than one year and not later than five years		**–**	**814**	**814**	195	5,362	5,557
Current liabilities							
Repayable not later than one year		**6,860**	**5,656**	**12,516**	8,704	6,898	15,602
		6,860	**6,470**	**13,330**	8,899	12,260	21,159

26 Bank Borrowings (cont'd)

(a) Bank loan #1 granted to a subsidiary is repayable in 48 instalments commencing June 2010. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5 % (2012: 5%) per annum.

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

– Bank loan #2 was originally granted as a 4-year term loan repayable in 6 half-yearly instalments with its first instalment due in February 2010. Each instalment payable was S$1,666,667 with the last instalment being S$1,666,665. During the previous financial year, the loan tenor was extended by another 1.5 years from the date of acceptance and was restructured as a 5 half-yearly principal instalments of S$833,333.34 each commencing from August 2011 and a final instalment of S$833,333.29. Interest is charged at cost of funds plus cost of funds plus 2.35% (2012: cost of funds plus 2.35%) per annum.

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

– Bank loan #4 is a 5-year commercial property loan repayable in 60 monthly instalments with its first instalment due in March 2009. Interest is charged at 0.75 % (2012: 0.75%) over the commercial financing rate per annum.

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

In 2011, the repayment amount was revised and the outstanding drawn down amount of RMB24 million (equivalent to S$5.02 million) as at 31 December 2011 will be repaid in five half-yearly instalment of RMB1.96 million (equivalent to S$408,278) each with its last instalment of RMB14.28 million (equivalent to S$2.97 million). This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and another subsidiary of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 115% (2012: 115%) of the People's Bank of China's base rate per annum.

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

The loan has not been fully drawdown. The loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and other subsidiaries of the Group. Interest is charged at 120% of the People's Bank of China's base rate per annum.

26 Bank Borrowings (cont'd)

(e) Bank loan #7 and bank loan #8 granted to a joint venture are secured by corporate guarantees provided by the Company

– Bank loan #7 is repayable in 48 instalments commencing November 2009. Interest is charged at 5.5% (2012: 5.5%) per annum. The loan was fully repaid during the financial year.

– Bank loan #8 is repayable in 36 instalments commencing July 2011. Interest is charged at 4.25% (2012: 4.25%) per annum.

(f) Short-term loans #1 granted to subsidiaries are secured by corporate guarantees provided by the Company. Interests are charged at a range of rate between 2.90% and 7.26% (2012: 2.74% and 7.26%) per annum.

(g) Short-term loans #2 granted to a subsidiary were secured by corporate guarantees provided by a subsidiary of the Group. Interests were charged at a range of rate 6.72% per annum. The loans were fully repaid during the financial year.

(h) The facility for trust receipts #1 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 1.38% to 2.55% (2012: 2.29%) per annum.

(i) The facility for trust receipts #2 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.66% to 5.00% (2012: 2.69% to 5.00%) per annum.

(j) The facility for trust receipts #3 of a subsidiary was secured by third party credit insurance. Interest was charged at 6.15% per annum. The trust receipts were fully repaid during the financial year.

The weighted average effective interest rate of the Group's bank borrowings is 5.39% (2012: 4.65%) per annum.

27 Finance Leases

	Group	
	2013	**2012**
	S$'000	**S$'000**
Minimum lease payments payable:		
– due not later than one year	**65**	70
– due later than one year and not later than five years	**238**	248
– due later than five years	**3**	64
	306	382
Finance charges allocated to future years	**(35)**	(45)
Present value of minimum lease payments	**271**	337
Non-current liabilities		
Due later than one year and not later than five years	**214**	275
Current liabilities		
Due not later than one year	**57**	62
	271	337

The weighted average effective interest rate of the Group's finance leases is 5.93% (2012: 5.55%) per annum.

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

28 Deferred Tax Liabilities

	Group	
	2013	2012
	S$'000	S$'000
Deferred tax liabilities		
– to be settled within one year	**12**	7
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	**7**	30
Credited to profit or loss (Note 9)		
– over provision in respect of prior year	**5**	(15)
Translation adjustment	**–**	(8)
Balance at 31 December	**12**	7

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

29 Trade and Other Payables

	Group		Company	
	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
– note payables (b)	**1**	821	**–**	–
– third parties	**12,937**	13,234	**–**	–
– associates	**95**	71	**–**	–
– joint ventures	**35**	23	**–**	–
– related parties	**4,616**	2,300	**–**	–
	17,684	16,449	**–**	–
Advances received from:				
– customers	**4,617**	4,123	**–**	10
– subsidiaries (c)	**–**	–	**518**	404
Accrued operating expenses	**9,146**	9,434	**2,540**	3,376
Amount owing to directors of subsidiaries (d)	**67**	77	**–**	–
Amount owing to non-controlling interests (d)	**828**	706	**–**	–
Other payables (e)	**3,312**	2,313	**135**	68
	35,654	33,102	**3,193**	3,858

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

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

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

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

(e) Included in other payables was an amount of S$475,000 (2012: S$128,000) being dividend payable to minority shareholders.

30 Dividends

	Group and Company	
	2013	2012
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore 0.5 cents per share (2012: 0.5 cents) paid in respect of the previous financial year	**1,800**	1,493

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

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2012: Nil).

31 Segment Information

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

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

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

31 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue												
External sales	**124,592**	115,597	**31,704**	32,456	**4,360**	5,366	**4,196**	96	**–**	–	**164,852**	153,515
Inter-segment sales	**588**	526	**1,527**	1,658	**40**	34	**–**	–	**(2,155)**	(2,218)	**–**	–
	125,180	116,123	**33,231**	34,114	**4,400**	5,400	**4,196**	96	**(2,155)**	(2,218)	**164,852**	153,515
Results												
Segment results	**12,224**	11,340	**(744)**	1,028	**(33)**	34	**(1,379)**	(721)	**–**	–	**10,068**	11,681
Share of profit of associates	**604**	1,035	**–**	–	**–**	–	**–**	–	**–**	–	**604**	1,035
Corporate expenses											**(1,108)**	(737)
Rental income											**496**	369
Interest income											**160**	108
Finance costs											**(1,019)**	(1,016)
Profit before income tax											**9,201**	11,440
Income tax											**(2,787)**	(4,089)
Profit for the year											**6,414**	7,351
Assets												
Segment assets	**93,256**	91,803	**19,095**	14,308	**2,568**	2,788	**5,213**	4,638	**(13,263)**	(10,830)	**106,869**	102,707
Goodwill	**2,178**	2,178	**9,508**	9,508	**–**	–	**–**	–	**–**	–	**11,686**	11,686
Associates	**3,713**	3,416	**–**	–	**–**	–	**–**	–	**–**	–	**3,713**	3,416
Investment properties											**590**	611
Cash and cash equivalents											**40,697**	25,071
Consolidated total assets											**163,555**	143,491
Liabilities												
Segment liabilities	**38,799**	35,418	**7,300**	5,871	**716**	743	**566**	477	**(13,263)**	(10,830)	**34,118**	31,679
Bank borrowings and finance leases											**13,601**	21,496
Income tax liabilities											**522**	1,969
Others unallocated corporate liabilities											**1,536**	1,423
Consolidated total liabilities											**49,777**	56,567

31 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Other information												
Capital expenditure on												
– Property, plant and equipment	**1,533**	646	**369**	437	**2**	–	**69**	524	**–**	–	**1,973**	1,607
– Progress payments for properties under development		–		–		–	**738**	–		–	**738**	–
Depreciation of properties, plant and equipment	**1,254**	1,219	**436**	475	**24**	21	**131**	108	**–**	–	**1,845**	1,823
Depreciation of investment properties	**19**	19	**–**	–	**–**	–	**–**	–	**–**	–	**19**	19
Other non-cash expenses												
– amortisation of intangible assets	**23**	23	**–**	–	**–**	–	**–**	–	**–**	–	**23**	23
– amortisation of land use rights	**35**	33	**–**	–	**–**	–	**–**	–	**–**	–	**35**	33
– trade receivables written off	**83**	–	**1**	72	**–**	–	**–**	–	**–**	–	**84**	72
– allowance for inventory obsolescence	**589**	579	**72**	312	**23**	2	**–**	–	**–**	–	**684**	893
– allowance for impairment of trade receivables	**129**	99	**145**	122	**–**	–	**–**	–	**–**	–	**274**	221
– property, plant and equipment written off	**2**	11	**1**	–	**–**	–	**–**	–	**–**	–	**3**	11
– inventories written off	**74**	150	**2**	67	**–**	–	**–**	–	**–**	–	**76**	217
– write back of allowance of trade receivables	**(5)**	(108)	**(79)**	–	**–**	–	**–**	–	**–**	–	**(84)**	(108)
– write back of allowance of inventory obsolescence	**(14)**	(246)	**–**	(15)	**–**	–	**–**	–	**–**	–	**(14)**	(261)
– write back of gain on stock count variance	**–**	(8)	**–**	(10)	**–**	–	**–**	–	**–**	–	**–**	(18)

31 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	
	2013	**2012**	**2013**	**2012**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	**27,338**	33,818	**19,131**	19,324
PRC	**119,843**	107,465	**25,466**	23,025
Malaysia	**6,304**	4,595	**572**	875
Others	**11,367**	7,637	**622**	526
	164,852	153,515	**45,791**	43,750

(c) Information about Major Customers

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

32 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	
	2013	**2012**
	S$'000	**S$'000**
Future minimum lease payment receivable:		
– not later than one year	**663**	431
– later than one year and not later than five years	**475**	362
	1,138	793

The remaining tenure period of the aforesaid operating leases are within 1 to 4 years (2012: 1 to 3 years).

32 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	
	2013	2012
	S$'000	S$'000
Future minimum lease payment payable:		
– not later than one year	**1,303**	1,270
– later than one year and not later than five years	**1,233**	1,361
	2,536	2,631

The remaining tenure period of the aforesaid operating leases are within 1 to 5 years (2012: 1 to 5 years).

33 Capital Commitments

Other than as disclosed in the financial statements, there are no other capital commitments entered into by the Group as at 31 December 2013.

34 Corporate Guarantees and Letters of Credit

	Group		Company	
	2013	2012	2013	2012
	S$'000	S$'000	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	**–**	–	**13,284**	16,430
Corporate guarantees provided to banks in connection with banking facilities granted to a joint venture	**45**	181	**45**	181
	45	181	**13,329**	16,611
Letters of credit	**118**	–	**–**	–

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

35 Related Party Transactions

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

	Group	
	2013	**2012**
	S$'000	**S$'000**
Sales to associates	**(1,541)**	(1,607)
Sales to related parties	**(1,805)**	(1,472)
Sales to joint ventures	**(3)**	(2)
Purchases from associates	**366**	603
Purchases from related parties	**19,645**	17,004
Purchases from a joint venture	**18**	20
Administrative income charged to associates	**(43)**	(66)
Administrative income charged to a joint venture	**–**	(33)
ERP maintenance costs charged to joint ventures	**(4)**	(3)
Rental charged to associates	**(5)**	(4)
Rental charged to a joint venture	**(65)**	(60)
Interest charged to associates	**(47)**	(28)
Interest charged by a related party	**33**	25
Service fee charged to associates	**–**	(4)
Other expenses charged by related parties	**135**	123
Other expenses paid to a joint venture	**3**	3
Other income charged to associates	**(21)**	(43)
Other income charged to a related party	**(65)**	(70)
Other income charged to a joint venture	**(187)**	(182)

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

36 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

36 Financial Instruments (cont'd)

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

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 balance sheet date, the Group did not have any outstanding forward currency contracts.

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

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
2013				
Financial assets				
Trade and other receivables	28,999	4,999	1,257	1,357
Cash and cash equivalents	11,858	4,095	727	1,584
	40,857	9,094	1,984	2,941
Financial liabilities				
Bank borrowings	5,885	3,833	–	149
Trade and other payables	16,771	1,643	3,968	1,107
	22,656	5,476	3,968	1,256
Net financial assets/(liabilities)	18,201	3,618	(1,984)	1,685
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(18,201)	–	–	–
Currency exposure	–	3,618	(1,984)	1,685

36 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
2012				
Financial assets				
Trade and other receivables	29,104	4,041	1,124	988
Cash and cash equivalents	11,202	4,914	451	748
	40,306	8,955	1,575	1,736
Financial liabilities				
Bank borrowings	10,178	2,766	–	–
Trade and other payables	15,712	1,744	2,118	160
	25,890	4,510	2,118	160
Net financial assets/(liabilities)	14,416	4,445	(543)	1,576
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(14,416)	–	–	–
Currency exposure	–	4,445	(543)	1,576

If the following currencies strengthen by 5 % (2012: 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 2013 Increase/(Decrease) Profit before tax S$'000	Group 2012 Increase/(Decrease) Profit before tax S$'000
USD	**181**	222
CHF	**(99)**	(27)
Euro	**84**	79

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

No disclosures for foreign currency risk have been made for the Company as it was not a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currency as at financial year ended 31 March 2013 were not significant.

Interest rate risk

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

36 Financial Instruments (cont'd)

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

Interest rate risk (cont'd)

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

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

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/decrease by 0.5 % (2012: 0.5%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S$17,000, S$29,000 and S$19,000 respectively (2012: S$39,000, S$51,000 and S$14,000) 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:

	Group	
	2013	**2012**
	S$'000	**S$'000**
By geographical areas		
Singapore	**7,462**	7,001
PRC	**28,772**	30,941
Malaysia	**1,076**	1,051
Others	**2,253**	2,273
	39,563	41,266

36 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 2013, trade and other receivables which are neither past due nor impaired amounted to S$34,170,000 (2012: S$34,770,000).

(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 except for trade receivables as set out below. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2013	2012
	S$'000	S$'000
Trade receivables past due:		
– not more than 3 months	**5,441**	5,119
– 3 to 6 months	**2,256**	1,177
– over 6 months	**3,117**	3,234
	10,814	9,530

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

(iii) Financial assets that are past due and impaired

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

	Group	
	2013	2012
	S$'000	S$'000
Trade receivables	**791**	595
Less: Allowance for impairment	**(791)**	(595)
	–	–

36 Financial Instruments (cont'd)

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

Credit risk (cont'd)

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

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

	Group 2013 S$'000	Group 2012 S$'000
Balance at 1 January	**595**	549
Allowance for the year	**274**	221
Amount written off	**(84)**	(72)
Write back of allowance for the year	**(84)**	(108)
Translation	**90**	5
Balance at 31 December	**791**	595

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

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

	Carrying amount S$'000	Contractual cash flows S$'000	Within one year S$'000	Within two to five years S$'000	Over five years S$'000
Group					
2013					
Bank borrowings	**13,330**	**13,803**	**12,837**	**966**	**–**
Finance leases	**271**	**306**	**65**	**238**	**3**
Trade and other payables	**31,037**	**31,037**	**31,037**	**–**	**–**
	44,638	**45,146**	**43,939**	**1,204**	**3**
2012					
Bank borrowings	21,159	21,790	16,030	5,760	–
Finance leases	337	382	70	248	64
Trade and other payables	28,979	28,979	28,979	–	–
	50,475	51,151	45,079	6,008	64

36 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
Company			
2013			
Financial guarantee contracts	**14,785**	**48,675**	**63,460**
2012			
Financial guarantee contracts	17,406	24,486	41,892

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

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

(i) S$1.00 million of overdraft facilities;

(ii) S$4.78 million of foreign exchange contract hedging limit. Limit in excess of S$3.78 million is determined at the discretion of some banks when entering into each contract;

(iii) S$50.93 of million other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc); and

(iv) S$6.76 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2013 amounted to approximately S$50.08 million (2012: S$21.00 million).

36 Financial Instruments (cont'd)

(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.

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
Assets					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	–	904	–	904	517
Commercial property unit located in Malaysia (refer Note 12)	–	96	–	96	73
	–	1,000	–	1,000	590
Liabilities					
Bank borrowings	–	778	–	778	814
Finance leases	–	214	–	214	214
	–	992	–	992	1,028

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

Other financial assets and liabilities

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

36 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate S$778,000 (2012: S$5,323,000), 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 27.

37 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 2013 and 2012.

As disclosed in Note 25, 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 2013 and 2012.

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

	Group	
	2013	**2012**
	S$'000	**S$'000**
Net debt	**8,558**	29,527
Total equity	**107,144**	80,318
Net debt-to-equity ratio	**8%**	37%

38 Subsequent Events

(a) Acquisition of a subsidiary

Subsequent to the financial year end, Aenergy Holdings Limited ("Aenergy HK"), a wholly owned subsidiary of the Group, completed the sale and purchase agreement to acquire 80% equity stake in PT Charma Paluta Energy ("PT Charma") in January 2014, a company incorporated in Indonesia with primary businesses in the building, owning and operating of hydroelectric plants and related businesses for US$450,000 from its equal and joint owners, who each sold 144,000 shares to offer a total aggregate of 288,000 shares.

The initial accounting for the business combination is not completed as at the date of the consolidated financial statements are authorised for issue as management is still in the midst of assessing the fair value of each major class of assets acquired and liabilities assumed and total amount of goodwill, if any.

(b) Increase in issued and paid-up share capital of a subsidiary

Subsequent to the financial year end, ISDN Resource Pte. Ltd., a wholly-owned subsidiary of ISDN Investments Pte. Ltd. ("ISDN Investments"), which is in turn a wholly-owned subsidiary of the Company, has increased its issued and paid-up share capital from S$1.00 to S$500,000. The increased share capital is fully subscribed by ISDN Investments and accordingly, ISDN Resources remains as a wholly-owned subsidiary of the Company.

(c) Proposed joint partnership for developing of mini-hydropower plants in Indonesia

(i) Subsequent to the financial year end, on 14 February 2014, Aenergy HK entered into a Master Engineering, Procurement and Construction Contract with China Huadian Engineering Co., Ltd to develop, construct and operate mini hydropower plants to be located in the Republic of Indonesia for USD1.5 million each, pursuant to the earlier memorandum of understanding signed in April 2013.

(ii) In January 2014, ISDN entered into a Memorandum of Understanding ("MOU") with Indonesia-based PT Izmi Power Mandiri to develop an 8.0 MW mini-hydropower plant in Aek Sisira Desa Tomuan Holbung, Kecamatan Bandar Pasir Mandoge, Kebupaten Asahan, North Sumatra province.

Under the terms of the MOU, ISDN will acquire 89% shareholding interest in PT Tomuan, by way of cash payment of IDR 18 billion through a series of agreed milestones that will be subsequently capitalized as paid-up capital of PT Tomuan.

(d) Incorporation of a subsidiary

Subsequent to the financial year end, the Group through its wholly-owned subsidiaries, Leaptron Engineering Pte Ltd ("LE") and Motion Control Pte Ltd ("MCG"), incorporated a subsidiary. PT Leaptron Engineering ("PTLE") in Indonesia, with registered share capital of US$400,000. PTLE will be principally engaged in the business of distribution of industrial automation products in Indonesia.

SHAREHOLDERS' INFORMATION

AS AT 17 MARCH 2014

Issued and fully paid-up capital	:	S$63,925,000
Number of Issued Shares	:	359,944,950
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share

TREASURY SHARES

Number of treasury shares held by the Company: 1,105,000

Percentage of treasury shares held by the Company against the total number of issued shares excluding treasury shares: 0.31%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Assetraise Holdings Limited	127,890,250	35.53	–	–
Teo Cher Koon	–	–	127,890,250[1]	35.53
Karl Walter Braun	20,000,000	5.56	–	–
Tan Thiam Chye	32,794,000	9.11	30,000[2]	0.01
Cheng Siew Heah	15,930,000	4.42	16,894,000[3]	4.7

Note:

(1) Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon. As such, Mr Teo Cher Koon is deemed to have an interest in 127,890,250 shares held by Assetraise Holdings Limited.

(2) Mr Tan Thiam Chye is deemed to have an interest in 30,000 shares held by his spouse, Mdm Cheng Siew Heah.

(3) Mdm Cheng Siew Heah is deemed to have an interest in 16,894,000 shares held by here spouse, Mr Tan Thiam Chye.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 17 March 2014, approximately 49.11% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	409	28.76	4,374	0.00
1,000 – 10,000	471	33.12	2,947,923	0.82
10,001 – 1,000,000	517	36.36	44,873,217	12.47
1,000,001 AND ABOVE	25	1.76	312,119,436	86.71
TOTAL	**1,422**	**100.00**	**359,944,950**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	123,756,750	34.38
2	KARL WALTER BRAUN	20,000,000	5.56
3	HSBC (SINGAPORE) NOMINEES PTE LTD	19,687,650	5.47
4	OCBC SECURITIES PRIVATE LIMITED	18,305,022	5.09
5	GOH YEO HWA	17,314,000	4.81
6	DMG & PARTNERS SECURITIES PTE LTD	13,700,000	3.81
7	UOB KAY HIAN PRIVATE LIMITED	13,230,168	3.68
8	GOH YEU TOH	10,480,000	2.91
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	10,186,604	2.83
10	TAN THIAM CHYE	9,789,000	2.72
11	PHILLIP SECURITIES PTE LTD	9,487,677	2.64
12	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	9,439,000	2.62
13	TRITECH INTERNATIONAL HOLDINGS PTE LTD	9,100,000	2.53
14	WONG KOON CHUE @ WONG KOON CHUA	3,564,000	0.99
15	HONG LEONG FINANCE NOMINEES PTE LTD	3,556,000	0.99
16	DBS NOMINEES (PRIVATE) LIMITED	3,033,543	0.84
17	CHIA SOEN FANG	2,643,000	0.73
18	ZHANG DONGHUI	2,606,000	0.72
19	ADRICH NG KIM SENG	2,500,000	0.69
20	KONG DEYANG	2,050,000	0.57
	TOTAL	**304,428,414**	**84.58**

STATISTICS OF WARRANTHOLDINGS

AS AT 17 MARCH 2014

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 999	87	16.86	80,698	0.05
1,000 – 10,000	245	47.48	1,014,053	0.56
10,001 – 1,000,000	162	31.40	14,759,382	8.20
1,000,001 AND ABOVE	22	4.26	164,118,342	91.19
TOTAL	**516**	**100.00**	**179,972,475**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,625,125	34.24
2	DMG & PARTNERS SECURITIES PTE LTD	17,275,817	9.60
3	OCBC SECURITIES PRIVATE LIMITED	11,214,000	6.23
4	GOH YEO HWA	9,491,456	5.27
5	HSBC (SINGAPORE) NOMINEES PTE LTD	9,253,977	5.14
6	TAN CHIN HOCK	8,166,000	4.54
7	GOH YEU TOH	6,950,000	3.86
8	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	6,324,467	3.51
9	TAN THIAM CHYE	5,125,000	2.85
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,014,638	2.79
11	UOB KAY HIAN PRIVATE LIMITED	4,611,332	2.56
12	PHILLIP SECURITIES PTE LTD	3,445,529	1.91
13	ASSETRAISE HOLDINGS LIMITED	2,500,000	1.39
14	LIM & TAN SECURITIES PTE LTD	2,462,000	1.37
15	TRITECH INTERNATIONAL HOLDINGS PTE LTD	1,700,000	0.94
16	LIM KIM CHANG	1,600,000	0.89
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,432,000	0.80
18	WONG KOON CHUE @ WONG KOON CHUA	1,317,000	0.73
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,285,001	0.71
20	ADRICH NG KIM SENG	1,250,000	0.69
	TOTAL	**162,043,342**	**90.02**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "**Company**") will be held at [12 Kallang Way #02-01 Nova Building, Singapore 349216] on Friday, 25 April 2014 at 9.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one tier) dividend of 0.4 Singapore cents per ordinary share for the year ended 31 December 2013. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Soh Beng Keng **(Resolution 3)**
   Mr Tay Gim Sin Leonard **(Resolution 4)**

   Mr. Soh Beng Keng, upon re-election, will continue to serve as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

   Mr. Tay Gim Sin Leonard, upon re-election, will serve as Chairman of the Remuneration Committee and a member of the Audit Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

4. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2014 (2013: S$100,000). **(Resolution 5)**

5. To re-appoint Moore Stephens LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to allot and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Plan**

   "That the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the ISDN Holdings Share Option Scheme and the ISDN Performance Share Plan (the "**Schemes**") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Schemes provided always that the aggregate number of shares to be issued pursuant to the Schemes shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time."
   [See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 10 April 2014

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

   For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of he Company at the time the Ordinary Resolution 8 is passed.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Schemes.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at **10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175** not less than forty-eight hours (48) before the time appointed for holding the Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

ISDN HOLDINGS LIMITED

(Incorporated In the Republic of Singapore
Company Registration No. 200416788Z)

Important

1. For investors who have used their CPF monies to buy ISDN Holdings Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (name) of ______________________________
(address) ______________________________
being a member/members of ISDN Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on [12 Kallang Way #02-01 Nova Building, Singapore 349216] on Friday, 25 April 2014 at 9.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' and Auditors' Report and Audited Accounts of the Company for the year ended 31 December 2013		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Soh Beng Keng as Director of the Company		
4.	Re-election of Mr Tay Gim Sin Leonard as Director of the Company		
5.	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2014		
6.	Re-appointment of Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue new shares		
8.	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Plan		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this ____________ day of ________________

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **10 Kaki Bukit Road, #01-30 KB Industrial Building, Singapore 416175** not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

ISDNHoldings
LIMITED

No.10 Kaki Bukit Road 1
#01-30 KB Industrial Building
Singapore 416175
Company registration No. 200416788Z