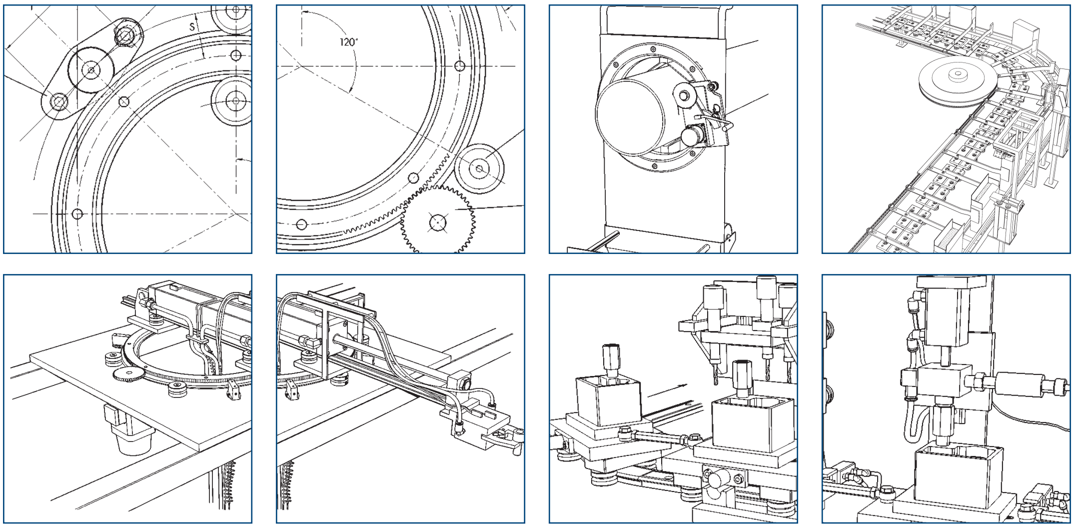
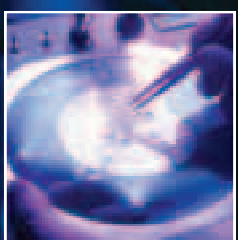
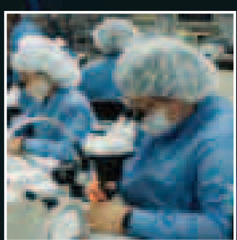
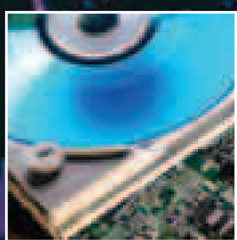


ISDN Holdings
LIMITED

Annual Report 2006

Vision

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

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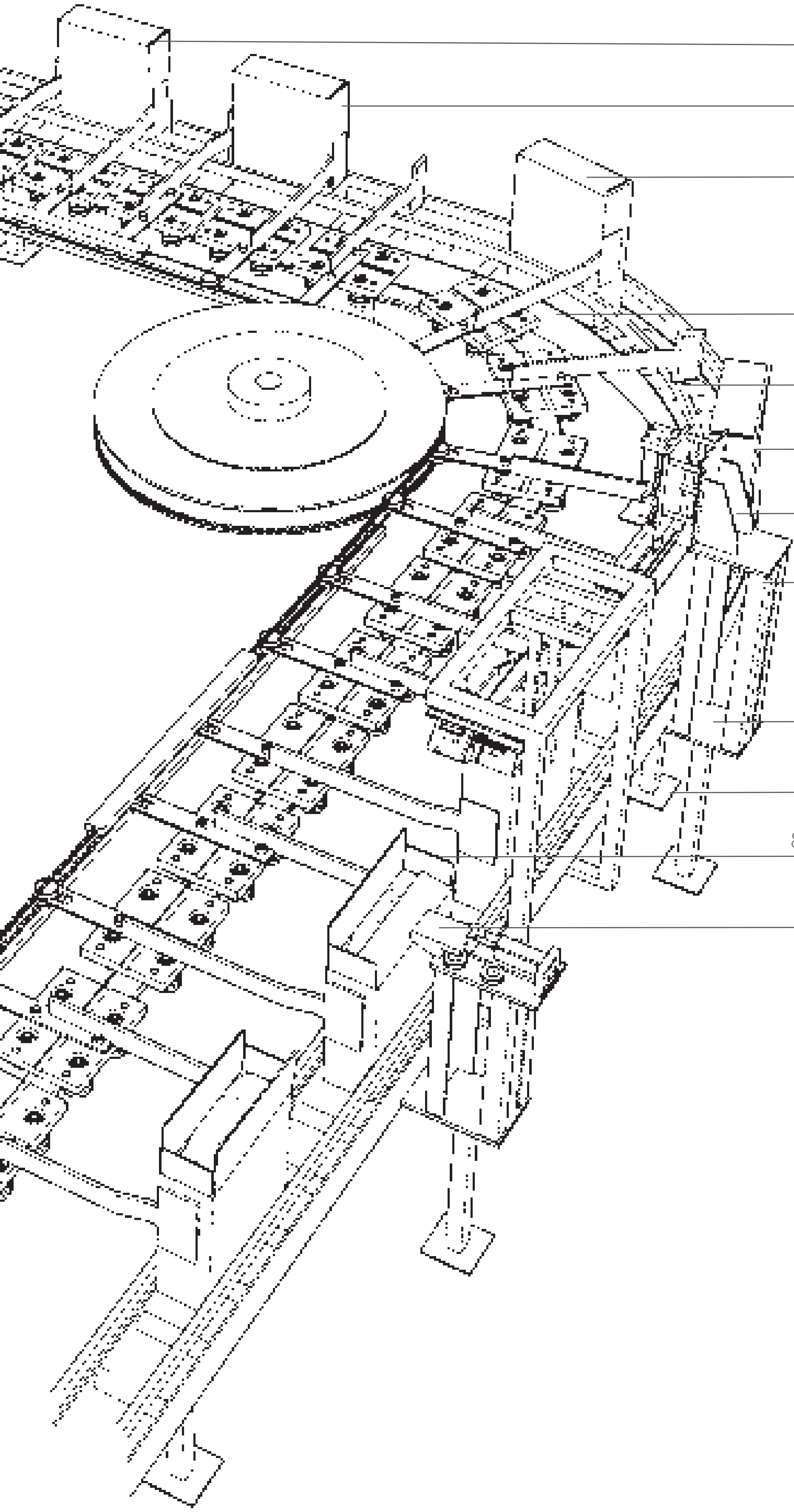
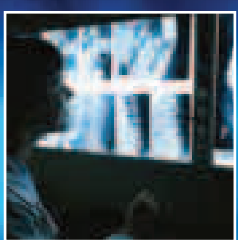
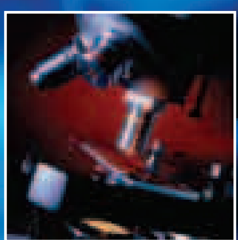
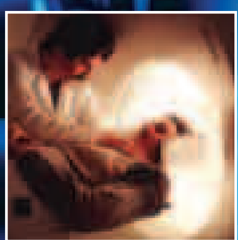


Mission

- To be recognized 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 reward performance excellence
- Generate shareholders value through measured growth strategies in earnings and distributions.

Corporate Information

COMPANY REGISTRATION NUMBER

200416788Z

REGISTERED OFFICE

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

DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

SECRETARY

Juliana Loh Joo Hui (appointed on 1 March 2006 and resigned on 4 February 2007)
Gn Jong Yuh Gwendolyn (appointed on 5 February 2007)

SHARE REGISTRAR

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

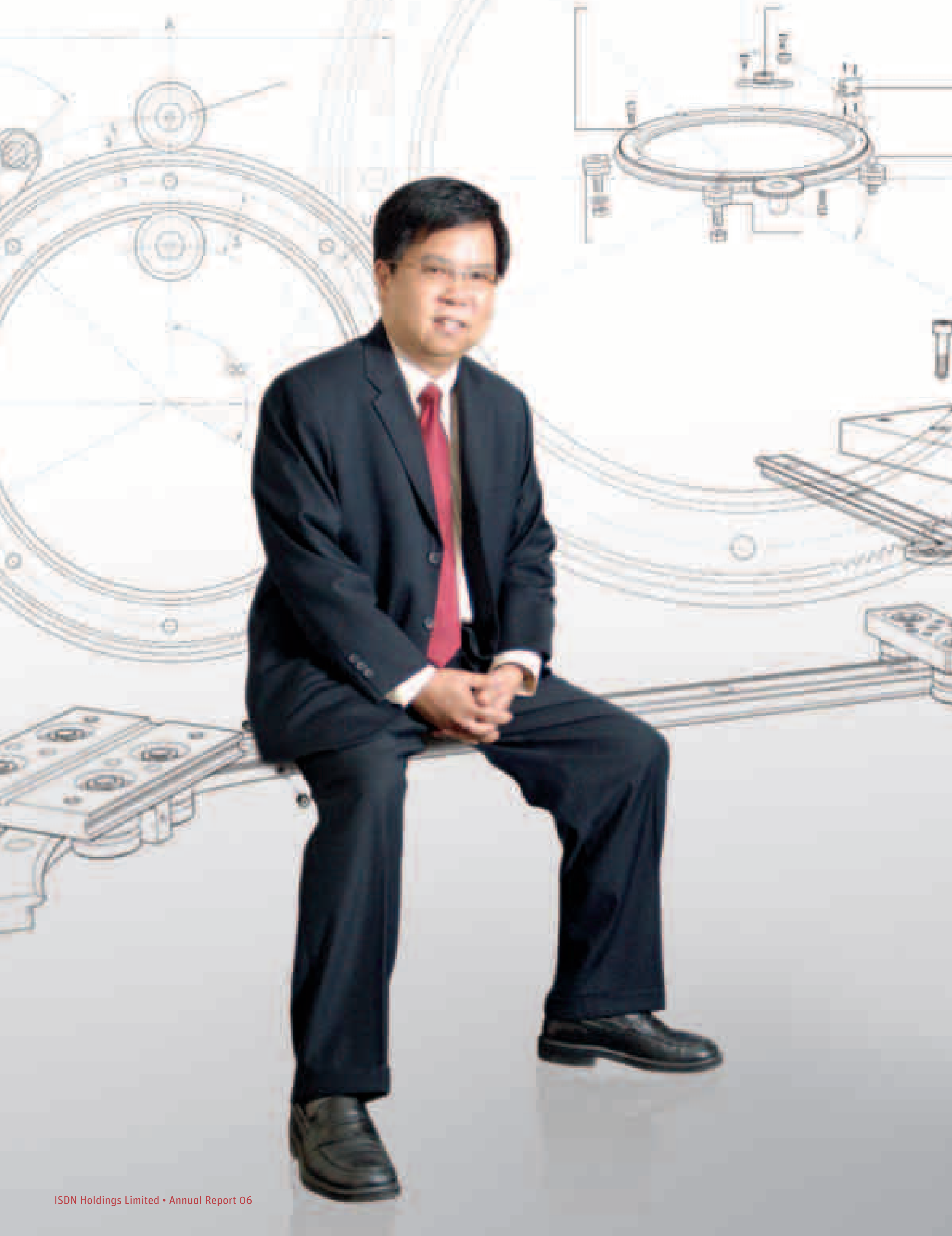
BANKERS

Standard Chartered Bank
United Overseas Bank Limited

AUDITORS

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365
Partner-in-charge:
Yeo Boon Chye (appointed in FY 2005)

President's Message



Dear Shareholders,

On behalf of the Board of Directors, I present to you the annual report and financial statements of your Company and Group for financial year (FY) ended 31 December 2006.

FY2006 had been a year of expansion as we continued to steadily push ahead with our strategies towards becoming the leading comprehensive specialist engineering solutions provider in Asia. I am pleased to report a consecutive year of double digit revenue growth for FY2006.

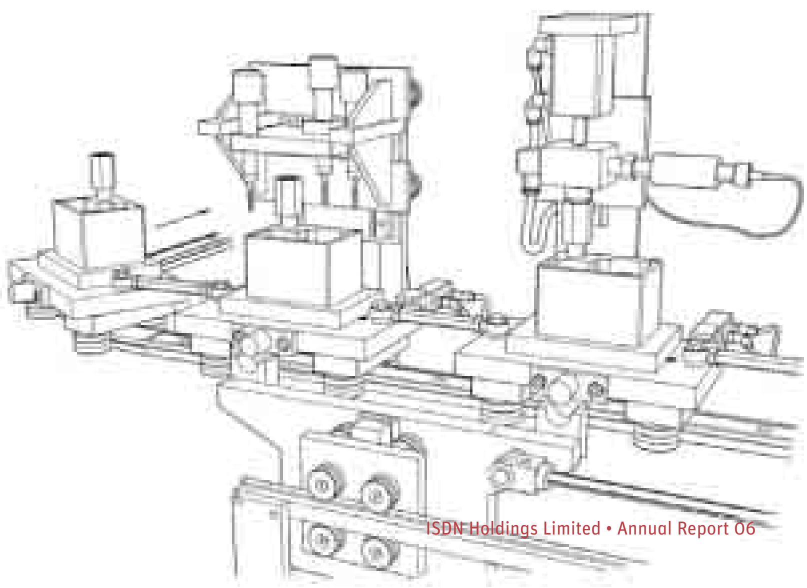
FINANCIAL REVIEW

FY2006 revenue increased by 21% to S$67 million compared to S$55 million in FY2005 with higher demand for our engineering solutions. We experienced growth from all fronts, from both industry and geographical segments. Revenue from our North Asian markets (mainly China and Greater China) surged by more than 35% to S$30 million while South Asia (mainly the ASEAN countries) rose by 12.5% to S$37 million for FY2006 compared to year before. Strong economic and manufacturing activities within Greater China from both domestic and multinational enterprises as well as our continued expansionary efforts into these markets were the primary drivers of this increased demand.

The Group's engineering solutions in motion control continues to be the main contributor accounting for 75% of total turnover or S$50 million for FY2006. Our strategy to shift our focus to the Chinese market to tap its stellar manufacturing growth has begun to bear fruit. Revenue from customers in the manufacturing segment rose by 90% to S$24 million, which outpaced all other industry segments such as semiconductors (up only 7.6%).

We have intensified efforts in diversifying into other engineering solutions segments such as industrial vision, precision gears, gear boxes, and laser measurement and cutting in FY2006 as we broadened our core competencies through acquisitions and focused partnerships. Revenue from these other engineering solutions begun to make a more significant impact, accounting for 15.6% or S$10.4 million to our total revenue in FY2006, a 102% increase over FY2005.

The Group's gross margin remained relatively stable year-on-year at approximately 27% for FY2006. Our distribution costs were correspondingly higher by 14% to S$2 million with increased sales and purchasing activities. The Group also incurred additional transport expenses as it accelerated the expansion of its sales network in China in the second half of FY2006. Our payroll and related expenses increased by approximately S$1 million for FY2006 over the year before, owing to annual salary increments, bonuses and increased staff headcount arising from the Group's sales network expansion and acquisitions during the year. As our team is central to our core ability of translating customers' needs and challenges into opportunities and sales for us, we believe in continuous investment in talent and cultivating loyalty through nurturing and rewarding our employees and continuously upgrading their skills.



Other administrative and depreciation expenses were higher by S$1.1 million arising from a larger network, start-up costs and production test runs from new joint ventures and entities, and the use of our new Enterprise Resource Planning (ERP) software system progressively installed throughout our group of companies to streamline information flow.

These added infrastructural investments and operational start-up costs whittled 1.4% off our net earnings margin, 9.3% in this FY2006 compared to 10.7% for FY2005. FY2006 net earnings of S$6.2 million were higher than the year before of S$5.9 million by 5%. Earnings per share were 3.89 cents as at 31 December 2006 compared to 3.66 cents as at 31 December 2005.

Our net operating cash flow remained fairly steady at S$1.8 million this FY2006 (FY2005: S$2.2 million). Our cash and cash equivalents as at 31 December 2006 were S$7.6 million compared to S$11.9 million as at 31 December 2005 which was a month after our Initial Public Offering. Approximately S$4 million was deployed towards investing and financing activities during FY2006 as we rolled out our expansion in China and the Asian region. This contributed to the improvement in our net asset value per share of 13.9 cents as at 31 December 2006 from 11.9 cents as at 31 December 2005.

BUSINESS REVIEW & OUTLOOK

The Group remains well positioned as an integrated specialist engineering solutions provider, serving manufacturers across a broad range of industries within China and the Asian region.

In China, which is viewed as a strategically important market, there continues to be abundant business opportunities as the Group has a growing reputation as a leading provider of integrated engineering solutions. This demand is driven by Chinese and multinational companies in China upgrading their manufacturing plants through automation to boost productivity as well as niche end product companies who require our specific engineering solutions.

With our expanded network in China of over 42 offices by the end FY2006 (from 20 in FY2005), we are poised to benefit from the continued strength of the China economy, which grew 10.7% to US$2.68 trillion in 2006 and projected to grow a further 9.0% or US$241.2 billion in 2007, according to government sources quoted by the official Xinhua News Agency. In addition, China's economic growth is estimated at 7%-8% annually over the next 10 years, driven mainly by manufacturing activity.

THE NEXT LAP

ISDN has indeed progressed a long way from our humble beginnings 20 years ago in 1987 as a small trading and distribution company. This new financial year 2007 will mark our 20th Anniversary, and will also mark our strategic thrust to becoming a one-stop fully integrated engineering solutions provider. Already, we have been acknowledged by our customers as the engineering solutions provider of choice in Asia. In addition, we are very proud that our integrity and respect for intellectual property has earned us recognition from our key suppliers. These have further developed into strategic manufacturing joint ventures with our suppliers like Maxon Motor AG and Eisele Antriebstechik GmbH.

We are confident about the prospects for the Group's engineering solutions into the next lap as we continue to build on our diverse customer network, which had swelled from 2,000 in FY2005 to 3,000 by the end of FY2006. The Group will leverage on this entrenched position to continue pushing ahead in diversifying its engineering solution offerings into other segments like industrial vision, precision gears, gear boxes, and laser measurement and cutting.

Besides our China focus as a manufacturing centre as well as a market for our engineering solutions and services, the Group's other strategic focus is to seek synergistic investments, joint ventures and acquisition opportunities within Asia to enhance our core competencies across a greater part of the value chain, thus sharpening our competitiveness as an integrated specialist engineering solutions provider.

FY2007 onwards will be exciting years ahead for ISDN. We are currently developing detailed plans to cluster our Group operations under various core competencies. These would also include our associates, joint venture companies and subsidiaries, who will be able to effectively leverage on ISDN's wide Asian network and its good standing as a Singapore-listed company. It is intended that these clusters can eventually grow to become independent profit centres, which in turn can operate synergistically with the overall ISDN Group. And should any of these clusters grow into significantly large entities over time, it is conceivable that a separate listing could be explored when that time comes.

... we are very proud that our integrity and respect for intellectual property has earned us recognition from our key suppliers.

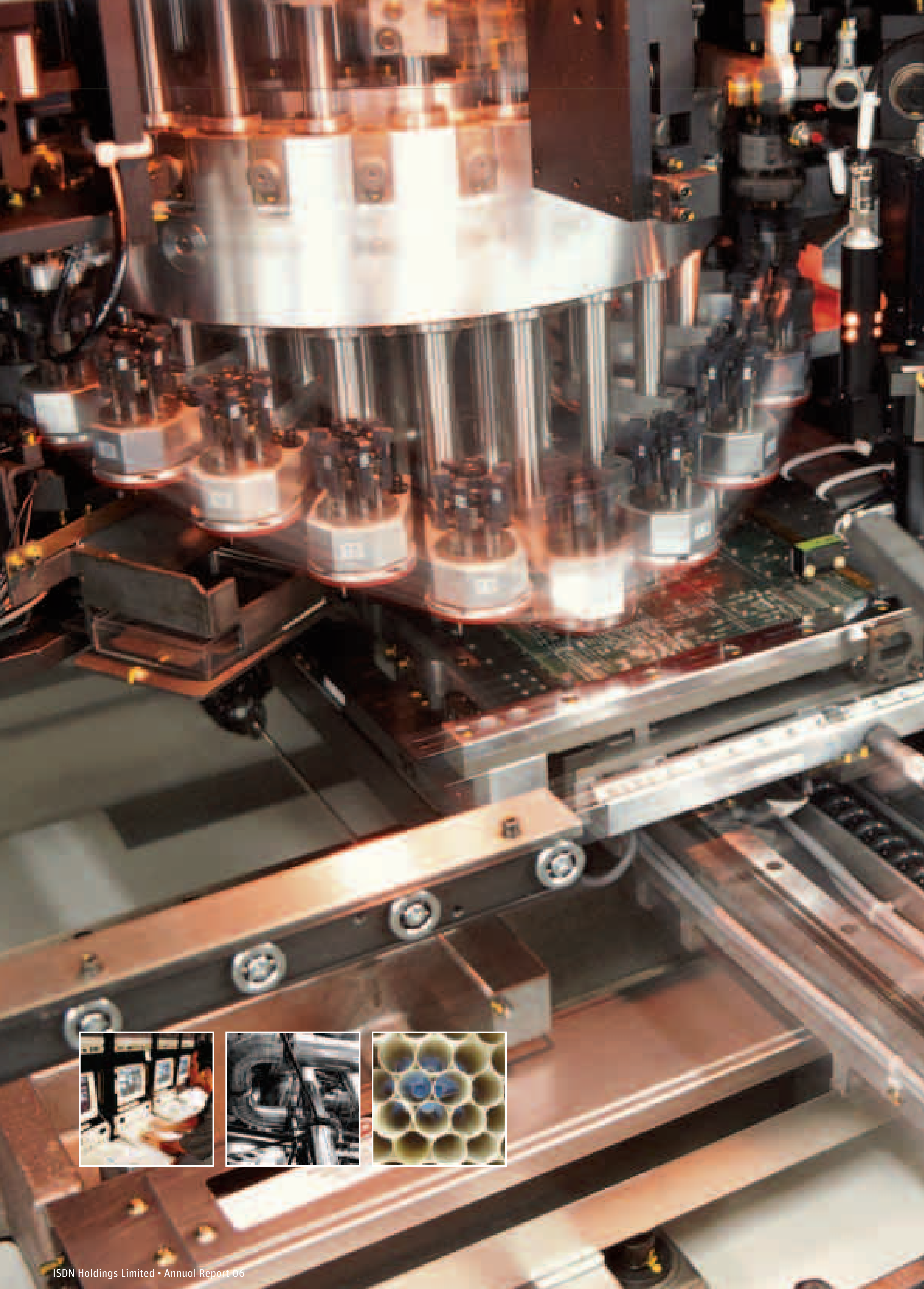
APPRECIATION

Your Group remains on track with the developments in Asia. I would therefore like to express my heartfelt appreciation to all of you, our valued shareholders, fellow directors, management team, colleagues and business partners for your support, trust and dedication this past FY2006 and hope for the same going forward. With that, we are confident our strategies set forth towards becoming Asia's leading integrated specialist engineering solutions provider in motion control will yield the desired rewards.

Again, we are proposing to distribute more than 46% of the net profit attributable to shareholders or 1.83 cents per share as dividends to you.

Yours sincerely,

Teo Cher Koon
Managing Director and President



Corporate Profile

ISDN Holdings Limited is an integrated engineering solutions provider in precision process controls. The company offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipments that have specialized requirements in precision controls. The activities range from conceptualization, design and development, proto-typing, production, sales and marketing and after sales engineering support and services. The Company was listed on the Mainboard of the Singapore Exchange on 24 November 2005.

VISION

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

MISSION STATEMENT

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

- To be recognized 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 reward performance excellence
- Generate shareholders value through measured growth strategies in earnings and distributions.

CORPORATE PROFILE

Since its beginnings in 1987 as a small trading and distribution company for servo motors and related components in Singapore, the Company moved steadily up the supply chain and, today has grown into a formidable integrated engineering solutions provider in Asia with over 300 employees, 58 sales offices and 30 companies, serving over 3,000 customers through a supplier base of over 500.

ISDN's business can be categorized into three broad segments:
1) engineering solutions including motion control;
2) other related engineering support services; and
3) industrial computing.

Engineering solutions including motion control

Engineering solutions involves a wide range of activities from conceptualisation, innovative designs and development, prototyping, procurement and production of assembly with systematic controls, testing, installation and commissioning, and the provision of continuing technical support through after sales services. These engineering solutions are integrated into the customer's equipment, production process as well as their end products for specific applications. Essentially, ISDN supplies these high-value added components and engineering solutions that form an integral but critical part of its customers' production process and their end products.

Other related engineering support services

Other Engineering support services include solutions such as industrial vision, precision gears, gear boxes, and laser technologies in precision measurement and cutting, and functional modules for systematic controls for end products. They also include the assembly, 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 its engineering solutions business. It also develops solutions to meet customers' industrial computing needs. The products and services include customizing and assembling industrial computer systems and installation of software.

OUR CUSTOMERS

Our customers are across multiple industries, including medical, aerospace, robotics, factory automation, oil & gas, water treatment, manufacturing, hard disk drive, and semiconductor industries. The Company has built up a strong sales and distribution network for motors, components and related engineering products, including providing after-sales technical and product support services.

Our customers can be categorized into (i) those seeking solutions to their manufacturing processes and plants, and (iii) those seeking solutions for a special function and control to their equipment and end products. We serve customers in many different industries, some of whom are below:

OUR COMPETITIVE ADVANTAGE

Unique Business Model

ISDN is focused on a high-mix, low-volume, high value-added market segment that requires customized needs. We provide high value-added solutions and supply custom-built functional modules and control assemblies that will form an integral and critical part of our customer's production process and their end products. Today, ISDN has over 42 offices across China, manned by experienced sales engineers who work closely with clients in their factories offering expert technical support and consultation. We have more than 3,000 customers where over 80% of them are repeat customers. This customer base has been growing at 10 to 20% annually since 1987.

This unique business model clearly insulates the Company from market volatility as (i) demand is sufficiently broad based, and (ii) revenue exposure is diversified with a high mix.

INDUSTRY	EXAMPLES OF APPLICATIONS	CUSTOMERS
Medical Equipment	Collimator for cancer radiation	Top Chinese manufacturers e.g. Topslane, YPSun
Medical Consumer	Insulin pumps	Top Chinese manufacturers e.g. Fornia, Dintao Yiliao
Manufacturing	Line assembly automation	Leica Instruments, Wyeth Nutritionals
Semiconductor	PCB mounting systems, ultra-fast feeders, SMT placement equipment, wafer processing systems.	Kulicke & Soffa, ASM, MMI
Aerospace	Aircraft maintenance (tooling for rapid sheet metal parts production)	China's 1^{st} aerospace industrial company e.g. AVIC I

Strong Supplier Partnerships

Over the years, ISDN has built up a strong pool of global partners and suppliers from whom we can draw on a wide range of support in engineering software and hardware. Our pool of suppliers, today number more than 500. This enduring relationship has given ISDN the competitive edge to be the recognized leader as a one-stop engineering service provider in all the markets that we serve.

We have become our partners' favoured entry point into Asia, particularly China. Today, we represent some of the leading European manufacturers in China and parts of Asia for their growth programs in the region. These include such as Maxon Motor AG (the leading global supplier in specialized motors, high-precision drives and systems) and Eisele Antriebstechik Gmbh (global leader in micro-gears) with whom our relationships have blossomed into joint ventures in China. Our friendships, built over many years of proven results, have gained us their trust. In addition, we have access to their domain know-how and expertise in design and solutions which strengthens our engineering capability.

Strong Engineering Capability

Our team is our asset and we believe in continuous investment in our human resource through talent nurturing and reward programs, in-house training and team-based interaction. Our pool of engineers and sales force is central to our ability of translating our customers' needs and challenges into opportunities and sales for ISDN through design, assembly and provision of after-sales service. This pool accounts for more than 60% of our total headcount of over 300. As our front line, our staff are trained to be sensitive to our customers' needs and are highly skilled. We leverage on our partners and suppliers edge in technology R&D in providing "best-of-breed" solutions to our customers.

Our highly skilled team together with the trusted support and friendship from our suppliers/partners give us a leading advantage over competition.

Extensive Business Network in Asia

ISDN has over 42 offices in Greater China (in many key manufacturing and business hubs such as Suzhou, Shenzhen, Guangzhou, Chongqing, Beijing and Shanghai) and presence in many regional growth markets such as Thailand. This extensive network enables us and our partners and suppliers to be abreast with changing demands on the market floor and to meet these needs urgently, efficiently and comprehensively. Our network is also our value proposition to partners and suppliers seeking rapid entry into Asia especially China.

Diverse Customer Base

ISDN has more than 3,000 customers, growing at 10 to 20% annually since 1987. We have become their trusted partner of choice with over 80% being our repeat customers. We remain close at hand to address their needs and challenges with optimal "best-of-breed" solutions designed in-house and with our partners and suppliers. Some of these customers are SMEs, MNCs and governmental bodies, are from various industries, such as the semiconductor, medical, robotics, general automation, manufacturing and hard disk industries.

Operations Review

We are well into our expansion strategies set out in 2006 of (1) establishing a strong foothold in China towards tapping into its stellar manufacturing growth and increasing contributions from North Asia, and (2) strengthening and broadening our core competencies.

CUSTOMERS & NETWORK

As the leading engineering solutions provider in Asia, our sales engineers work closely with manufacturers in the design, development, proto-typing, production and the sales and marketing of flexible tailor-made equipment with systematic controls for manufacturing processes and end products. In FY2006, we have added 7 new offices in China, bringing the total to 42. All our offices are located within the major manufacturing hubs in China and each office is manned by experienced technical personnel.

Our diversified customer base has grown to over 3,000 from about 2,000 a year ago. About 80% of them are repeat customers who have been referring their business associates to ISDN. We remain close at hand to address our customers' needs and challenges with optimal "best-of-breed" solutions designed in-house and in close collaboration with our suppliers/partners. This diversified pool of repeat customers and our extensive network with proven results is our value proposition to suppliers/partners seeking rapid entry into Asia especially China.

SUPPLIERS & PARTNERS

We continued to build on existing relationships of trust with our suppliers and partners, and formed new ones to broaden our technical expertise and engineering solution offerings in FY2006.

Over the years, we have garnered support from many of our global partners and suppliers from whom we draw a wide range of technical support in engineering software and hardware expertise. This enduring relationship with our partners has given us the competitive edge to be a one–stop engineering service provider in all the markets that we serve. Our friendships, built over many years of proven results, have gained us their trust and access to their domain know-how and expertise in engineering design and solutions which in turn, strengthens our engineering capability.

Our pool of suppliers and partners number more than 500 today. We represent a number of leading European manufacturers in China and parts of Asia for their growth programs in the region. Our respect for intellectual property, Singapore's strong legal environment, and our track record has well positioned us as the favored entry point into China and Asia for our partners and suppliers.

As a testimony of our friendship and continued confidence in us, Dr Karl Walter Braun, the owner of Maxon Motor AG and our joint venture partner in Maxon Motor (Suzhou) Co., Ltd, acquired an additional 7.58% interest in ISDN in July 2006. This brings his total shareholding in ISDN to 10.08%. His initial interest was 2.5% through his shareholding in Interelectric AG, who is also our major supplier.

Our partnership with Eisele Antriebstechik Gmbh ("Eisele Gmbh"), a recognized global leader in precision micro-gears, blossomed into a 75%:25% manufacturing joint venture in China in February 2006, with a 2-year option for Eisele Gmbh to increase its shareholding to 50%. This operation to manufacture precision gear-boxes had undergone pre-production work and test-runs through the last quarter of FY2006. We have already began ramping up production from FY2007. Eisele Gmbh exercised its option to increase its stake to 50% in December 2006, much sooner than expected, reflecting confidence in the market and reinforcing their commitment to our cooperation.

In line with our strategy of broadening our core competencies, we acquired a 33.33% stake in IDI Laser Services Pte Ltd (Singapore company providing laser cutting services and products, laser equipment and other optical products), a 37.5% stake in Prestech Industrial Automation Pte Ltd (Singapore company providing aluminum profiles and actuators), and incorporated several new subsidiaries such as USAS Motion Co. Ltd and IGB (HK) Co., Ltd during FY2006. These shall broaden our engineering solution offerings available to existing and new customers. With intra-group synergies and our extensive network in China, we expect increased activity from these ventures in FY2007.

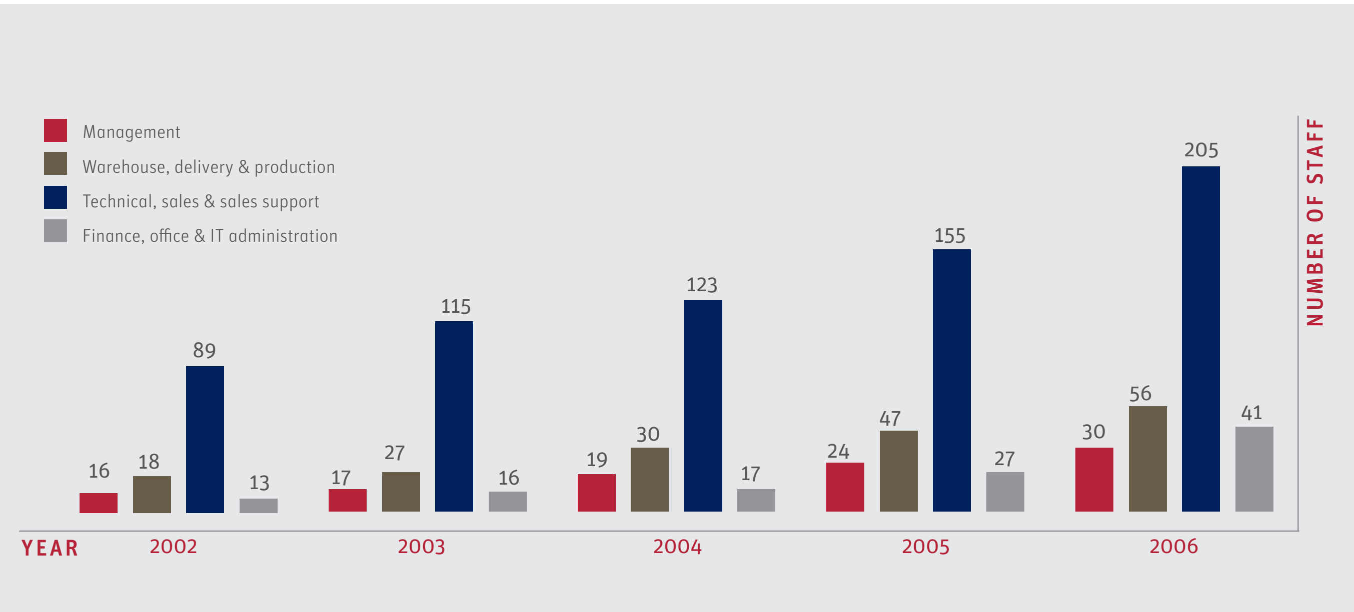
We shall continue to strengthen and grow our pool of suppliers and partners in coming years.

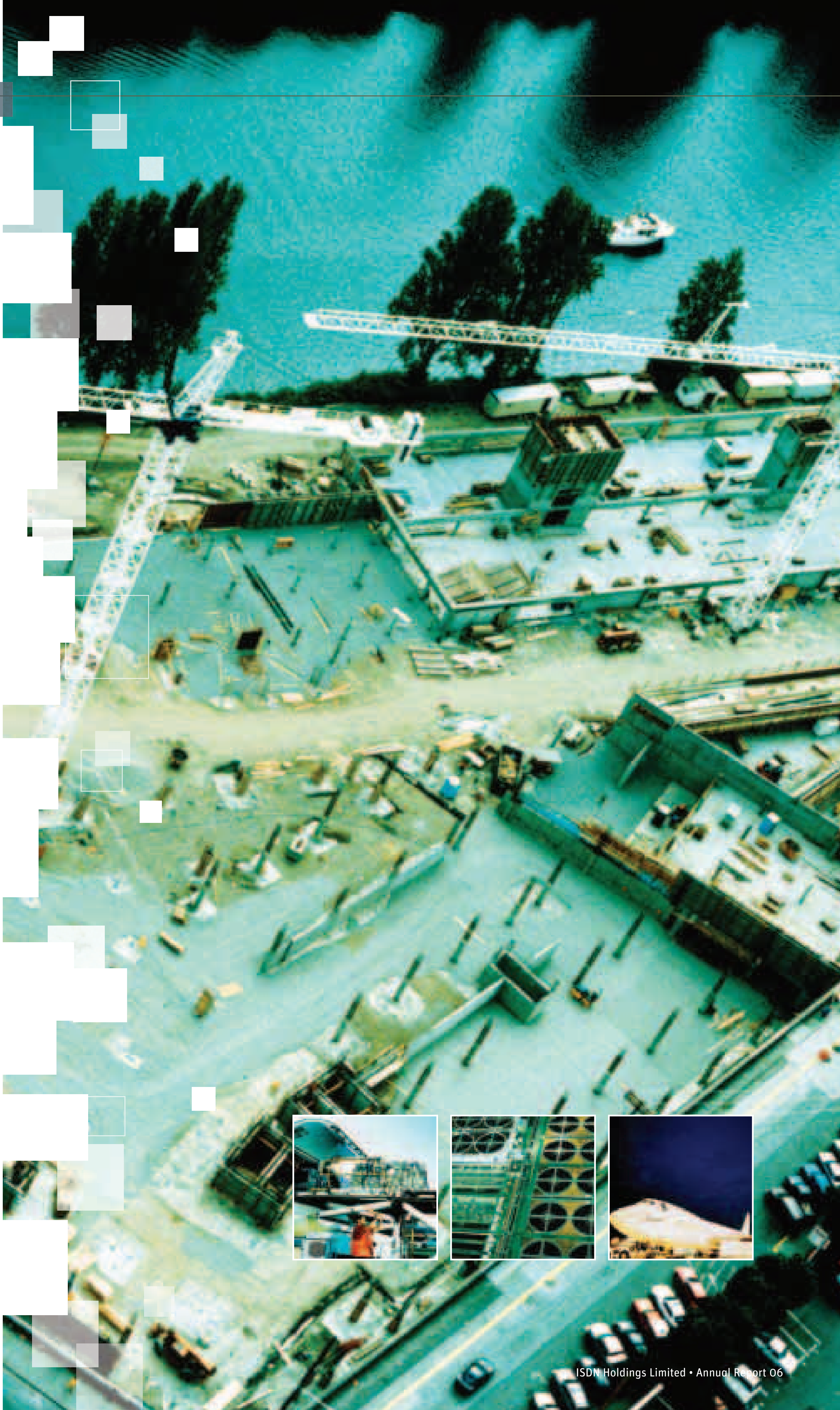
MANPOWER

Our Engineering Solutions business is largely a service business, and our staff is our key asset and we strongly believe in continuous investment in our human resource - in talent recruitment, development and retention.

Our team grew from 253 as at end FY2005 to 332 as at end FY2006 with additions mainly in technical, sales and sales support departments and in Greater China (FY2006: 191 staff, FY2005: 134 staff). We have these skilled engineers and staff mainly at our 42 offices in Greater China. Our extended reach shall enable us to better serve both our partners/suppliers and customers.

Weekly in-house training and team based interaction has worked well for us which we shall continue with to strengthen our team support system. We do not believe that there should be any over-reliance on few individuals in developing "best-of-breed" solutions for our customers. To develop and inculcate greater loyalty, there were incentive programmes to develop and retain good staff. Talented staff was put in key decision making positions, thus creating natural tiers of leadership in the Company. Continuous investment in human resources through attractive incentive schemes has contributed to an increase in cost in FY2006 over FY2005, but we are confident this will pay off well in the future.

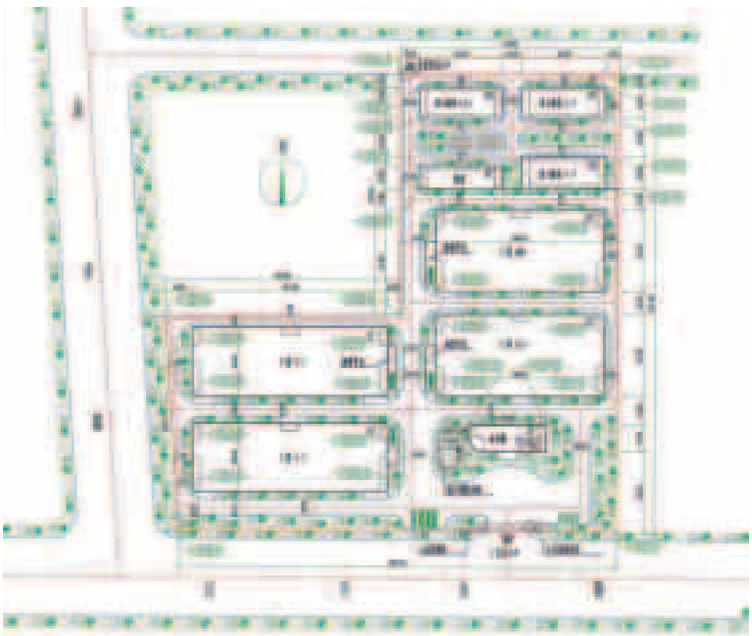




INFRASTRUCTURE

In February 2007, ISDN signed a sale and purchase agreement to acquire 100% interest in Excel Best Industries (Suzhou) Co., Ltd (a Chinese company with a 40,000 square metre industrial land parcel in Wujiang, Jiangsu province). The transaction is pending completion. The intention is to develop this land for ISDN and its partners' industrial use in FY2007. This will be a platform to develop a Centre of Excellence, where its common operations as well as those of its joint ventures and associates are housed in one single location, thereby creating greater synergies, interaction and pooling of know-how to better serve their customers.

We started installing our new ERP system in our Singapore companies in FY2006 and expect this installation to continue through FY2007 to the overseas subsidiaries. We have applied for incentive grants offered by SPRING Singapore in early FY2007 and when approved shall off-set such costs incurred.



ISDN Industrial Park
Scale 1 : 1000

Management Profile













01	02	03
04	05	06
07	08	09
10	11	12
13		

01 LIM SIANG KAI

Chairman and Independent Director

Mr Lim is currently the executive director of Golden 21 Investment Holdings Limited, a company listed in Hong Kong. Mr. Lim has over 20 years of experience in securities, private and investment banking and fund management. From 1984 to 1988, he had joined NZI Merchant Bank (Singapore) Limited as an assistant director of corporate banking. In 1988, he joined Kingvic Securities Investment Consulting Enterprise in Republic of China as its president. In 1992, Kingvic went on to establish Chronical Securities Investment Trust Co., Ltd, a fund management company of which Mr. Lim was president from 1993 to 1994. Mr. Lim worked at Dexia Banque Internationale A Luxembourg (BIL) in Hong Kong between 1994 to 1996 as its chief representative. In 1996, he was the general manager of its Xiamen Branch of United Overseas Bank. In 2001, he was relocated to the UOB head office, corporate banking division in Singapore. For the years 2002 to 2003, Mr. Lim was a financial consultant to Societe Generale, Singapore Branch.

Mr. Lim holds a Degree of Bachelor of Arts and Degree of Bachelor of Social Sciences with Honours from the University of Singapore which he obtained in 1980 and 1981 respectively, and a Masters degree in Economics from the University of Canterbury in 1983.

02 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 the motion control and industrial computing industries and is experienced 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 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.

03 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 Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") and since 2001, he is the managing director for Servo Suzhou 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.

04 TAY GIM SIN LEONARD
Non-executive Director

Mr. Tay is currently the Chief Financial Officer of AGVA Corporation Limited, listed on the SGX-ST. Under his belt over a decade of financial management experience, he spent nine years in public accounting, four years of which were in the United States of America. During those times, he led various Multi National Corporations audits and initial, secondary and debt offerings. Mr. Tay is a member of CPA Australia, Institute of Certified Public Accountants of Singapore, Singapore Institute of Director, Singapore Human Resources Institute and holds a Bachelor of Business degree from Monash University, Australia.

05 SOH BENG KENG
Independent Director

Mr Soh is currently the Chief Financial Officer of China Fashion Holdings Limited, listed on the SGX-SESDAQ. Prior to that, he was the Financial Controller of Miclyn Offshore Pte Ltd, a Singapore company involved in the business of the owners and charters of ships. From 2005 to 2006, he was the Financial Controller of Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related business. He was the Manager of accounts and finance with Far East organization, a property development group, from 1982 to 1995, and was a remisier with a Singapore securities broking house from 1995 to 1996. From 1996 to 2004, Mr Soh was the Director of Finance of Heeton Management Pte Ltd, and subsequently, Executor Director of Heeton Holdings Limited, listed on the SGX-SESDAQ. Mr Soh is a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accounts of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

06 CHENG HOCK KIANG
Vice President - Sales (Industrial Computing, Hardware)

Mr Cheng joined the Group as Sales and Marketing Manager for 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.

07 CHOW KA MAN
Vice President – Hong Kong Operations

Mr Chow has been the managing director of our subsidiary Servo Dynamics (H.K.) Limited ("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.

08 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.

09 LAU CHOON GUAN

Vice President - Sales (Motion Control)

Mr Lau is responsible for analysing 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 a Vice President in our Group. Mr. Lau obtained a Technician Diploma in Electrical Engineering from the Singapore Polytechnic in 1985.

10 LIM BEE TENG

Vice President - Finance

Ms Lim is responsible for the financial matters of our Group including internal and external reporting, financial and statutory compliance matters, and reviewing and implementing proper internal controls. Prior to joining our Group, Ms Lim was a financial accountant for the Asia and Middle East Division of Hotel Dynamics Group which is engaged in loyalty marketing for the hospitality industry. From 2000 to 2003, she was an audit supervisor with Deloitte & Touche, Singapore where she managed the audit of various public-listed companies and MNCs. From 1998 to 2000, she was a tax/audit assistant with Tan Wee Tin & Co, a local accounting firm where she was in charge of corporate and personal tax matters for a portfolio of clients. Ms Lim obtained a Degree of Bachelor of Accountancy from the Nanyang Technological University in 1998. She is a member of the Institute of Certified Public Accountants of Singapore since 2001.

11 SIM LEONG SEANG

Vice President - Technical Support (Motion Control)

Mr Sim is responsible for increasing the size of our pre and post sales product and applications capability of our Group. Mr. Sim was a production supervisor with Hipak Industries Pte Ltd from 1979 to 1981, a polythene bag production factory. When Hipak Industries Pte Ltd was aquired by Lamipak Industries Pte Ltd, he was promoted to the post of Production Superintendent, where he was responsible for the efficient running of the expanded production facilities. He left Lamipak Industries Pte Ltd in 1984 to pursue his studies and served his National Service thereafter. 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 industrial projects group involving the designing and installation of computer hardware and software used in factory automation.

12 UDOM WARASATIAN

Vice President – Thailand Operation

Mr Warasatian has been the managing director of our subsidiary Servo Dynamics (Thailand) Co., Ltd ("SD Thailand") 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.

13 WONG KWOK WHYE PETER

Vice President - R&D and General Manager of Leaptron Engineering Pte Ltd

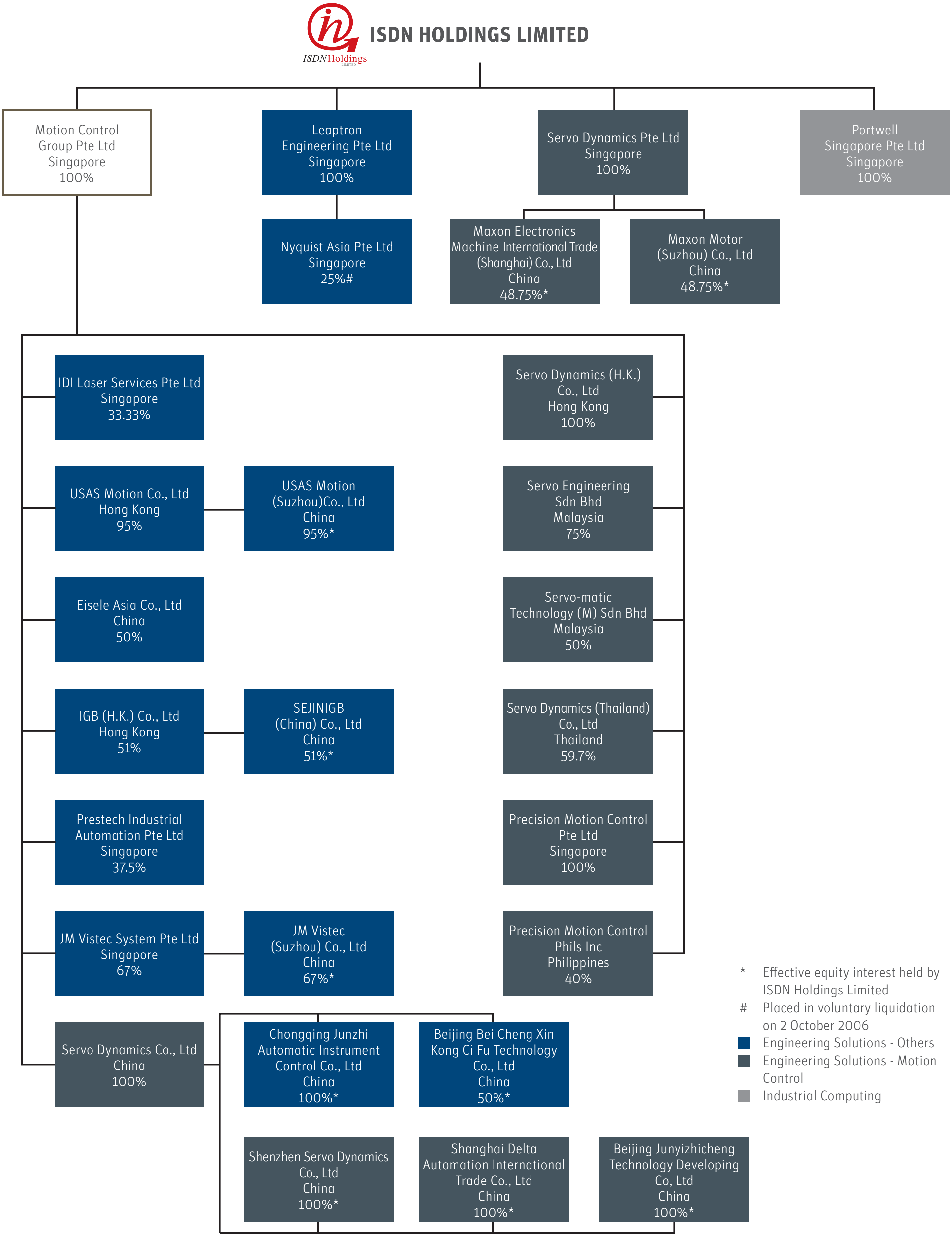
He is responsible for developing corporate growth strategies of Leaptron Engineering Pte Ltd. Mr. Wong has more than 14 years of experience in the area of marketing, sales, product development, technical support and training in our industry. Before joining our Group in 2002, he was an operations manager 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 Pte Ltd from 1996 to 1999, where he was in charge of the development of the technical and training team for our "Wonderware" software programme. In 1996, he was an IT specialist with Vaggs Asia Pte Ltd, where he led a team of IT specialists in the provision of IT solutions and web application services. In 1995, he was also the head of R&D in Alpha Infortech Pte Ltd, where he led the development team in the research and development of TV tuner peripheral for computers. From 1989 to 1992 he was a customer service engineer in Conner Peripherals Pte Ltd, where he was in charge of quality improvement procedures in the hard disk production facility. Mr. Wong obtained a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University in 1995 and a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in 1989, where he was also awarded a Certificate of Merit for Outstanding Performance in the Electronic Engineering Course during the 1988-1989 session.

Directorship

NAME	PRESENT DIRECTORSHIPS	PAST DIRECTORSHIPS
Teo Cher Koon	**GROUP COMPANIES**	
	ISDN Holdings Limited	Portwell Singapore Pte Ltd
	Eisele Asia Co., Ltd	Servo Engineering Sdn Bhd
	IDI Laser Services Pte Ltd	
	IGB (H.K.) Co., Ltd	
	JM Vistec System Pte Ltd	
	Leaptron Engineering Pte. Ltd	
	Maxon Electronic Machine International Trade (Shanghai) Co., Ltd	
	Maxon Motor (Suzhou) 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 (Thailand) Co., Ltd	
	Servo-matic Technology (M) Sdn Bhd	
	USAS Motion Co., Ltd	
	OTHER COMPANIES	
	Assetraise Holdings Limited	Adlink Technology Singapore Pte Ltd
	Dirak Asia Pte Ltd	Leaptron Technology Pte Ltd
	Dirak Suzhou Co., Ltd	SDL Technologies Pte Ltd
		Taiwan Servo Dynamics Co. Ltd.
Kong Deyang	**GROUP COMPANIES**	
	ISDN Holdings Limited	Nil
	Beijing Junyizhicheng Technology Developing Co.,Ltd	
	Chongqing Junzhi Automatic Instrument Control Co., Ltd	
	Eisele Asia Co., Ltd	
	Maxon Electronic Machine International Trade (Shanghai) Co., Ltd	
	Maxon Motor (Suzhou) Co., Ltd	
	SEJINIGB (China) Co., Ltd	
	Servo Suzhou Co., Ltd	
	Shanghai Delta Automation International Trade Co.,Ltd	
	Shenzhen Servo Dynamics Co.,Ltd	
	OTHER COMPANIES	
	Dirak Suzhou Co., Ltd	Nil
	Beijing Depule Technology Co., Ltd	

NAME	PRESENT DIRECTORSHIPS	PAST DIRECTORSHIPS
Tay Gim Sin Leonard	**GROUP COMPANIES**	
	ISDN Holdings Limited	Nil
	OTHER COMPANIES	
	AGVA Singapore Pte Ltd	Nil
	Swiber Holding Limited	
Lim Siang Kai	**GROUP COMPANIES**	
	ISDN Holdings Limited	
	OTHER COMPANIES	
	Golden 21 Investment Holdings Limited	Caramel Investment Pte Ltd
	Natural Cool Holdings Ltd	Garden Field Development Pte Ltd
	Texchem-Pack Holdings Ltd	Garden Field Investment (S) Pte Ltd
	Foreland Fabrictech Holdings Limited	I-Markets Management Ltd
	China Print Power Group Limited	RNA Holdings Limited
		Haojey Technofibre (China) Pte Ltd
		Haojey Technofibre Ltd
		Wise Guard Enterprises Limited
Soh Beng Keng	**GROUP COMPANIES**	
	ISDN Holdings Limited	Nil
	OTHER COMPANIES	
	Nil	Shengda (Group) Holdings Ltd
		Heeton Holdings Limited
		Heeton Management Pte Ltd
		Heeton Estate Pte Ltd
		Heeton Land Pte Ltd
		Heeton Properties Pte Ltd
		Market Investment Pte Ltd
		Market Holdings Pte Ltd
		Market Venture Pte Ltd
		Mercurine Pte Ltd
		Kim Leong Development Pte Ltd
		Canberra Development Pte Ltd

Group Structure



ISDN Holdings Limited ("ISDN") is committed to complying with the Code of Corporate Governance issued by the Committee on Corporate Governance (the "Code") and the Best Practice Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). This report outlines ISDN's corporate governance framework in place throughout the financial year ended 31 December 2006 ("FY2006").

1. BOARD MATTERS

a) Board Composition and Balance

In the financial year, the Board of Directors ("the Board") of ISDN comprises two Executive Directors, one Non-Executive Director and two Independent Directors, namely :-

Executive Directors
Teo Cher Koon
Kong Deyang

Non Executive Director
Tay Gim Sin Leonard

Independent Directors
Lim Siang Kai (Chairman)
Soh Beng Keng

There is a good balance between the Executive, Non-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 Nominating Committee ("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 Code 2.1 of the Code of Corporate Governance. The Board considers an "independent" Director as one who has no relationship with ISDN, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The Board is independent from Management. No individual or small group of individuals is allowed to dominate the Board's decision making.

The composition of the Board is reviewed on an annual basis by 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.

b) Board's Conduct of its Affairs

The primary functions of the Board are to provide stewardship for ISDN and its subsidiaries (the "Group"), 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 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 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 half yearly and full year results and interested person transactions of a material nature. The Board uses all means to ensure that incoming new Directors are familiarized 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 possess such skills. However, the Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

Going forward, the Board proposed to meet on a half yearly basis 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 conferencing meetings.

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

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of meetings held in FY 2006	4	8	2	2
Name of Directors				
Teo Cher Koon	4	8	2	2
Kong Deyang	2	N/A	N/A	N/A
Tay Gim Sin Leonard	4	8	2	2
Lim Siang Kai	4	8	2	2
Soh Beng Keng	4	8	2	2

Non-Executive and 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, Non-Executive and Independent Directors are encouraged to meet regularly without Management being present.

c) Access to information

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, Non-Executive 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.

d) **Chairman and Executive Directors**

The Chairman's primary function is to manage 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;
- prepares meeting agenda;
- 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 Non-Executive and Independent Directors in particular;
- encourages constructive relations between Executive Directors, Non-Executive and Independent Directors;
- acts on the results of the performance evaluation; and
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC (defined below).

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 operation of the Group is entrusted to the Managing Director Teo Cher Koon. He is assisted by an experienced and qualified team of executive officers of the Group.

e) **Board Committees**

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 composition of each of the committees is as follows :-

	Audit Committee	Nominating Committee	Remuneration Committee
Teo Cher Koon	Not applicable	Member	Not applicable
Lim Siang Kai	Chairman	Member	Member
Soh Beng Keng	Member	Chairman	Chairman
Tay Gim Sin Leonard	Member	Not applicable	Member*

* Tay Gim Sin Leonard was appointed to the Remuneration Committee on 8 December 2006 in place of Teo Cher Koon.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises one Non-Executive Director and two 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)	Non-Executive

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 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 function 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.

It has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services would not affect the independence of the auditors. The non audit fees paid for 2006 was $4,000.

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;
- and 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 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 authorize 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 AC is in the process of establishing the whistle blowing policy where serious concerns relating to financial reporting, unethical or illegal conduct can be reported.

NOMINATING COMMITTEE

The Nominating Committee ("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
Teo Cher Koon (Member)	Executive
Lim Siang Kai (Member)	Independent

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.

The Board is being 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. Independence of Independent Directors
6. 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. The ratings are then averaged out to finalize the assessment.

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 Chief Executive;
- 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 Nominating Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The Nominating Committee then nominates the most suitable candidate.

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

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution 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.

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises one Non-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

Tay Gim Sin Leonard (Member)*	Non-Executive

* Tay Gim Sin Leonard was appointed to the Remuneration Committee on 8 December 2006 in place of Teo Cher Koon.

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.

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 (the "Scheme") 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.

DIRECTORS' REMUNERATION

a) **Number of directors in remuneration bands:-**

Number of directors	2006
$250,000 to $499,999	1
below $250,000	4
	5

For competitive reasons, the Company has not disclosed the identity of the Directors, the percentage of breakdown of their remuneration or any other remuneration policy or procedure.

b) Number of top five key executive officers in remuneration bands:-

Number of top five key executive officers	2006
below $250,000	5

For competitive reasons, the Company has not disclosed the identity of the top five executive officers, the percentage of breakdown of their remuneration or any other remuneration policy or procedure.

c) A breakdown showing the level and mix of remuneration of immediate family members of Directors in remuneration bands:-

The following is an immediate family member of a Director in employment with ISDN and whose remuneration is above S$150,000 but does not exceed S$180,000 during FY2006:

	Thang Yee Chin 2006 %
Salary	72
Bonus	18
CPF contributions	10
	100

Thang Yee Chin is a Director of four of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of the President and Managing Director, Teo Cher Koon.

The ISDN Holdings Share Option Scheme is currently not utilised.

2. Accountability and Audit

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 half-year 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 providing the Board with the necessary financial information for the discharge of its duties.

Presently, Management presents to the AC the half-year 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.

3. Internal Controls and Internal Audit

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. ISDN's outsourced internal auditors, Wensen Consulting Asia Pte Ltd, and external auditors, Foo Kon Tan Grant Thornton, carry out a review of the effectiveness of ISDN's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses are reported to the AC members. For FY2006, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by ISDN's Management throughout the financial year is adequate to meet the needs of ISDN. The Board shall consider expanding its internal audit resources as and when the need arises.

The Internal Auditor meets 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 is adequately resourced and has appropriate standing within the Company.

4. Communication with Shareholders/Greater Shareholder Participation

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.

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, Vice President of Finance, Auditors and the Company Secretary/ Secretaries 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.

Aggregate value of interest person transactions entered for the year ended 31 December 2006:

Name of interested person	Aggregate Value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate Value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920(excluding transactions less than $100,000)
	S$'000	S$'000
Resem Technologies Pte Ltd	157	-

7. Dealings In Securities

In line with SGX-ST Best Practices Guide on Dealings in Securities, the Group has adopted and implemented an internal compliance of the Code 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 one month before the announcement of ISDN's half-year and full-year financial results and ending on the day of the announcement of the half-year 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 the Best Practices Guide on Securities Transactions issued by the Singapore Exchange.

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.

The directors submit this annual report to the members together with the audited financial statements of the company and the audited consolidated financial statements of the group for the financial year ended 31 December 2006.

Names of directors

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

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

Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the company or of any other corporate body.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the company and its related corporations except as follows:

	Number of ordinary shares fully paid registered in the name of director		
	As at 1.1.2006	**As at 31.12.2006**	**As at 20.1.2007**
The company - ISDN Holdings Limited			
Teo Cher Koon	109,154,700*	**94,154,700***	**94,154,700***
Kong Deyang	1,600,000	**1,600,000**	**1,600,000**
Tay Gim Sin Leonard	264,000	**264,000**	**264,000**
The holding company - Assetraise Holdings Limited			
Teo Cher Koon	109,154,700	**94,154,700**	**94,154,700**

* Shares in which director is deemed to have an interest

Mr Teo Cher Koon, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to have an interest in all the subsidiaries of the company.

Directors' benefits

Since the end of the previous financial period, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50.

Share options
No options were granted during the financial year to take up unissued shares of the company or of its subsidiaries.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial year.

Audit Committee
The Audit Committee comprises the following members:

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

The Audit Committee carried out its functions in accordance with Section 201B of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

Functions performed by the Audit Committee are described in the report on corporate governance included in the Annual Report.

The Audit Committee nominated Moore Stephens for appointment as external auditors of the Company at the forthcoming Annual General Meeting.

Auditors
Moore Stephens, Certified Public Accountants, have expressed their willingness to accept appointment.

Other information required by the SGX-ST
Material information
Apart from the Service Agreements between the executive directors and the company, there are no material contract to which the company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions
There were no interested person transactions as defined in Chapter 9 of the SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 28 to the financial statements.

On behalf of the Directors

....
TEO CHER KOON

....
LIM SIANG KAI

Dated: 26 March 2007

Statement by directors

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, income statements, statements of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2006, and of the results of the business and changes in equity of the company and of the group and cash flows of the group for the financial year ended on that date, and 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 Directors

....
TEO CHER KOON

....
LIM SIANG KAI

Dated: 26 March 2007

We have audited the accompanying financial statements of ISDN Holdings Limited ("the company") and its subsidiaries ("the group"), which comprise the balance sheets as at 31 December 2006, and the income statements, statements of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgement, 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 control relevant to the entity's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, 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 opinion.

Opinion

In our opinion,

(a) the financial statements of the company and the group, and the consolidated cash flow statement of the group 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 company and the group as at 31 December 2006 and the results and changes in equity of the company and the group and cash flows of the group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in the Republic of Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton
Certified Public Accountants

Singapore, 26 March 2007

Balance sheets

for the year ended 31 December 2006

	Note	The company 31 December 2006 $'000	The company 31 December 2005 $'000	The group 31 December 2006 $'000	The group 31 December 2005 $'000
Assets					
Non-Current					
Properties, plant and equipment	5	–	–	6,688	4,797
Investment properties	6	–	–	634	651
Goodwill	7	–	–	149	16
Subsidiaries	8	10,249	6,716	–	–
Associates	9	–	–	2,616	1,571
		10,249	6,716	10,087	7,035
Current					
Inventories	10	–	–	10,418	7,508
Trade and other receivables	11	171	134	14,553	13,817
Amount owing by subsidiaries (non-trade)	8	1,642	–	–	–
Dividend receivable		3,480	3,513	–	–
Tax recoverable		25	25	–	72
Cash and cash equivalents	12	1,068	6,505	7,599	11,905
		6,386	10,177	32,570	33,302
Total assets		16,635	16,893	42,657	40,337
Equity					
Capital and Reserves					
Share capital	13	13,219	7,940	13,219	7,940
Reserves	14	3,236	8,223	8,805	10,954
		16,455	16,163	22,024	18,894
Minority interests		–	–	883	419
Total equity		16,455	16,163	22,907	19,313
Liabilities					
Non-Current					
Bank borrowings	15	–	–	2,245	1,358
Finance leases	16	–	–	20	44
Deferred tax liabilities	17	–	–	68	24
		–	–	2,333	1,426
Current					
Bank borrowings	15	–	–	3,250	2,855
Finance leases	16	–	–	25	34
Trade and other payables	18	166	730	10,671	9,804
Dividend payable		–	–	2,390	4,390
Current tax payable		14	–	1,081	2,515
		180	730	17,417	19,598
Total liabilities		180	730	19,750	21,024
Total equity and liabilities		16,635	16,893	42,657	40,337

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Income statements

for the year ended 31 December 2006

		The company		The group	
	Note	**1 January 2006 to 31 December 2006 $'000**	Period from 28 December 2004 (the date of incorporation) to 31 December 2005 $'000	**1 January 2006 to 31 December 2006 $'000**	Period from 28 December 2004 (the date of incorporation) to 31 December 2005 $'000
Revenue	4	**–**	–	**66,579**	54,865
Cost of sales		**–**	–	**(46,894)**	(38,074)
Gross profit		**–**	–	**19,685**	16,791
Other operating income	19	**3,618**	3,542	**725**	1,030
Distribution costs		**(11)**	–	**(1,992)**	(1,743)
Administrative expenses		**(352)**	(378)	**(10,756)**	(8,774)
Other operating expenses		**(44)**	(220)	**(770)**	(629)
		3,211	2,944	**6,892**	6,675
Finance costs	20	**–**	–	**(259)**	(158)
		3,211	2,944	**6,633**	6,517
Share of profits of associates		**–**	–	**789**	800
Profit before taxation	21	**3,211**	2,944	**7,422**	7,317
Taxation	22	**(14)**	–	**(1,256)**	(1,420)
Profit after taxation for the year/period attributable to shareholders		**3,197**	2,944	**6,166**	5,897
Attributable to :					
Shareholders		**3,197**	2,944	**6,170**	5,811
Minority interests		**–**	–	**(4)**	86
		3,197	2,944	**6,166**	5,897
				Singapore cents	Singapore cents
Earnings per share	23				
- basic				**3.89**	3.66
- diluted				**3.89**	3.66

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statements of changes in equity

for the year ended 31 December 2006

	Share capital	Share premium	Retained profits	Total
	$'000	$'000	$'000	$'000
The company				
Issue of shares pursuant to acquisition of subsidiaries	6,590	–	–	6,590
Issue of shares pursuant to Initial Public Offering ("IPO") listing	1,350	6,480	–	7,830
Share issue costs	–	(1,201)	–	(1,201)
Net profit for the period	–	–	2,944	2,944
Balance as at 31 December 2005	**7,940**	**5,279**	**2,944**	**16,163**
Adjustment arising from abolition of par value of shares	**5,279**	**(5,279)**	**–**	**–**
2005 final dividend of S$0.0182967 per share less tax of 20% paid	**–**	**–**	**(2,905)**	**(2,905)**
Net profit for the year	**–**	**–**	**3,197**	**3,197**
Balance as at 31 December 2006	**13,219**	**–**	**3,236**	**16,455**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statements of changes in equity (cont'd)

for the year ended 31 December 2006

	Share capital $'000	Share premium $'000	Merger reserves $'000	Translation reserves $'000	Other reserves $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
The group									
Issue of shares pursuant to acquisition of subsidiaries	6,590	–	–	–	–	–	6,590	–	6,590
Reserve pursuant to acquisition of subsidiaries	–	–	(436)	(108)	81	7,674	7,211	305	7,516
Issue of shares pursuant to IPO listing	1,350	6,480	–	–	–	–	7,830	–	7,830
Share issue costs	–	(1,201)	–	–	–	–	(1,201)	–	(1,201)
Exchange difference arising from translation of foreign subsidiaries and associates not recognised in income statement	–	–	–	(257)	–	–	(257)	28	(229)
2005 interim dividend of S$3.3514 per share less tax of 20% paid	–	–	–	–	–	(1,609)	(1,609)	–	(1,609)
2005 tax-exempt interim dividend of S$9.1356 per share partially paid	–	–	–	–	–	(5,481)	(5,481)	–	(5,481)
Net profit for the period	–	–	–	–	–	5,811	5,811	86	5,897
Balance as at 31 December 2005	**7,940**	**5,279**	**(436)**	**(365)**	**81**	**6,395**	**18,894**	**419**	**19,313**
Adjustment arising from abolition of par value of shares	**5,279**	**(5,279)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
New/additional investment in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**447**	**447**
2005 final dividend of S$0.0182967 per share less tax of 20% paid	**–**	**–**	**–**	**–**	**–**	**(2,905)**	**(2,905)**	**–**	**(2,905)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**6,170**	**6,170**	**(4)**	**6,166**
Exchange difference arising from translation of foreign subsidiaries and associates not recognised in income statement	**–**	**–**	**–**	**(135)**	**–**	**–**	**(135)**	**21**	**(114)**
Balance as at 31 December 2006	**13,219**	**–**	**(436)**	**(500)**	**81**	**9,660**	**22,024**	**883**	**22,907**

Included in share issue costs is an amount of $Nil (2005 - $146,000) paid to the ex-auditors (Deloitte & Touche) of the company for the professional services rendered in respect of the group restructuring exercise in the financial period ended 31 December 2005.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2006

	1 January 2006 to 31 December 2006 $'000	Period from 28 December 2004 (the date of incorporation) to 31 December 2005 $'000
Cash flows from operating activities		
Profit before taxation	**7,422**	7,317
Adjustments for:		
Depreciation of properties, plant and equipment	**534**	337
Depreciation of investment properties	**17**	17
Impairment loss on trade receivables	**11**	20
Allowance for obsolete inventories	**44**	5
Bad trade receivables written off	**28**	24
Gain on sale of shares of other investments	**100**	–
Impairment loss on investment in an associate	**7**	–
Goodwill on consolidation written off	**1**	–
Property, plant and equipment written off	**2**	–
Interest expense	**259**	158
Interest income	**(105)**	(47)
Share of profits of associates	**(789)**	(800)
Exchange translation differences	**(79)**	(77)
Operating profit before working capital changes	**7,452**	6,954
Increase in inventories	**(2,946)**	(2,173)
Increase in trade receivables	**(505)**	(5,381)
Increase in other receivables	**(313)**	(219)
Increase in trade payables	**835**	2,294
Increase in other payables	**7**	1,597
Cash generated from operations	**4,530**	3,072
Income tax paid	**(2,623)**	(729)
Interest expense paid	**(259)**	(158)
Interest received	**105**	47
Net cash generated from operating activities	**1,753**	2,232
Cash flows from investing activities		
Cash (outflow)/inflow on acquisition of subsidiaries (Note A)	**(18)**	5,725
Dividend received from an associate	**614**	311
Proceeds from disposal of properties, plant and equipment	**22**	–
Purchase of properties, plant and equipment (Note B)	**(2,386)**	(1,005)
Investment in associates	**(900)**	(165)
Net cash (used in)/generated from investing activities	**(2,668)**	4,866
Cash flows from financing activities		
Share issue costs	**(35)**	(1,421)
Dividends paid	**(4,905)**	(2,700)
Investment in subsidiaries by minority shareholders	**339**	98
Loan to an associate	**(39)**	(25)
Proceeds from issue of new shares	**–**	7,830
Repayment to finance lease creditors	**(33)**	(41)
Proceeds from short-term bank borrowings, net **	**242**	892
Proceeds from term loans	**1,251**	325
Repayment of term loans	**(259)**	(151)
Net cash (used in)/generated from financing activities	**(3,439)**	4,807
Net (decrease)/increase in cash and cash equivalents	**(4,354)**	11,905
Cash and cash equivalents at beginning of year/period	**11,905**	–
Cash and cash equivalents at end of year/period (Note 12)	**7,551**	11,905

** Short-term borrowings pertain to borrowings with a maturity period of three months or less.

Consolidated cash flow statement (cont'd)

for the year ended 31 December 2006

Note A:

The group acquired certain subsidiaries. The fair value of assets acquired and liabilities assumed were as follows:

	1 January 2006 to 31 December 2006 $'000	Period from 28 December 2004 (the date of incorporation) to 31 December 2005 $'000
Net assets acquired		
Properties, plant and equipment	7	4,094
Investment properties	–	668
Associates	–	1,080
Inventories	8	5,657
Trade and other receivables	2	8,764
Bank borrowings	–	(3,148)
Finance leases	–	(84)
Deferred tax liabilities	–	(24)
Trade and other payables	(26)	(6,517)
Current tax payable	–	(1,825)
Cash and bank balances	5	5,725
Reserves	–	(7,211)
Identifiable net (liabilities)/assets	(4)	7,179
Minority interests	1	(305)
Identifiable net (liabilities)/assets acquired	(3)	6,874
Goodwill arising from consolidation (Note 7)	26	16
Purchase consideration	23	6,890
(Less) Share swap	–	(6,590)
(Less) Allotment of shares in a subsidiary acquired	–	(300)
(Less) Cash and bank balances acquired	(5)	(5,725)
Cash outflow/(inflow) on acquisition	18	(5,725)

Note B:

During the financial year the group acquired properties, plant and equipment with an aggregate cost of $2,386,000 (2005 - $1,040,000) which were funded as follows:

	1 January 2006 to 31 December 2006 $'000	Period from 28 December 2004 (the date of incorporation) to 31 December 2005 $'000
Cash	2,386	1,005
Finance leases	–	35
	2,386	1,040

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

for the year ended 31 December 2006

1 General information

The financial statements of the company and of the group for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The company was incorporated in the Republic of Singapore under the name of Automation Control Group Pte Ltd on 28 December 2004 as a private limited company under the Companies Act, Cap. 50. On 6 May 2005, the company changed its name to ISDN Holdings Pte Ltd. The company was converted to a public company on 27 September 2005 and changed its name to ISDN Holdings Limited. The company was admitted to the Official List of the Singapore Exchange Mainboard (SGX-ST) on 24 November 2005.

The company is a limited liability company and domiciled in the Republic of Singapore.

The registered office 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.

The principal activity of the company is that of an investment holding company. The principal activities of its subsidiaries are described in Note 8 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, 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 management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

Critical assumptions used and accounting estimates in applying accounting policies

Income taxes

The group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. 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.

Depreciation of properties, plant and equipment

Properties, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these properties, plant and equipment to be within 1 to 50 years. The carrying amounts of the group's properties, plant and equipment at 31 December 2006 were $6,688,000. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

2(a) Basis of preparation (cont'd)

Critical judgements made in applying accounting policies

In the process of applying the entity's accounting policies, which are described in Note 3, management had made the following judgement that have the most significant effect on the amounts recognised in the financial statements:

Impairment of properties, plant and equipment

The group assesses annually whether properties, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of properties, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiaries

Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

Allowance for bad and doubtful debts

The group makes allowance for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

2(b) Interpretations and amendments to published standards effective in 2006

On 1 January 2006, the company and the group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the company and the group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. This includes the following FRS and INT FRS, which are relevant to the company and the group:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (revised 2004)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

The adoption of the above FRS and INT FRS did not result in substantial changes to the company and the group's accounting policies. There is no effect on the adoption of financial guarantees on the current financial statements.

2(c) FRS not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not effective:

FRS 1 (Amendment)	Amendments Relating to Capital Disclosure
FRS 32	Financial Instruments: Presentation
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The directors do not anticipate that the adoption of these FRS and INT FRS in future periods will have a material impact on the financial statements except for investment property where the group continues to adopt the cost model.

3 Summary of significant accounting policies

Consolidation

The financial statements of the group include the financial statements of the company and its subsidiaries made up to the end of the financial year. Details of its subsidiaries are given in Note 8.

The consolidated financial statements of the group for the financial period ended 31 December 2005 have been prepared using the historical cost method similar to the "pooling-of-interest" as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. The consolidated financial statements include the results of operations, and the assets and liabilities, of the pooled enterprises as part of the group for the whole of the current period.

Other than for accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired during the financial year are included in the consolidated income statement from the effective date in which control is transferred to the group.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Where accounting policies of a subsidiary do not conform with those of the company, adjustments are made on consolidation when the amounts involved are considered significant to the group.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

Properties, plant and equipment and depreciation

Properties, plant and equipment are carried at cost less accumulated depreciation and impairment loss, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets over the estimated useful lives as follows:

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

No depreciation has been provided for freehold land.

The residual values and useful lives of properties, plant and equipment are reviewed, and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of properties, plant and equipment.

The cost of properties, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of properties, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the assets. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of properties, plant and equipment.

3 **Summary of significant accounting policies (cont'd)**

For acquisitions and disposals during the financial year, depreciation is provided from the year of acquisition and to the year before disposal respectively.

Fully depreciated properties, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

In the financial period 2005, the group revised the estimated useful life of the leasehold properties at No. 10 Kaki Bukit Road 1, #01-29/30 KB Industrial Building, Singapore 416175 from a remaining lease year of 57 years to 45 years and deducting 8 years of utilisation year to better reflect the economic useful life during which the leasehold properties will remain in effective service. The effect of this change in estimate was a decrease in the net profit for the financial year and the net book value of leasehold properties by $23,000 and a corresponding increase in the accumulated depreciation account by the same amount. The effect on the cumulative depreciation had the revision of useful life retrospect to the date of acquisition was $88,000.

Investment properties

Investment properties are those properties that are held on a long-term basis for their investment potential and/or for the generation of rental income, and not occupied substantially for use by, or in the operations of the group.

Investment properties are stated at cost less accumulated depreciation and any impairment loss as allowed under FRS 25 on Accounting for Investments. Depreciation is charged so as to write off the cost over their estimated useful lives of 50 years, using the straight-line method. Cost includes purchase price, appropriate legal fees and stamp duty.

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

Subsidiaries

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the group controls.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Associate

An associate is defined as a company, not being a subsidiary, in which the group has a long-term interest of 20% to 50% of the equity and over whose financial and operating policy the group exercises significant influence.

Investments in associate at company level, if any, are stated at cost. Provision is made for any impairment losses on an individual company basis.

The group's share of the post-acquisition results of associates, based on the latest available unaudited financial statements, is included in the consolidated income statement using the equity method of accounting. In applying the equity method, unrealised gains on transactions between the group and its associate are eliminated to the extent of the group's interest in the associate. Unrealised losses are eliminated unless the transactions provide evidence of an impairment of the asset transferred.

3 **Summary of significant accounting policies (cont'd)**

When the group's share of losses of an associate equals or exceeds the carrying amount of an investment, the group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the group has guaranteed or otherwise committed for example, in the forms of loans. When the associate subsequently reports profits, the group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised.

The group's share of the net assets and post-acquisition retained profits and reserves of associates is reflected in the book values of the investments in the consolidated balance sheet.

Where the accounting policies of an associate do not conform with those of the group, adjustments are made on consolidation when the amounts involved are considered significant to the group.

Inventories

Inventories are carried at the lower of cost (weighted average method) and net realisable value. Cost includes freight and handling charges and all costs of purchase. In the case of manufactured inventories, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the company and the group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in income statement when received, regardless of how the related carrying amount of financial assets is measured.

As at 31 December 2006, the company and the group carried loans and receivables on its balance sheet. The company and the group have no investment to be classified as held-for-trading, held-to-maturity or available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company and the group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

3 **Summary of significant accounting policies (cont'd)**

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when objective evidence is received that the company and the group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are included in trade and other receivables and deposits held in banks.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits/fixed deposits with a short maturity of three months or less.

Related parties

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.

Impairment of assets

The carrying amounts of the company's and the group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised, if any, may no longer exist.

3 Summary of significant accounting policies (cont'd)

An impairment loss is charged to the income statement.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss is credited as income in the income statement.

Minority shareholders

The interest of minority shareholders in the acquiree company is measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Income taxes

The liability method of tax effect accounting is adopted by the company and the group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or 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).

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or 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).

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Group tax relief is available with effect from Year of Assessment 2004 for the Singapore incorporated holding company and all its Singapore incorporated subsidiaries with at least 75% equity ownership, directly or indirectly (excluding any foreign shareholdings in the ownership chain) held by Singapore incorporated companies within the group. Current year unabsorbed losses and capital allowances are available to be set off against taxable profit of profitable subsidiaries within the group in accordance with the rules.

Loss-carry-back is available with effect from Year of Assessment 2006. Current year unabsorbed capital allowances and trade losses of up to $100,000 incurred can be carried back and be set off against the assessable income of the year of assessment immediately preceding the year in which the capital allowance or trade loss arose. The loss carry-back will be given on due claim and subject to satisfaction of the substantial shareholding test and same business test.

Financial liabilities

The company's and the group's financial liabilities include bank borrowings, trade and other payables, factoring creditor, finance lease liabilities and dividend payable.

Financial liabilities are recognised when the company and the group become a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the income statement.

3 **Summary of significant accounting policies (cont'd)**

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the year of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current liabilities in the balance sheet even though the original terms was for a year longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Borrowings to be settled within the group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current liabilities in the balance sheet.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

Financial guarantees

The company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Leases

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the years of the leases. The corresponding lease commitments are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant effective rate of charge on the remaining balance of the obligation.

Operating leases

Where the company/group is the lessee:

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the income statement on a straight-line basis over the lease term. 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 income statement when incurred.

Where the company/group is the lessor:

Assets leased out under operating leases are included under investment properties (see policy on investment properties). Rental income (net of any incentives given to lessees, if any) on operating leases is recognised on a straight-line basis over the lease term.

Notes to the financial statements

for the year ended 31 December 2006

3 **Summary of significant accounting policies (cont'd)**

Provisions

Provisions are recognised when the company and the group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is make.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage time is recognised as finance costs.

Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services tax or value-added tax as applicable to foreign subsidiaries and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

Revenue from the rendering of services that are of a short duration is recognised when the services are rendered.

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

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

Employee benefits

Pension obligations

The company and the group participate in the defined contribution national pension schemes as provided by the law of the countries in which it has operations. In particular, the Singapore incorporated companies in the group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the income statement in the year to which the contributions relate.

Employee leave entitlements

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

Functional currency

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial statements of the company and the group are presented in Singapore dollars, to the nearest thousand, which is also the functional currency of the company.

Conversion of foreign currencies

Transactions in foreign currencies are recorded using the rate ruling on the date of transaction. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All exchange differences are recorded in the income statement in the year in which they arise.

Assets and liabilities of foreign subsidiaries and associates are translated at the rate of exchange ruling at the balance sheet date. The income statement of foreign subsidiaries and associates are translated using the average monthly rates. Foreign currency translation adjustments arising are recorded directly in exchange translation reserve.

3 Summary of significant accounting policies (cont'd)

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Financial risk management objectives and policies are disclosed under Note 30.

Segment reporting

A segment is a distinguishable component of the group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on competitive market prices. Segment results, assets and liabilities include items attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue, assets, liabilities and capital expenditures are based on the nature of the products and services provided by the group. Segment revenue for geographical segments are based on the geographical location of the customers. The assets and capital expenditures are based on the location of these assets.

4 Revenue

Revenue represents invoiced value of goods delivered and integration services rendered less applicable goods and services tax.

Revenue of the group by segmental analysis is given in Note 26.

Notes to the financial statements

for the year ended 31 December 2006

5 Properties, plant and equipment

The group	Freehold land $'000	Freehold land and building $'000	Leasehold properties $'000	Renovations $'000	Motor vehicles $'000	Plant and equipment $'000	Furniture, fittings and office equipment $'000	Total $'000
Cost								
On acquisition of subsidiaries	–	148	3,947	16	369	42	1,129	5,651
Additions	526	–	–	1	42	71	400	1,040
Disposals	–	–	–	–	(20)	–	(5)	(25)
Translation adjustment	–	5	–	1	3	–	2	11
At 31 December 2005	526	153	3,947	18	394	113	1,526	6,677
On acquisition of a subsidiary	–	–	–	–	–	–	7	7
Additions	–	–	1,185	72	114	538	477	2,386
Disposals	–	–	–	–	–	(4)	(60)	(64)
Translation adjustment	53	(4)	–	(2)	13	3	(2)	61
At 31 December 2006	**579**	**149**	**5,132**	**88**	**521**	**650**	**1,948**	**9,067**
Accumulated depreciation								
On acquisition of subsidiaries	–	24	426	13	165	26	903	1,557
Depreciation for the period	–	3	92	2	62	14	164	337
Disposals	–	–	–	–	(20)	–	(5)	(25)
Translation adjustment	–	1	–	1	1	–	8	11
At 31 December 2005	–	28	518	16	208	40	1,070	1,880
Depreciation for the year	–	3	117	12	68	44	290	534
Disposals	–	–	–	–	–	(2)	(38)	(40)
Translation adjustment	–	(1)	–	(3)	7	2	–	5
At 31 December 2006	**–**	**30**	**635**	**25**	**283**	**84**	**1,322**	**2,379**
Net book value								
At 31 December 2006	**579**	**119**	**4,497**	**63**	**238**	**566**	**626**	**6,688**
At 31 December 2005	526	125	3,429	2	186	73	456	4,797

Motor vehicles and office equipment with net book value of $77,000 (2005 - $63,000) are under finance lease arrangements.

5 **Properties, plant and equipment (cont'd)**

The following freehold and leasehold properties are mortgaged to secure the term loans as disclosed under Note 15:

Description and location	Gross Area (approximately)	Use	Encumbrance
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
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Vacant	Charged to secure credit facilities
4 Rai and 15 Square Wah Title deed number 37395 Bangkaew (Samrong Nok District) Bangplee (Prakanang, Samutprakarn Province). Thailand	6,460 sq. m.	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2006, the net book value of the properties mentioned above is $5,195,000 (2005 - $4,080,000).

6 Investment properties

The group	2006 $'000	2005 $'000
Cost		
Balance at beginning of year/period	834	–
On acquisition of subsidiaries	–	834
Balance at end of year/period	834	834
Accumulated depreciation		
Balance at beginning of year/period	183	–
On acquisition of subsidiaries	–	166
Depreciation for the year/period	17	17
Balance at end of year/period	200	183
Net book value	**634**	651

The directors are of the opinion that the carrying amount approximates the market value.

The following investment properties were mortgaged to secure a term loan as disclosed under Note 15(a) to the financial statements. The charge on these investment properties were removed during the year:

Description and location	Gross Area (approximately)	Use	Encumbrance
No. 85, Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	1,000 sq. ft.	Leased out to unrelated third party	None
No. 85, Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	1,800 sq. ft.	Leased out to unrelated third party	None

7 **Goodwill**

The group	2006 $'000	2005 $'000
Balance at beginning of year/period	**16**	–
On acquisition of subsidiaries	**26**	16
On acquisition of additional interest in existing subsidiaries	**107**	–
Balance at end of year/period	**149**	16

During the financial year, the goodwill on consolidation relates to the acquisition and additional interest of the following subsidiaries:

JM Vistec System Pte Ltd	**32**	16
JM Vistec (Suzhou) Co., Ltd	**26**	–
Servo Dynamics (Thailand) Co., Ltd	**75**	–
	133	16

It is an over-payment made which represents the excess of the cost of acquisition over the fair value of the group's share of the identifiable assets acquired and contingent liabilities.

8 **Subsidiaries**

The company	2006 $'000	2005 $'000
Non-current assets		
Equity shares, at cost	**6,590**	6,590
Loan to a subsidiary	**3,659**	126
	10,249	6,716
Current assets		
Advances to subsidiaries	**1,642**	–

The unsecured and interest-free loan to a subsidiary which is quasi-equity loan, represents an extension of the company's net investment in the subsidiary. There is no fixed term of repayment as the settlements are neither planned nor likely to be settled in the foreseeable future.

The non-trade advances to subsidiaries are unsecured, interest-free and are repayable on demand.

Notes to the financial statements

for the year ended 31 December 2006

8 Subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Effective equity interest held		Principal activities
		2006	2005	**2006**	2005	
		$'000	$'000	**%**	%	
Motion Control Group Pte Ltd (1)	Singapore	**3,643**	3,643	**100**	100	Investment holding
Servo Dynamics Pte Ltd (1)	Singapore	**1,512**	1,512	**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	**970**	970	**100**	100	Providing integrated solutions of industrial computing software and hardware
Leaptron Engineering Pte Ltd (1)	Singapore	**465**	465	**100**	100	Importing, exporting, servicing and trading of automation products, and providing integrated solutions
		6,590	6,590			
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)	People's Republic of China	**–**	–	**100**	100	Manufacturing and selling of motion control products and providing system integrated solutions
Servo Dynamics (Thailand) Co., Ltd (3)	Thailand	**–**	–	**59.7**	59.7	Carrying on the business of factory establishment for producing and trading electric appliances, including researching and producing the electric instruments of original machine

8 Subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments 2006 $'000	Cost of investments 2005 $'000	Effective equity interest held 2006 %	Effective equity interest held 2005 %	Principal activities
Servo Engineering (M) Sdn Bhd (4)	Malaysia	**–**	–	**75**	75	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
JM Vistec System Pte Ltd (6)	Singapore	**–**	–	**67**	67	Trading and supplying of vision related products and industrial automation solutions
Servo Dynamics (H.K.) Limited (7)	Hong Kong	**–**	–	**100**	100	Trading in electronics products
Eisele Asia Co., Ltd (2)(5)	People's Republic of China	**–**	–	**50**	–	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd (7)	Hong Kong	**–**	–	**51**	–	Investment holding and provision of engineering solutions
USAS Motion Co., Ltd (7)	Hong Kong	**–**	–	**95**	–	Investment holding and provision of engineering solutions and supply special purpose motors
Held by Servo Dynamics Co., Ltd.						
Chongqing Junzhi Automatic Instrument Control Co., Ltd (2)	People's Republic of China	**–**	–	**100**	100	Developing and selling of motion control products and providing system integrated solutions
Beijing Junyizhicheng Technology Developing Co., Ltd (2)	People's Republic of China	**–**	–	**100**	100	Manufacturing and selling of precise motion control products and providing system integrated solutions
Shenzhen Servo Dynamics Co., Ltd (2)	People's Republic of China	**–**	–	**100**	100	Supplying of precision motion control products and providing system integrated solutions

Notes to the financial statements

for the year ended 31 December 2006

8 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective equity interest held		Principal activities
		2006 $'000	2005 $'000	**2006 %**	2005 %	
Held by Servo Dynamics Co., Ltd. (cont'd)						
Shanghai Delta Automation International Trade Co., Ltd (2)	People's Republic of China	**–**	–	**100**	100	International trade and entrepot trade
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd (2)(5)	People's Republic of China	**–**	–	**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 JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd (2)	People's Republic of China	**–**	–	**67**	–	Trading and supplying of vision related products and industrial automation solutions
Held by IGB (H.K.) Co., Ltd						
SejinIGB (Suzhou) Co., Ltd (2)	People's Republic of China	**–**	–	**51**	–	Manufacturing and provision of engineering solutions
Held by USAS Motion Co., Ltd						
USAS Motion (Suzhou) Co., Ltd (2)	People's Republic of China	**–**	–	**95**	–	Manufacturing of special purpose motors and provision of engineering solutions

(1) Audited by Foo Kon Tan Grant Thornton
(2) Audited by Foo Kon Tan Grant Thornton for FRS reporting purposes
(3) Audited by associates of Grant Thornton International
(4) Audited by SQ Morison
(5) With management control over the financial and operating policy decisions.
(6) Audited by Clement Tan & Co.
(7) Audited by HLB Hodgson Impey Cheng

9 **Associates**

The group	2006 $'000	2005 $'000
Equity shares, at cost	1,846	946
Share of post acquisition profits	975	800
Elimination of unrealised intra-group profits	(31)	–
Share of exchange translation reserve	(231)	(200)
	2,559	1,546
(Less) Impairment of an associate	(7)	–
	2,552	1,546
Loan to an associate	64	25
	2,616	1,571

Goodwill amounting to $125,000 (2005 - $Nil) is included in the carrying amount of investments in associates.

The loan to an associate is unsecured and repayable by July 2008. Interest is charged at 4.2% per annum.

In the financial period 2005, the unsecured and interest-free loan to an associate, which was quasi equity-loan, represented an extension of net investment in the associate. There were no fixed terms of repayment as the settlements were neither planned nor likely to be settled in the foreseeable future. This loan was capitalised as cost of investment on allotment of new shares by the associate.

The associates are set out below:

Name	Country of incorporation/ principal place of business	Cost of investments 2006 $'000	Cost of investments 2005 $'000	Effective equity interest held 2006 %	Effective equity interest held 2005 %	Principal activities
Held by Servo Dynamics Pte Ltd						
Maxon Motor (Suzhou) Co., Ltd (1)	People's Republic of China	687	687	48.75	48.75	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd (1)	People's Republic of China	165	165	48.75	48.75	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products

9 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments 2006 $'000	2005 $'000	Effective equity interest held 2006 %	2005 %	Principal activities
Held by Motion Control Group Pte Ltd						
Servo-matic Technology (M) Sdn Bhd (2)	Malaysia	**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. (3)	Philippines	**9**	9	**40**	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd (4)	Singapore	**700**	–	**33.33**	–	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd (5)	Singapore	**175**	–	**37.5**	–	Design and customisation of aluminium profiles and providing other motion control related solutions
Held by Leaptron Engineering Pte Ltd						
Nyquist Asia Pte Ltd (6)	Singapore	**85**	85	**25**	25	Marketing, distributing and providing technical support for machine and robot control systems
		1,846	946			

* Less than $1

(1) Audited by Foo Kon Tan Grant Thornton for FRS reporting purposes
(2) Audited by SQ Morison
(3) Audited by SGV & Co
(4) Audited by Ong Teh & Co
(5) Audited by JC Chen & Associates
(6) Placed in voluntary liquidation on 2 October 2006

9 Associates (cont'd)

The summarised financial information of associates are as follows:

The group	2006	2005
	$'000	$'000
Assets	10,343	2,489
Liabilities	4,701	899
Revenue	11,636	3,366
Profit after taxation	1,425	712

10 Inventories

The group	2006	2005
	$'000	$'000
Components parts, at fair value less cost	7,486	5,878
Finished goods, at cost	2,699	1,423
Work-in-progress, at cost	177	74
Goods-in-transit - components parts, at cost	56	133
	10,418	7,508
Inventories charged to cost of goods sold	46,887	38,074

Allowance of $125,000 (2005 - $114,000) is made on inventories regarded as slow moving. During the financial year, a sum of $34,000 (2005 - $23,000) has been written back due to the recovery of selling price of finished goods.

11 Trade and other receivables

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Note receivables	**–**	–	**685**	174
Third parties	**67**	–	**12,491**	12,791
Associates	**–**	–	**300**	121
Related parties	**–**	–	**77**	–
Trade receivables, net of impairment	**67**	–	**13,553**	13,086
Advances:				
- suppliers	**–**	–	**326**	335
- associates	**–**	–	**–**	13
- related parties	**–**	–	**27**	6
- a subsidiary	**91**	–	**–**	–
Interest receivable from an associate	**–**	–	**1**	–
Deposits	**–**	–	**266**	71
Prepayments	**4**	18	**93**	85
Loans to employees	**–**	–	**41**	–
Advances to employees	**–**	–	**80**	–
Other receivables	**9**	116	**166**	221
	171	134	**14,553**	13,817
Trade receivables factored to factoring institutions	**–**	–	**170**	1,429

Movement for impairment of trade receivables:

The group	**2006**	2005
	$'000	$'000
Balance at beginning of year/period	**78**	–
On acquisition of subsidiaries	**–**	61
Impairment for the year/period	**11**	20
Amount written off	**(43)**	(3)
Balance at end of year/period	**46**	78

Trade receivables are usually due within 30-90 days and do not bear any effective interest rate.

All trade and other receivables are subject to credit risk exposure. However, the company and the group do not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

The note receivables from banks, mature at varying dates between 21 January 2007 (2005 - 12 February 2006), the earliest date and 26 June 2007 (2005 - 17 May 2006), the latest date.

11 Trade and other receivables (cont'd)

The non-trade amounts owing to associates, related parties and a subsidiary are unsecured advances which are interest-free and repayable on demand.

The loans to employees are unsecured, interest-free and are repayable on demand.

The advances to employees are for business purpose.

Trade and other receivables are denominated in the following currencies:

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Singapore Dollars	**171**	134	**6,501**	4,829
United States Dollars	**–**	–	**3,669**	3,459
Chinese Renminbi	**–**	–	**2,952**	2,064
Malaysian Ringgit	**–**	–	**757**	2,310
Swiss Francs	**–**	–	**511**	–
Others	**–**	–	**163**	1,155
	171	134	**14,553**	13,817

12 Cash and cash equivalents

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**310**	6,505	**6,514**	11,413
Fixed deposits	**758**	–	**1,085**	492
	1,068	6,505	**7,599**	11,905
Effective interest rate	**2.81%**	–	**3.00%**	1.84%

The fixed deposits mature within three months from the balance sheet date.

Cash and cash equivalents are denominated in the following currencies:

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Singapore Dollars	**1,068**	6,505	**2,245**	8,277
United States Dollars	**–**	–	**2,645**	1,396
Chinese Renminbi	**–**	–	**1,857**	961
European Dollars	**–**	–	**335**	641
Others	**–**	–	**517**	630
	1,068	6,505	**7,599**	11,905

Notes to the financial statements

for the year ended 31 December 2006

12 Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, the year/period end cash and cash equivalents comprise the following:

The group	2006 $'000	2005 $'000
Cash and bank balances	7,599	11,905
Bank overdraft (Note 15)	(48)	–
	7,551	11,905

13 Share capital

	Authorised				Issued and fully paid			
	Number of shares		Amount		Number of shares		Amount	
The company and the group	2006	2005	2006 $'000	2005 $'000	2006	2005	2006 $'000	2005 $'000
Ordinary shares								
At beginning of year/period	2,000,000	–	100,000	–	158,798,700	–	7,940	–
On date of incorporation	–	100,000	–	100	–	2	–	–
Issue of new shares pursuant to acquisition of subsidiaries @	–	99,900,000	–	99,900	–	6,589,933	–	6,590
	2,000,000	100,000,000	100,000	100,000	158,798,700	6,589,935	7,940	6,590
Sub-division of each share into 20 shares each @	–	1,900,000,000	–	–	–	125,208,765	–	–
Issue of new shares at $0.29 per share pursuant to IPO listing @	–	–	–	–	–	27,000,000	–	1,350
Adjustment arising from abolition of par value of shares	(2,000,000)	–	(100,000)	–	–	–	5,279	–
At end of year/period	–	2,000,000,000	–	100,000	158,798,700	158,798,700	13,219	7,940

@ approved at an Extraordinary General Meeting held on 27 September 2005

Pursuant to amendments to the Companies Act, Cap. 50, the concepts of par value of shares and authorised share capital have been abolished with effect from 30 January 2006 and on that date, the shares of the company ceased to have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the company's residual assets.

14 Reserves

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Share premium	–	5,279	–	5,279
Other reserves	–	–	**81**	81
Retained profits	**3,236**	2,944	**9,660**	6,395
Merger reserve	–	–	**(436)**	(436)
Exchange translation reserve	–	–	**(500)**	(365)
	3,236	8,223	**8,805**	10,954

(a) Share premium

The company and the group	**2006**	2005	**2006**	2005
	Number of shares	Number of shares	**$'000**	$'000
Balance at beginning of year/period	**27,000,000**	–	**5,279**	–
Issue of new ordinary shares at a premium of $0.24 per share pursuant to IPO listing	**–**	27,000,000	**–**	6,480
Share issue costs	**–**	–	**–**	(1,201)
Adjustment arising from abolition of par value of shares	**(27,000,000)**	–	**(5,279)**	–
Balance at end of year/period	**–**	27,000,000	**–**	5,279

The share premium account was set up in accordance with Section 69 of the Companies Act, Cap. 50, where the company issued shares above par at a premium. The balance has been transferred to share capital on 30 January 2006 following changes to the Companies' Act and the abolishment of par value.

(b) Other reserves refer to the reserves set aside under the People's Republic of China ("PRC") laws, which according to the current PRC company law, the company is required to transfer between 10% and 50% of its profit after taxation to statutory common reserve and statutory enterprise expansion fund reserve until the balance of such reserves reaches 50% of the registered capital. For the purpose of calculating the transfer to these reserves, the profit after taxation shall be the amount determined under PRC accounting standards. The transfer to these reserves must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses, for conversion to capital and expansion of production, if any, provided that the balance remains not less than 25% of the registered capital.

(c) The merger reserve arises 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 financial period ended 31 December 2005.

(d) Exchange translation reserve arises from the translation of foreign subsidiaries' and associates' assets and liabilities.

15 Bank borrowings

The group

	Note	2006 Unsecured $'000	2006 Secured $'000	2006 Total $'000	2005 Unsecured $'000	2005 Secured $'000	2005 Total $'000
Bank loan #1	a	–	1,054	1,054	–	1,213	1,213
Bank loan #2	b	–	225	225	–	302	302
Bank loan #3	c	–	4	4	–	14	14
Bank loan #4	d	14	–	14	20	–	20
Bank loan #5	e	–	1,095	1,095	–	–	–
Bank loan #6	f	149	–	149	–	–	–
Short-term loan #1	g	689	–	689	303	–	303
Short-term loan #2	h	2,081	–	2,081	1,303	–	1,303
Trust receipts	i	–	–	–	58	–	58
Bank factoring creditor #1	j	–	–	–	1,000	–	1,000
Bank factoring creditor #2	k	136	–	136	–	–	–
Bank overdraft		48	–	48	–	–	–
		3,117	2,378	5,495	2,684	1,529	4,213

Bank borrowings are denominated in the following currencies:

	2006 Unsecured $'000	2006 Secured $'000	2006 Total $'000	2005 Unsecured $'000	2005 Secured $'000	2005 Total $'000
Singapore Dollars	1,158	2,149	3,307	1,020	1,213	2,233
United States Dollars	522	–	522	1,222	–	1,222
Chinese Renminbi	1,240	–	1,240	384	–	384
Japanese Yen	–	–	–	58	–	58
Thai Baht	149	225	374	–	302	302
Malaysian Ringgit	–	4	4	–	14	14
Hong Kong Dollars	48	–	48	–	–	–
	3,117	2,378	5,495	2,684	1,529	4,213

	2006 Unsecured $'000	2006 Secured $'000	2006 Total $'000	2005 Unsecured $'000	2005 Secured $'000	2005 Total $'000
Repayable						
Not later than one year	3,007	243	3,250	2,672	183	2,855
Later than one year and not later than five years	110	768	878	12	746	758
Later than five years	–	1,367	1,367	–	600	600
	110	2,135	2,245	12	1,346	1,358
	3,117	2,378	5,495	2,684	1,529	4,213

The carrying amounts of the bank borrowings approximate the fair value as the interest rates are determined by the prevailing market interest rates.

15 **Bank borrowings (cont'd)**

(a) The facility of $1,153,000 (2005 - $1,393,000) for bank loan #1 granted to a subsidiary is secured by an open mortgage of the leasehold properties (Note 5). During the financial year, the legal charge over the investment properties (Note 6) as well as joint and several guarantees provided by a director of the group and his family member were removed and replaced by a corporate guarantee from the company.

This loan is repayable in half-yearly instalments commencing 10 June 2004. The bank loan is repayable by December 2015 in equal half-yearly instalments. Interest is charged at 1.75% (2005 - 1.75%) per annum above the bank's cost of funds.

(b) The facility of THB 8,000,000 for bank loan #2 granted to a subsidiary is secured by the mortgage of a piece of land located in Thailand. This loan is repayable in 60 monthly instalments of about THB 158,000 commencing 31 August 2005. This loan bears interest at the minimum loan rate plus 1% per annum.

Under the loan agreement, the subsidiary agrees to construct a new warehouse and office building within 180 days from the commencement date of 10 August 2005. In the event of default in this condition, the lender has the right to make a call for immediate full repayment of loan. However, on 9 November 2006, this condition was cancelled by the lender itself and the loan was revised to 44 monthly instalments of about THB 188,000 each commencing November 2006. As at 31 December 2006, the subsidiary has not started the construction of its warehouse and office building.

(c) The facility for bank loan #3 granted to a subsidiary is secured by way of a legal charge over a piece of freehold industrial properties (Note 5) as well as joint and several guarantees provided by a director of the subsidiary and a third party. This loan is repayable in 120 equal instalments of RM 1,956 commencing 1 February 1998. Interest is charged at 1.75% (2005 - 1.75%) above the bank's base lending rate.

(d) The facility of $25,000 for bank loan #4 granted to a subsidiary, which is a Micro Loan, is covered by a personal guarantee from a director of the subsidiary and bears interest at an effective rate of 5% (2005 - 5%) per annum. This loan is repayable in 47 monthly instalment of $576 each commencing January 2005.

(e) The facilities of $1,102,000 (2005 - $Nil) for bank loans #5 granted to two subsidiaries are secured by mortgage of the leasehold properties of the subsidiaries (Note 5) as well as corporate guarantees provided by the company.

Each loan is repayable in 240 monthly instalments commencing 1 December 2006 with a final balance to be repaid in November 2026. Interest is charged at 4.48% (2005 - Nil%) per annum.

(f) The facility of THB 3,500,000 for bank loan #6 granted to a subsidiary pertains to a working capital loan. The loan is repayable in 44 monthly instalments of about THB 118,000 commencing 30 November 2006. This loan bears interest at the minimum retail rate plus 5% per annum. This loan is guaranteed by two directors of the subsidiary.

(g) Short-term loan #1 granted to a subsidiary bears interest of 6.138% (2005 - 6.138%) per annum and is covered by a corporate guarantee provided by a related party.

(h) Short-term loans #2 provided to subsidiaries bear interest of 4.91% to 7.38% (2005 - 6.417% to 6.73%) per annum. The personal guarantee provided by a director of the group was discharged during the financial year and replaced by corporate guarantees provided by the company.

(i) The facility for trust receipts of $58,000 was covered by an open mortgage of the leasehold properties (Note 5). The joint and several guarantees provided by a director of the group and his family member were discharged during the financial year and replaced by corporate guarantee by the company. In the financial period 2005, the interest rates varied from 2.3% to 5.0% per annum. The trust receipts were fully repaid during the financial year.

15 Bank borrowings (cont'd)

(j) Under the receivables purchase facility for Bank Factoring Creditor #1, the bank granted a facility sum of $5,000,000 to a subsidiary, of which $1,000,000 has been utilised. In respect of this facility, the bank will at all times have the right to require immediate payment and/or cash collaterisation of all or part of any sums actually or contingently owing to the bank in respect of the facility and the right to immediately terminate or suspend, in whole or in part, all of the facility and all further utilisation of it. The liability owing to the bank was secured by personal guarantee by a director of the group. Interest was charged at SWAP plus 2.25% per annum. This facility was fully repaid and cancelled during the financial year.

(k) Under the receivables purchase facility for Bank Factoring Creditor #2, the bank granted a facility sum of $500,000 (2005 - $500,000) to a subsidiary, of which $136,000 (2005 - $Nil) has been utilised. The liability owing to the bank is secured by corporate guarantee from the company. Interest is charged at SWAP plus 2.25% per annum.

The effective interest rate of the group's bank borrowings is 4.71% (2005 - 3.75%) per annum.

16 Finance leases

The group	**2006**	2005
	$'000	$'000
Minimum lease payments payable:		
Due not later than one year	**26**	44
Due later than one year and not later than five years	**21**	46
Due later than five years	**–**	–
	47	90
Finance charges allocated to future years	**(2)**	(12)
Present value of minimum lease payments	**45**	78
Present value of minimum lease payments:		
Due not later than one year	**25**	34
Due later than one year and not later than five years	**20**	44
Due later than five years	–	–
	45	78

The effective interest rate is 9.67% (2005 - 7.69%) per annum.

17 Deferred tax liabilities

The group	**2006**	2005
	$'000	$'000
Balance at beginning of year/period	**24**	–
On acquisition of subsidiaries	**–**	24
Charge to income statement (Note 22)		
- current year	**33**	–
- underprovision in respect of prior years	**11**	–
Balance at end of year/period	**68**	24

The balance comprises tax on excess of net book value over the tax written down value of qualifying properties, plant and equipment.

18 **Trade and other payables**

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Third parties	**–**	–	**6,183**	5,027
Related parties	**–**	–	**1,158**	1,340
Associates	**–**	–	**199**	316
Trade payables	**–**	–	**7,540**	6,683
Fellow subsidiaries	**6**	267	–	–
Accrued operating expenses	**141**	249	**1,385**	1,676
Advances received from customers	**–**	214	**1,339**	729
Amount owing to a director of a subsidiary	**–**	–	**22**	22
Other payables	**19**	–	**385**	694
	166	730	**10,671**	9,804

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be reasonable approximation of their fair values.

The non-trade amounts owing to fellow subsidiaries are unsecured, interest-free and are repayable on demand.

The amount owing to a director of a subsidiary is unsecured, interest-free and is repayable on demand.

Trade and other payables are denominated in the following currencies:

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Singapore Dollars	**166**	730	**1,513**	1,901
United States Dollars	**–**	–	**3,618**	2,517
Chinese Renminbi	**–**	–	**2,606**	1,644
Swiss Francs	**–**	–	**1,140**	1,363
Japanese Yen	**–**	–	**234**	1,055
European Dollars	**–**	–	**824**	753
Others	**–**	–	**736**	571
	166	730	**10,671**	9,804

Notes to the financial statements

for the year ended 31 December 2006

19 Other operating income

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Exchange gain	**–**	–	**–**	456
Interest income				
- bank	**60**	5	**104**	47
- loan to an associate	**–**	–	**1**	–
Dividend income from subsidiaries	**3,480**	3,537	**–**	–
Operating lease income				
- investment properties	**–**	–	**37**	34
Gain on sale of shares of other investments	**–**	–	**100**	–
Bad debts recovered	**–**	–	**11**	–
Service income	**–**	–	**315**	340
Miscellaneous income	**78**	–	**157**	153
	3,618	3,542	**725**	1,030

20 Finance costs

The group	**2006**	2005
	$'000	$'000
Interest expense on:		
- term loan	**251**	146
- trust receipts	**2**	6
- finance lease	**6**	6
	259	158

21 Profit before taxation

		The company		The group	
		2006	2005	**2006**	2005
	Note	**$'000**	$'000	**$'000**	$'000
Profit before taxation has been arrived at after charging:					
Bad trade receivables written off		**–**	–	**28**	24
Depreciation of properties, plant and equipment	5	**–**	–	**534**	337
Depreciation of investment properties	6	**–**	–	**17**	17
Directors' fee		**100**	10	**223**	12
Employee benefit costs charged to administrative expenses:					
- Directors' remuneration					
- salaries and related costs		**36**	204	**1,119**	1,179
- CPF contributions		**–**	10	**76**	68
- Key management personnel (other than directors)					
- salaries and related costs		**–**	–	**542**	336
- CPF contributions		**–**	–	**39**	37
- Other than directors and key management personnel					
- salaries and related costs		**–**	–	**4,677**	4,101
- CPF contributions		**–**	–	**624**	524
		36	214	**7,077**	6,245
Exchange loss		**44**	–	**108**	–
Goodwill on consolidation written off		**–**	–	**1**	–
Impairment loss on investment in an associate	9	**–**	–	**7**	–
Operating lease rentals - office premises		**–**	–	**421**	360
Property, plant and equipment written off		**–**	–	**2**	–

22 Taxation

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current taxation	**14**	–	**1,259**	1,420
Deferred taxation (Note 17)	**–**	–	**33**	–
	14	–	**1,292**	1,420
(Over)/underprovision in respect of prior years				
- current taxation	**–**	–	**(47)**	–
- deferred taxation (Note 17)	**–**	–	**11**	–
	14	–	**1,256**	1,420

22 Taxation (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate to profit before taxation and share of profits of associates as a result of the following differences:

	The company		The group	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Profit before taxation and share of profits of associates	**3,211**	2,944	**6,633**	6,517
Tax at statutory rate of 20%	**642**	589	**1,327**	1,303
Tax effect on non-deductible expenses	**79**	44	**154**	258
Tax effect on non-taxable income	**(696)**	(633)	**(20)**	–
Current year deferred tax benefit of subsidiaries not recognised	**–**	–	**25**	4
(Over)/underprovision in respect of prior years				
- current taxation	**–**	–	**(47)**	–
- deferred taxation	**–**	–	**11**	–
Effect of different tax rates of overseas subsidiaries	**–**	–	**(160)**	(103)
Singapore statutory stepped income exemption	**(11)**	–	**(34)**	(42)
	14	–	**1,256**	1,420

The group

Subject to agreement with the relevant tax authorities, certain subsidiaries have unabsorbed tax losses amounting to $304,000 (2005 - $56,000) which are available for offset against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with. The related tax benefits of $35,000 (2005 - $10,000) have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods.

23 Earnings per share

The group

The earnings per share is calculated based on the group profit after taxation of $6,170,000 (2005 - $5,811,000) on the weighted average number of ordinary shares in issue of 158,798,700 (2005 - 158,798,700) shares during the financial year.

Diluted earnings per share was calculated on the group profit after taxation of $6,170,000 (2005 - $5,811,000) divided by 158,798,700 (2005 - 158,798,700) ordinary shares.

24 Dividends

At the Annual General Meeting to be held, a final dividend comprising one-tier tax exempt dividend of 1.83 (2005 - 1.829674) cents per share amounting to $2,906,000 (2005 - $2,906,000) will be proposed based on 158,798,700 number of ordinary shares in issue. These financial statements do not reflect these dividends payable, which will be accounted for in shareholder's equity as distribution of retained profits in the financial year ending 31 December 2007.

25 Disclosure of directors' remuneration

In compliance with paragraph 4 of Appendix 11 of the SGX-ST Listing Manual, the remuneration bands for the directors of the company is as follows:

	2006	2005
Number of directors		
$500,000 and above	**–**	1
$250,000 to $499,999	**1**	–
below $250,000	**4**	4
	5	5

26 Segment information

The group

(i) Business segments

The group's primary business segments are sale of Engineering Solutions - Motion Control systems, Engineering Solutions - Other systems and Industrial Computing systems.

(ii) Geographical segments

The group operates primarily in two geographical regions, namely South Asia and North Asia regions.

(iii) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the financial information that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

(iv) Segment assets and liabilities

Segment assets are all operating assets 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.

Segment liabilities are all operating 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.

(v) Inter-segment transfers

Segment revenue and segment results include transfer between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated on consolidation.

26 Segment information (cont'd)

(vi) Information by business segments:

The group has sub-divided its motion control division into two categories known as Motion Control itself and Others for which the previously known motion control division is now under the Engineering Solutions. The Industrial Computing continues to be an integrated solutions provider that specialises in the design, customisation and sale of industrial computers to the customers.

The group	Engineering Solutions - Motion Control		Engineering Solutions - Others		Industrial Computing		Elimination		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue										
External sales	**49,582**	44,341	**10,416**	5,161	**6,581**	5,363	**–**	–	**66,579**	54,865
Inter-segment sales	**3,822**	1,433	**494**	117	**–**	296	**(4,316)**	(1,846)	**–**	–
	53,404	45,774	**10,910**	5,278	**6,581**	5,659	**(4,316)**	(1,846)	**66,579**	54,865
Result										
Segment results	**6,469**	5,773	**51**	293	**230**	528	**–**	–	**6,750**	6,594
Rental income from investment properties									**37**	34
Interest income									**105**	47
Finance costs									**(259)**	(158)
Profit from operations									**6,633**	6,517
Share of profits of associates									**789**	800
Profit before taxation									**7,422**	7,317
Taxation									**(1,256)**	(1,420)
Profit after taxation									**6,166**	5,897

26 Segment information (cont'd)

(vi) Information by business segments:

The group	Engineering Solutions - Motion Control 2006 $'000	Engineering Solutions - Motion Control 2005 $'000	Engineering Solutions - Others 2006 $'000	Engineering Solutions - Others 2005 $'000	Industrial Computing 2006 $'000	Industrial Computing 2005 $'000	Elimination 2006 $'000	Elimination 2005 $'000	Group 2006 $'000	Group 2005 $'000
Assets										
Segment assets	**25,378**	21,620	**4,751**	2,400	**2,834**	2,265	**(1,389)**	(137)	**31,574**	26,148
Goodwill on consolidation	**149**	16	**–**	–	**–**	–	**–**	–	**149**	16
Unallocated corporate assets									**10,934**	14,173
Consolidated total assets									**42,657**	40,337
Liabilities										
Segment liabilities	**10,814**	13,073	**2,926**	548	**713**	680	**(1,389)**	(137)	**13,064**	14,164
Unallocated corporate liabilities									**6,686**	6,860
Consolidated total liabilities									**19,750**	21,024
Capital expenditure	**1,413**	947	**355**	76	**618**	17	**–**	–	**2,386**	1,040
Depreciation expense of properties, plant and equipment	**449**	285	**55**	40	**30**	12	**–**	–	**534**	337
Depreciation expense of investment properties	**17**	17	**–**	–	**–**	–	**–**	–	**17**	17
Other non-cash expenses										
- allowance for obsolete inventories	**44**	5	**–**	–	**–**	–	**–**	–	**44**	5
- bad trade receivables written off	**28**	24	**–**	–	**–**	–	**–**	–	**28**	24
- impairment loss on trade receivables	**11**	20	**–**	–	**–**	–	**–**	–	**11**	20

Notes to the financial statements

for the year ended 31 December 2006

26 Segment information (cont'd)

(vii) Information by geographical segments:

The group operates primarily in two geographical areas namely, South Asia and North Asia regions.

The revenue by geographical segments are based on the location of customers. The assets and capital expenditure are based on the location of those assets.

The group	South Asia		North Asia		Others (1)		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**36,692**	32,609	**29,788**	21,934	**99**	322	**66,579**	54,865
Cash and bank balances	**4,541**	10,134	**3,058**	1,771	**–**	–	**7,599**	11,905
Other segment assets including unallocated segments	**22,956**	22,612	**12,102**	5,820	**–**	–	**35,058**	28,432
Carrying amount of segment assets	**27,497**	32,746	**15,160**	7,591	**–**	–	**42,657**	40,337
Capital expenditure	**1,598**	896	**788**	144	**–**	–	**2,386**	1,040

(1) "Others" includes countries such as India, Pakistan, Sri Lanka, United Kingdom, United States of America, Germany and Australia. Each of these countries does not contribute more than 5% of total revenue.

27 Commitments

The group	2006 $'000	2005 $'000
Corporate guarantees provided by a subsidiary to banks in connection with credit facilities of a fellow subsidiary - unsecured	–	1,222

During the financial year, the corporate guarantees which were provided to banks in the financial period 2005 and guaranteed by a director of the group, were discharged.

The company		
Corporate guarantees provided to banks in connection with credit facilities of subsidiaries - unsecured	4,366	-

The company has given letters of undertaking to provide financial support for the following subsidiaries which had total net deficits as at 31 December 2006 of $82,000 (2005 - $Nil) to enable them to continue to operate as going concerns and to meet their respective obligations as and when they fall due:

IGB (H.K.) Co., Ltd
USAS Motion Co., Ltd

28 Related party transactions

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

The group	2006 $'000	2005 $'000
Sales to associates	(387)	(660)
Sales to related parties	(71)	(325)
Purchases from associates	351	219
Purchases from related parties	4,773	4,688
Administration fee charged to a related party	(18)	(6)
Rental charged to a related party	(3)	–
Rental charged from related parties	33	–
Technical service fee charged from related parties	76	–
Other expenses paid to associates	26	–
Other income charged to		
- associates	(6)	–
- a related party	(22)	–

Related parties relate to companies where there are common directors.

29 Operating lease commitments

Where the company/group is a lessee

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

The group	**2006**	2005
	$'000	$'000
Future minimum lease payment payable:		
not later than one year	**268**	279
later than one year and not later than five years	**229**	136
later than five years	**–**	–

The operating leases will expire between 1 February 2007 (2005 - 31 January 2006), the earliest date and 20 February 2011 (2005 - 8 October 2009), the latest date. The monthly lease rental expenses range from $187 (2005 - $161) and $6,024 (2005 - $6,024) respectively.

Where the company/group is a lessor

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

The group	**2006**	2005
	$'000	$'000
Future minimum lease income receivable:		
not later than one year	**30**	29
later than one year and not later than five years	**14**	14
later than five years	**–**	–

The operating lease of investment properties will expire on 15 August 2007 (2005 - 15 August 2006) and 14 August 2008 (2005 - 14 August 2007) and the monthly lease rental income are $972 and $1,890 respectively.

30 Financial risk management objectives and policies

The group's financial instruments carried on the balance sheets include cash and cash equivalents, financial assets and financial liabilities.

The group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

30.1 Market risk

30.1.1 Currency risk

The group operates mainly in Asia and is subject to various currency exposures, primarily with respect to the Renminbi, Hong Kong Dollar, United States Dollar, Swiss Francs, European Dollars, Japanese Yen, Thailand Baht and Malaysia Ringgit. Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Currency risk arises when transactions including firm commitments and recognised assets and liabilities are denominated in a currency that is not the company's functional currency. The company and companies within the group adopt the use of forward currency contracts to mitigate the risk of said foreign currency exposure. Under the group risk management policy, any hedging transaction amount up to $100,000 in equivalent requires prior approval from the Managing Director. Any hedging transaction amount more than $100,000 in equivalent requires prior approval from the Audit Committee.

30.1.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group is exposed to interest rate risks mainly from variable debt obligations arising from bank borrowings.

The group constantly monitors movements in interest rates. Presently it does not use derivative financial instruments to hedge its interest rate risk.

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group has no significant concentration of credit risk. The group has policies in place to ensure that sale of products and services rendered are made to customers with an appropriate credit history.

Cash and fixed deposits are held with creditworthy financial institutions.

30.3 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The group has sufficient funds generated from its operations to meet its working capital requirement.

31 Financial instruments

Fair value

The carrying amount of financial assets and liabilities in the balance sheets with a maturity of less than one year approximate their fair values.

The company and the group do not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

32 Events after balance sheet date

In February 2007, Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary of the company entered into a sale and purchase agreement with AGVA Singapore Pte Ltd ("AGVA Singapore"), a wholly owned subsidiary of AGVA Corporation Limited pursuant to which MCG shall acquire from AGVA Singapore a 100% interest in Excel Best Industries (Suzhou) Co., Ltd ("Excel Best") for RMB 8,309,000. This subsidiary was incorporated in the People's Republic of China.

Under the terms of the sale and purchase agreement, the consideration payable by the group's wholly owned subsidiary, MCG shall be RMB 8,309,000 (payable in cash in US dollars equivalent), and this is determined based on (i) Excel Best's cash and cash equivalent aggregating RMB 4,406,000 as at 31 December 2006 and (ii) Excel Best's land parcel of an agreed value of RMB 3,903,000. This transaction is pending completion.

33 Comparative figures

Certain comparative figures have been reclassified to conform with current year's management reporting presentation.

The group	Restated 2005 $'000	Reported 2005 $'000
Income statement		
Share of profits of associates	800	1,003
Taxation	(1,420)	(1,623)
	(620)	(620)

Shareholders' Information

Shareholders' information as at 16 March 2007

Issued and fully paid-up capital:	S$13,218,681
Number of shares:	158,798,700
Class of shares:	Ordinary shares
Voting rights:	One vote per share

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 16 March 2007.

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Assetraise Holdings Limited	90,354,700	56.90	-	-
Teo Cher Koon	-	-	90,354,700 (1)	56.90
DBS Nominees Pte Ltd	26,968,409	16.98	-	-
Karl Walter Braun	12,030,000	7.58	3,970,000 (2)	2.50
Interelectric AG	3,970,000	2.50	-	-

Notes:

(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 90,354,700 shares held by Assetraise Holdings Limited.

(2) Interelectric AG is beneficially owned entirely by Dr Karl Walter Braun. As such, Dr Braun is deemed to have an interest in 3,970,000 shares held by Interelectric AG.

Free Float

As at 16 March 2007, approximately 14.79% of the issued share capital of 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.

Shareholders' Information

Statistics of Shareholdings as at 16 March 2007

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.52	108	0.00
1,000 - 10,000	113	58.55	419,000	0.26
10,001 - 1,000,000	69	35.75	9,033,000	5.69
1,000,001 AND ABOVE	10	5.18	149,346,592	94.05
TOTAL	**193**	**100.00**	**158,798,700**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	ASSETRAISE HOLDINGS LIMITED	90,354,700	56.90
2.	DBS NOMINEES PTE LTD	26,968,409	16.98
3.	KARL WALTER BRAUN	12,030,000	7.58
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	5,824,000	3.67
5.	CHOW KA MAN	4,085,000	2.57
6.	INTERELECTRIC AG	3,970,000	2.50
7.	DBSN SERVICES PTE LTD	2,330,483	1.47
8.	KONG DEYANG	1,600,000	1.01
9.	KIM ENG SECURITIES PTE. LTD.	1,110,000	0.70
10.	LAU CHOON GUAN	1,074,000	0.68
11.	SIM LEONG SEANG	954,000	0.60
12.	CHENG HOCK KIANG	894,000	0.56
13.	WONG KWOK WHYE PETER	847,000	0.53
14.	HAN MOO JUAN	548,000	0.35
15.	EE BENG CHUAN	518,000	0.33
16.	LIM SIEW HIONG HELEN	380,000	0.24
17.	DIETER RAMSAUER	345,000	0.22
18.	ELMIGER EUGEN JOSEF	345,000	0.22
19.	LIM BOON HENG	319,000	0.20
20.	TAY GIM SIN LEONARD	264,000	0.17
	TOTAL	**154,760,592**	**97.48**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "Company") will be held at 105 Tampines Road #06-06 Wing Tai Industrial Centre, Singapore 535127 on Thursday, 26 April 2007 at 9.30 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 2006 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a final tax exempt (one tier) dividend of $ 0.0183 per ordinary share for the year ended 31 December 2006.
(Resolution 2)

3. To re-elect Mr. Soh Beng Keng, a Director retiring in accordance with Article 107 of the Company's Articles of Association. (See note 4)
(Resolution 3)

4. To re-elect Mr. Lim Siang Kai, a Director retiring in accordance with Article 107 of the Company's Articles of Association. (See note 5)
(Resolution 4)

5. To re-elect Mr. Kong Deyang, a Director retiring in accordance with Article 107 of the Company's Articles of Association.
(Resolution 5)

6. To approve the payment of Directors' fees of S$100,000 for the year ended 31 December 2006 (Previous Year: S$10,417.00).
(Resolution 6)

7. To appoint Messrs Moore Stephens as the Company's Auditors and to authorise the Directors to fix their remuneration.
(Resolution 7)

AS SPECIAL BUSINESS

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

8. THAT pursuant to Section 161 of the Companies Act, Cap. 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit provided that the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. (See Explanatory Note 1)
(Resolution 8)

9. THAT the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the ISDN Holdings Share Option Scheme (the "Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15 per centum (15%) of the issued share capital of the Company from time to time. (See Explanatory Note 2)
(Resolution 9)

AS OTHER BUSINESS

10. To transact any other business.

Notice of Annual General Meeting

BY ORDER OF THE BOARD

GWENDOLYN GN JONG YUH
Company Secretary

Singapore, 11 April 2007

Notes:

1. A Member entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument of proxy must be executed under seal or by the hand of its duly authorized attorney.

3. 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 for holding the Meeting.

4. Mr. Soh Beng Keng will, upon re-election continue to serve in the Nominating, Remuneration and Audit 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.

5. Mr. Lim Siang Kai will upon re-election continue to serve in the Nominating, Remuneration and Audit 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.

Explanatory Note 1

The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued share capital of the Company at the time of passing of this Resolution. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum. (20%) of the issued share capital of the Company.

The percentage of issued share capital is based on the Company's issued capital at the time of passing of the 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 the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

Explanatory Note 2

The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting, to issue shares up to an amount in aggregate not exceeding 15 per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

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's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Proxy Form

(Please see notes overleaf before completing this Form)

I/We____

(name) of ____

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

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

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 26 April 2007 at 9.30 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' Report and Accounts for the year ended 31 December 2006		
2	Payment of proposed final dividend		
3.	Re-election of Mr. Soh Beng Keng		
4.	Re-election of Mr. Lim Siang Kai		
5.	Re-election of Mr. Kong Deyang		
6.	Approval of Directors' fees amounting to S$100,000		
7.	Appointment of Messrs Moore Stephens as Auditors		
8.	Authority to allot and issue new shares		
9.	Authority to grant options and issue shares under the ISDN Holdings Share Option Scheme		

(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

Postage
Stamp

To: The Company Secretary

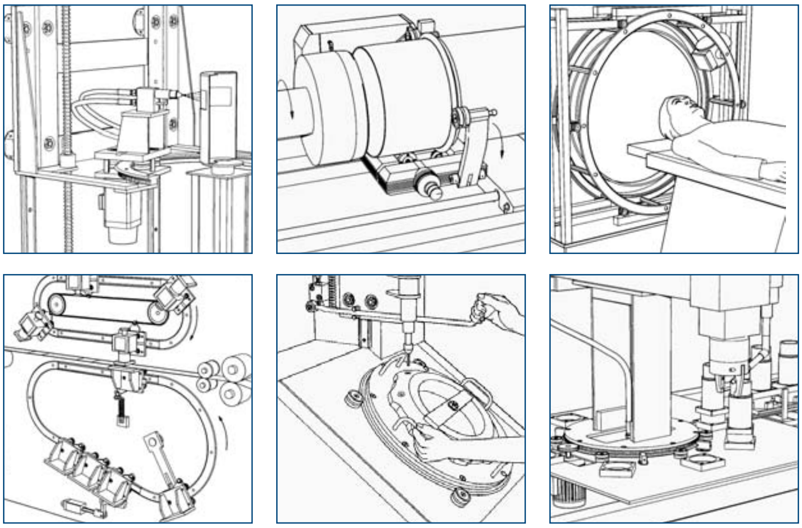
ISDN HOLDINGS LIMITED
C/O 1 Robinson Road
#18-00 AIA Tower
Singapore 048542

Fold along dotted line

Fold along dotted line

ISDN HOLDINGS LIMITED
Notes to the Proxy Form

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
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 or proxies 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.
8. 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.



ISDN Holdings
LIMITED

No. 10 Kaki Bukit Road 1
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Singapore 416175
Company registration No.
200416788Z

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