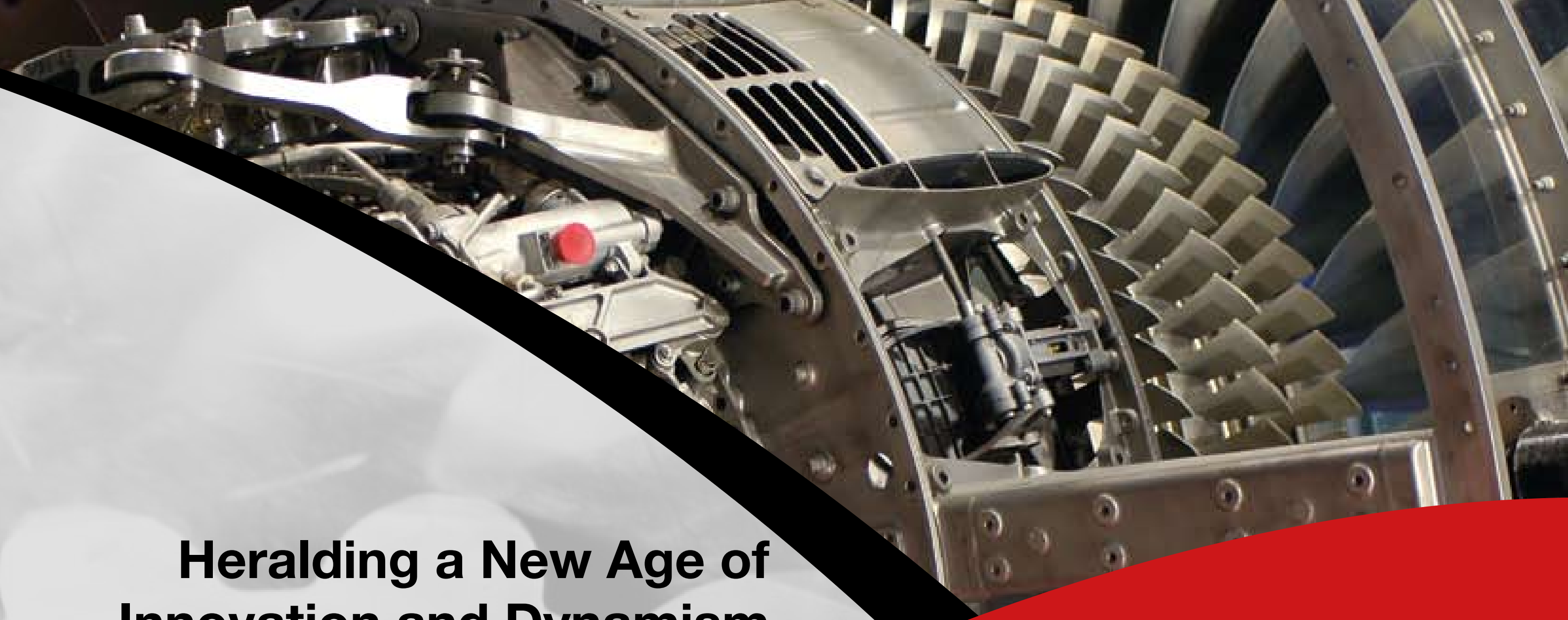


Heralding a New Age of Innovation and Dynamism

Annual Report 2009

ISDNHoldings
LIMITED

ISDN High-Tech Industrial Park in Wujiang, China

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

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

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

*ISDN*Holdings
LIMITED

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

CONTENTS

CORPORATE INFORMATION

Company Registration Number
200416788Z

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

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

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

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

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

Secretary
Gn Jong Yuh Gwendolyn

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

Principal Bankers
Standard Chartered Bank
Main Branch
6 Battery Road
Singapore 049909

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

DBS Bank Limited
Main Branch
6 Shenton Way
DBS Building
Singapore 068809

Standard Chartered Bank (China) Limited
Shanghai Branch
35/F&38/F&26/F
China Merchants Tower
161 East Lu Jia Zui Road
Pudong District
Shanghai 200120, China

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

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

Auditors
Moore Stephens LLP
10 Anson Road
#29-15, International Plaza
Singapore 079903
Partner-in-charge: Willy Ng (appointed in FY 2007)

CORPORATE HIGHLIGHTS

Our Human Capital

MANAGEMENT

YEAR

'07 34

'08 52

'09 52

Number of employees

WAREHOUSE, DELIVERY & PRODUCTION

YEAR

'07 62

'08 128

'09 119

Number of employees

TECHNICAL, SALES & SALES SUPPORT

YEAR

'07 281

'08 402

'09 380

Number of employees

FINANCE, OFFICE & IT ADMINISTRATION

YEAR

'07 80

'08 122

'09 134

Number of employees

PRESIDENT'S MESSAGE

Dear shareholders,

This year opens a new chapter for ISDN as we welcome the completion of the ISDN High-Tech Industrial Park in Wujiang China. After 15 years of operating in separate locations in Suzhou, the Group finally brings together under one roof the operations of different business segments, including that of subsidiaries.

In one single swoop, the new flagship headquarters sited at a strategic industrial location, will result in better operational efficiency, larger production capacity and more optimal use of factory space.

The new tech park holds enormous potential for the Group. Not all the land it sits on has been utilised, thus leaving ample room for future development.

The significance of the relocation goes beyond physical practicalities. It gives both our staff and management an immense sense of pride and of belonging to a unified organization. Armed with a stronger corporate identity, it motivates the Group, as a whole, to scale to even greater heights.

Notwithstanding this milestone, the Group remains steadfast in staying true to its core capabilities and of pursuing growth on two fronts: organically as well as in new areas that could introduce fresh revenue streams.

We continue to strengthen our capabilities in Motion Control, the Group's core competence and key growth driver. This business segment has gone on to chart new geographical territories and has built on the company's proprietary technological content. It remains as the Group's largest revenue earner; staging an encouraging turnaround in the final quarter to raise sales to $26.35 million from $16.25 million, a year earlier.

For the full year, ISDN pulled in net earnings of $2.32 million on the back of $106.65 million, a slight decline of 8.4 per cent, from last year's revenue of $116.42 million. The Group's bottom line eased by 71.6 per cent, from $8.19 million, partly due to higher operating expenses as a result of allowances for aged inventories.

Earnings per share eased from 3.44 cents to 0.52 cents while net asset value per share reduced marginally from 25.92 cents to 25.84 cents.

Notably, the Group continued to generate positive cash flow from operations. Net cash generated from operations rose from $7.27 million to $10.69 million. Cash and cash equivalents ended the year at $18.17 million, after taking into account, among others, $9.16 million bank borrowings and $11.02 million purchase of property, plant and equipment.

We remain committed in preserving and enhancing shareholder value. To this end, we have identified new areas primed for development, that when fully developed would help to fortify and diversify the Group's revenue base. The energy sector, encompassing solar, wind and renewable waste energy, has been identified as an industry which the Group would explore and allocate resources to.

This year we expect to spend approximately S$5.00 million in capital expenditure as compared to approximately S$11.02 million last year that mostly related to the construction of the Industrial Park.

The decision to exercise restraint on our capital expenditure is based on a lesser need for such investments as well as the Group's disciplined approach to measured prudence, which partly explains for the Board's decision to rein in on our dividend payout for FY2009 so that sufficient reserves are available should the need arises for future capital investments.

People are our greatest asset and I would like to take this opportunity to extend a garland of thanks to all who have tirelessly poured their time and effort as we rode the crests of the economic turbulence last year. Let me also take this opportunity to express my appreciation to our Board of Directors for their astute inputs, as well as to our customers, suppliers and business partners for their loyal support.

Teo Cher Koon
President and Managing Director
ISDN Holdings Limited

CORPORATE PROFILE

Starting as a small trading and distribution company in 1987 for servo motors and related components in Singapore, the Company has since blossomed into a formidable integrated engineering solutions force in Asia with over 600 employees, 89 sales offices and 52 companies.

ISDN's business can be categorised into three broad segments:

1) engineering solutions - motion control;
2) other specialised engineering solutions and
3) industrial computing.

Engineering solutions - motion control

Engineering solutions - motion control 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, to the provision of continuing technical support through after sales services.

These engineering solutions are integrated into our customers' equipment, production processes as well as their end-products.

Other specialised engineering solutions

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

Industrial computing

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

OUR CUSTOMERS

Our customers, most of whom are repeat customers are cut across diverse industries, including those in the alternative energy, aerospace, information technology, medical, oil & gas, robotics, factory automation, water treatment, manufacturing, hard disk drive, and semiconductor industries.

Our customers can be categorised into (i) those seeking solutions to their manufacturing processes and plants, and (ii) those seeking solutions for a special functions and controls to their equipment and end-products.

CORPORATE PROFILE

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

Industry	Examples of Applications	Examples of Customers
Aerospace	Aircraft maintenance (tooling for rapid sheet metal parts production)	China Aerospace Science and Technology
Alternative Energy	Positioning stages and control systems for laser manufacturer to produce solar panel processing equipment	(Confidential)
Information Technology	High-end locks and hinges for enclosure of manufactured industrial IT productsand solutions	Flextronics and Foxconn
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
Oil and Gas	Gas pipeline, shutdown systems.	China National Petroleum, Invensys Process Systems (in collaboration with Invensys to serve its oil and gas customers)
Semiconductor	PCB mounting systems, ultra-fast feeders, SMT placement equipment, wafer processing systems.	Kulicke & Soffa, ASM, MMI

OUR COMPETITIVE ADVANTAGE

Unique Business Model

ISDN is focused on a high-mix, low-volume, high value-added market segment that requires customised needs. We provide high value-added solutions and supply custom-built functional modules and control assemblies that form an integral and critical part of our customers' production processes and their end products.

Strong Supplier Partnerships

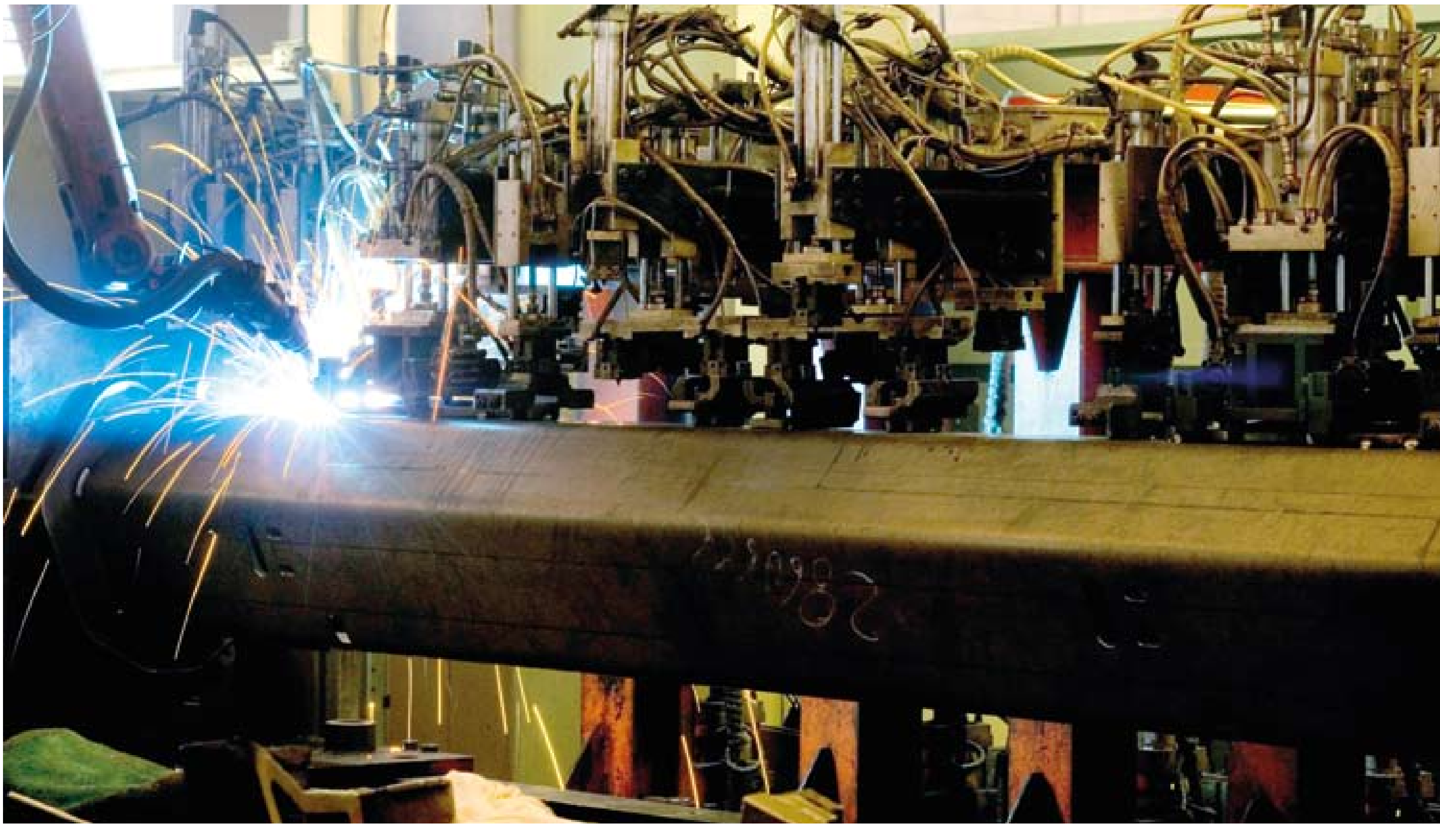
Over the years, ISDN has built up a sizeable pool of global partners and suppliers, counting more than 500 today, from whom we draw a wide range of support in engineering technology. Today, we represent some of the leading European and Japanese manufacturers in China and parts of Asia for their growth programs in the region. These include Maxon Motor AG ("Maxon"), the leading global supplier in specialised motors, high-powered drives and systems; Eisele Antriebstechik Gmbh ("Eisele"), a German company with more than 30 years of manufacturing know-how in precision planetary gears and Yaskawa, the world's largest manufacturer of AC Inverter Drives, Servo and Motion Control, and Robotics Automation Systems. Partnerships with Maxon and Eisele have developed into joint ventures that have facilitated deeper exchange of technological know-how. We are also now the top distributor for Yaskawa products.

Strong Engineering Capability

Our people are our asset and we believe in continuous investment in our human capital through talent nurturing and reward programs, in-house training and team-based interaction. Our pool of engineers and sales force are central to our ability to translate our customers' needs and challenges into opportunities and sales for ISDN through design, assembly and provision of after-sales service.

Extensive Business Network in Asia

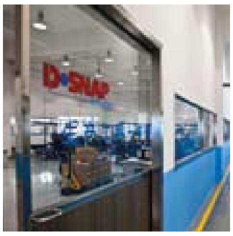
ISDN has about 54 offices across Greater China including Suzhou, Shenzhen, Guangzhou, Chongqing, Beijing and Shanghai as well as presence in Asian growth markets such as Thailand and India. Besides providing on-site, on-demand service to our clients, our business and manufacturing network offers our partners and suppliers a valuable entry point into Asia, in particular China.



OPERATIONS & FINANCIAL REVIEW

In September 2009, ISDN's China operations moved into its newly minted premises in Wujiang, China, heralding a new chapter for the Group as it brought together in one single location, all of the company's operations in Suzhou.

OPERATIONS & FINANCIAL REVIEW



The aptly named ISDN High-Tech Park is a structure for the next lap, with cutting-edge production facilities and modern amenities, including staff dormitories, office space, warehouse, training and Research & Development facilities.

Heralding a New Chapter

After nearly two years of meticulous planning, visionary conceptualisation and precise execution, what started off as an architect's blueprint morphed to become a new-age industrial frontier for the future.

In September 2009, ISDN's China operations moved into its newly minted premises in Wujiang, China, heralding a new chapter for the Group as it brought together in one single location, all of the company's operations in Suzhou.

The aptly named ISDN High-Tech Park is a structure for the next lap, with cutting-edge production facilities and modern amenities, including staff dormitories, office space, warehouse, training and Research & Development facilities. Located within the Wujiang Economic Development Zone, the Park is strategically located within what is dubbed as the Golden Triangle – straddling the Jiangsu and Zhejiang provinces and Shanghai.

Built at a cost of approximately $22.01 million (including land), the High-Tech Park sits on 40,000 square meters of the 56,000 square meters total land area. The current total built-up area amounted to 36,000 square meters comprising one block of five floors, another block of four floors and three blocks of two floors each. Out of this, about 13,000 square meters have been dedicated for production operations.

The construction of the High-Tech Park was financed through a combination of bank borrowings and cash reserves. Designed by Singapore-based architect firm, JPL Consultants - with inputs from ISDN's senior management - the Park is expected to result in annual rental savings exceeding $950,000 (based on current rental rates).

Boosting China's Growth Potential

The High-Tech Park would undoubtedly give the Group's China business a strong boost as China continues to be the dominant revenue contributor. For FY2009, China raked in sales of $63.90 million, albeit a 8.4 per cent fall from the previous year's sales of $69.76 million.

Singapore's, the Group's second largest geographical market, full-year revenue was relatively stable at $24.34 million. Overall, customer demand that fell prey to the global economic downturn brought down first half sales, but sentiments improved in the second half. Sales in the latter half rose by 72.3 per cent, from $8.94 million to $15.40 million.

Going forward, ISDN expects demand for its products and services in China to improve steadily. The Group is also poised to benefit from the stimulus measures rolled out by the Chinese Government, in response to the economic crisis that engulfed the country for much of last year.

Broadening ISDN's Global Footprint

Among the business segments, Motion Control, continued to account for the lion's share of Group revenue, generating sales of $77.57 million for FY2009, equivalent to 72.7 per cent of Group sales.

This was followed by Other Specialised Engineering Solutions, which registered $24.38 million revenue. It received positive response for its motors and gearboxes – developed in-house by ISDN's subsidiaries Accel Technologies (China) Co., Ltd and SEJINIGB (China) Co., Ltd – arising from a trade exhibition in Europe. The Group expects to establish distribution channels for these products in Europe in this financial year, thereby expanding its business footprint in the European market.

In Search of New Growth Drivers

In line with ISDN's push to find new growth catalysts, the Group has identified the energy sector as an area it would focus on and work to develop as a growth driver. The primary focus will be on renewable energy. To accelerate our growth in this sector, we have formed a partnership with a renewable energy technology owner with plans to roll out the applications under this agreement to emerging markets across Asia. A partnership structure has the benefit of mitigating our business risks. It will also help the Group from committing prohibitive amounts of capital and resources in Research & Development expenses that would impact its bottom line.

According to a US Reuters report, some US$106 billion or nearly 14 per cent of the US$787 billion stimulus package is for green energy including tax breaks, loan guarantees and incentives. While in the European Union, some US$60 billion in stimulus packages will go to green measures, including more than US$17 billion for energy efficiency.

In a nutshell, FY2009, had been a challenging year for the Group on the business front, but it also held a promising outlook with the creation of the ISDN High-Tech Park which would open a vista of opportunities for ISDN's diverse operations in China. Potential green shoot drivers, such as the energy sector, could add an additional spark to ignite what could possibly be a better year ahead for the Group.

MANAGEMENT PROFILE

Lim Siang Kai
Chairman and Independent Director

Teo Cher Koon
Managing Director and President

Kong Deyang
Executive Director and Senior Vice President – PRC Operations

Soh Beng Keng
Independent Director

Tay Gim Sin Leonard
Non-executive Director

Lim Siang Kai

Chairman and Independent Director

Mr Lim is currently the independent director of several other listed companies. Prior to joining the Board of ISDN Holdings Limited, Mr Lim held various positions in banks, financial services companies and a fund management company and has over 25 years of experience in the securities, private and investment banking and fund management industries. He holds a Bachelor of Arts Degree from University of Singapore, a Bachelor of Social Sciences (Honours) Degree from the National University of Singapore and a Master of Arts Degree in Economics from the University of Canterbury, New Zealand.

Teo Cher Koon

Managing Director and President

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

Kong Deyang

Executive Director and Senior Vice President – PRC Operations

Mr Kong is in charge of all aspects of our business operations in the PRC, from charting and developing growth policies for our PRC businesses to managing the day-to-day operations of our subsidiaries in China.

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

Soh Beng Keng

Independent Director

Mr Soh is currently the independent director of several other listed companies. Mr Soh has more than 29 years of experience in the field of auditing, accounting and financial management. In 1996, Mr Soh became the director of finance of Heeton Management Pte Ltd and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte Ltd, a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. From 2007 to 2009, he was the Chief Financial Officer of China Fashion Holdings Limited, a public listed company in Singapore. Mr Soh is a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

Tay Gim Sin Leonard

Non-executive Director

Mr Tay is currently the Group Chief Financial Officer of Swiber Holdings Limited. Under his belt, he has over a decade of financial management experience. Prior to joining Swiber, he was the Executive Director of Enzer Corporation Limited, the Chief Financial Officer of Altitude Trust Management Pte. Ltd., the trustee manager of Altitude Aircraft Leasing Trust and AGVA Corporation Limited. Mr Tay has also spent nine years in public accounting with the Big Four accounting firms, four year of those were spent in the United States of America. Mr. Tay holds a bachelor's degree in business from Monash University, majoring in accounting, and is a member of the Institute of Certified Public Accountants of Singapore, CPA Australia, the Singapore Human Resource Institute, and the Singapore Institute of Directors.

MANAGEMENT PROFILE

EXECUTIVE OFFICERS:

Cheng Hock Kiang

Vice President - Sales (Industrial Computing, Hardware)

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

Chow Ka Man

Vice President – Hong Kong Operations

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

Han Moo Juan

Vice President – Sales (Industrial Computing, Software)

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

Lau Choon Guan

Vice President - Sales (Motion Control)

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

Lim Bee Teng

Vice President - Finance

Ms Lim has more than a decade of finance, accounting and audit experience mainly spent with ISDN Holdings Limited and Deloitte, Singapore. She is responsible for the finance and accounting matters of our Group inter alia controlling, compliance, M&A and internal process enhancement. At Deloitte, she was an audit supervisor who managed an audit portfolio of public-listed and multi-national companies. Ms Lim obtained a Degree of Bachelor of Accountancy from the Nanyang Technological University. She is a member of the Institute of Certified Public Accountants of Singapore.

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 ("Hipak") from 1979 to 1981, a polythene bag production factory. When Hipak was acquired by Lamipak Industries Pte Ltd ("Lamipak"), 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 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 the industrial projects group involving the designing and installation of computer hardware and software used in factory automation.

Udom Warasatian
Vice President – Thailand Operation

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

Wong Kwok Whye Peter
Vice President - R&D and General Manager of Leaptron Engineering Pte Ltd ("Leaptron")

Mr. Wong is responsible for developing corporate growth strategies of Leaptron. He has more than 15 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 from 1996 to 1999, where he was in charge of the development of the technical and training team for our "Wonderware" software program. In 1996, he was an IT specialist with Vaggs Asia Pte Ltd, where he led a team of IT specialists in the provision of IT solutions and web application services. In 1995, he was also the head of R&D in Alpha Infortech Pte Ltd, where he led the development team in the research and development of TV tuner peripheral for computers. From 1989 to 1992 he was a customer service engineer in Conner Peripherals Pte Ltd, where he was in charge of quality improvement procedures in the hard disk production facility. Mr. Wong obtained a 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.

DIRECTORSHIPS

PRESENT DIRECTORSHIPS

LIM SIANG KAI

Group companies

ISDN Holdings Limited

Other companies

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

TEO CHER KOON

Group companies

ISDN Holdings Limited
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dirak Asia Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co, Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
JM Vistec System Pte Ltd
Leaptron Engineering Pte Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
Precision Motion Control Phils Inc.
Prestech Industrial Automation Pte Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics (H.K.) Limited
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Servo Dynamics (Thailand) Co., Ltd
Servo-matic Technology (M) Sdn Bhd
Servo Dynamics Co., Ltd
Shanghai DBASIX M&E Equipment Co., Ltd
Suzhou Dirak Co., Ltd
Suzhou PDC Co., Ltd
Taiwan Dirak Co., Ltd
W2Energy Pte Ltd

Other companies

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

KONG DEYANG

Group companies

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

SOH BENG KENG

Group companies

ISDN Holdings Limited

Other companies

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

TAY GIM SIN LEONARD

Group companies

ISDN Holdings Limited

BUSINESS DIVISIONS

ISDN Industrial Park

Centre of Excellence

Engineering Solutions - Motion Control

Industrial Computing

Other Specialised Engineering Solutions

FINANCIAL CONTENTS

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 2009 ("FY2009").

1 Board Matters

Principle 1: Board's Conduct of its Affairs

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

The primary functions of the Board are to provide stewardship for ISDN and its subsidiaries (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 quarterly and full year results and interested person transactions of a material nature. The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. 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 at least four times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. ISDN's Articles of Association also provide for telephone conference and video conference meetings.

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

1 Board Matters (cont'd)

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

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

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	4	1	1
Directors	Number of meetings attended			
Teo Cher Koon	4	N/A	1	N/A
Kong Deyang	3	N/A	N/A	N/A
Tay Gim Sin Leonard	4	4	N/A	1
Lim Siang Kai	4	4	1	1
Soh Beng Keng	4	4	1	1

N/A- Not applicable

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.

Principle 2: Board Composition and Guidance

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

During the financial year under review, the Board of ISDN 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 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.

1 Board Matters (cont'd)

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

The independence of each Director is reviewed annually by the NC, in accordance with Guideline 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.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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.

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

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

2 Nominating Committee

Principle 4: Board Membership

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

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

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

The NC performs the following principal functions:

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

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

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

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

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

When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company.

Principle 5: Board Performance

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

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

2 Nominating Committee (cont'd)

Principle 5: Board Performance (cont'd)

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 finalise the assessment.

3 Access to Information

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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.

4 Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

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

The RC comprises 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

4 Remuneration Matters (cont'd)

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

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 and ISDN Performance Share Scheme (the "Schemes") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

The ISDN Holdings Share Option Scheme and ISDN Performance Share Scheme are currently not utilised.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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

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

The Executive Directors of the Company, Mr Teo Cher Koon and Mr Kong Deyang have entered into separate service agreements with the Company for an initial period of three years (unless otherwise terminated by either party giving not less than six months' notice to each other). The service agreements cover the terms of employment and specifically, the salaries and bonuses.

4 Remuneration Matters (cont'd)

Principle 9: Disclosure on Remuneration

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

(a) Details of remuneration and fees paid to the directors for the financial year ended 31 December 2009 are set out below:

	Number of Directors	
	2009	**2008**
$500,000 and above	1	1
$250,000 to $499,999	1	1
Below $250,000	3	3
Total	5	5

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

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	%	%	%	%
Teo Cher Koon	75	25	-	-	100
Kong Deyang	30	60	-	10	100
Tay Gim Sin Leonard	-	-	100	-	100
Lim Siang Kai	-	-	100	-	100
Soh Beng Keng	-	-	100	-	100

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

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	%	%	%	%
Below $250,000					
Individual A	38	62	-	-	100
Individual B	44	52	-	4	100
Individual C	78	22	-	-	100
Individual D	79	-	-	21	100
Individual E	62	38	-	-	100

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

4 Remuneration Matters (cont'd)

Principle 9: Disclosure on Remuneration (cont'd)

(c) The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a director and whose remuneration exceeds S$150,000 for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin	88	12	-	-	100

Thang Yee Chin is a Director of eight of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of ISDN's President and Managing Director, Teo Cher Koon. Her remuneration does not exceed S$170,000 for the financial year under review.

5 Accountability and Audit

Principle 10: Accountability

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

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

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

Principle 11: Audit Committee

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

The AC comprises 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 functions properly.

5 Accountability and Audit (cont'd)

Principle 11: Audit Committee (cont'd)

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

The AC 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. Non-audit fees paid to the external auditors during the year under review was NIL.

In performing those functions, the AC reviews:

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

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

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

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

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

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

Principle 12: Internal Controls

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

5 Accountability and Audit (cont'd)

Principle 13: Internal Audit

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

The Board is cognizant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. ISDN's outsourced internal auditors, Wensen Consulting Asia Pte Ltd, and external auditors, Moore Stephens LLP, 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 plans. Material non-compliance and internal control weaknesses are reported to the AC members. For the financial year under review, 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 auditors 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.

6 Communication with Shareholders

Principle 14: Communication with Shareholders

Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Greater Shareholder Participation

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

ISDN is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees.

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 will be present and be available to address any questions from shareholders regarding the Group and its businesses.

7 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.

8 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 interested person transactions entered during the financial year under review:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	S$'000	S$'000
Name of interested person		
Resem Technologies Pte Ltd	121	-
Sand Profile (Suzhou) Co., Ltd	704	-

9 Dealings in Securities

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

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

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

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

The Group has complied with the Rule 1207(18) of the Listing Manual.

10 Risk Management

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

11 Use of IPO Proceeds

The Company successfully completed its IPO for 27 million new shares at S$0.29 per share which raised about S$6.3 million net proceeds in total during financial year ended 31 December 2005. The uses of the net proceeds of the IPO as at the date of this report are as follows:

Earmarked purpose	Amount set aside per Prospectus	Amount used	Remaining amount
	S$'000	S$'000	S$'000
Mergers and acquisitions	1,500	1,500	-
Expand and develop existing operations	1,000	1,000	-
Expand geographical coverage in Asia including Indonesia, India and Vietnam	500	318	182*
Integrated computerised system (ERP system)	500	500	-
IPO professional fees	1,493	1,493	-
Working capital	2,837	2,837	-
Total	7,830	7,648	182

* The remaining pending amounts are already earmarked for the setup of factory in Vietnam.

REPORT OF THE DIRECTORS
AS AT 31 DECEMBER 2009

The directors submit their report to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2009 and the balance sheets of the Company as at 31 December 2009.

1 Names of Directors

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

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

2 Arrangements to Enable Directors 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.

3 Directors' Interests in Shares or Debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), 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 registered in the name of director		
	As at 1.1.2009	**As at 31.12.2009**	**As at 21.1.2010**
The Company -			
<u>ISDN Holdings Limited</u>			
Teo Cher Koon	107,193,500*	107,593,500*	107,593,500*
Kong Deyang	1,900,000	1,900,000	1,900,000
Tay Gim Sin Leonard	264,000	264,000	264,000
The holding company -			
<u>Assetraise Holdings Limited</u>			
Teo Cher Koon	1	1	1

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

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

4 Directors' Benefits

Since the end of the previous financial year, 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 Singapore Companies Act, Cap. 50 except as disclosed in the financial statements. Certain directors also received remuneration from the Group's subsidiaries in their capacity as directors of those subsidiaries.

5 Share Options

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

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

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

6 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	(Non-executive director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. In performing those functions, the Audit Committee reviews:

- with the Group's external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and management responses;
- the Group's and the Company's financial statements before submission to the Board of Directors;
- the announcements of financial performances;
- discuss with 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 the Group's material internal control;
- independence of the external auditors;
- interested person transactions;
- the internal audit procedures and ensure co-operation given by management to the external auditors;
- the appointment and reappointment of external and internal auditors of the Group and their audit fees; and
- undertake such other functions and duties as requested by the Board of Directors and as required by statute or the Listing Manual.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings.

The Audit Committee has recommended to the Board of Directors that, Moore Stephens LLP, be nominated for re-appointment as independent auditors at the forthcoming Annual General Meeting of the Company.

7 Independent Auditors

Moore Stephens LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment as independent auditors.

On behalf of the Board of Directors

....
TEO CHER KOON

....
LIM SIANG KAI

Singapore
5 April 2010

STATEMENT BY DIRECTORS
AS AT 31 DECEMBER 2009

In the opinion of the directors, the accompanying consolidated financial statements of the Group and the balance sheet of the Company together with the notes thereon, as set out on pages 39 to 94, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity 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 Board of Directors

....
TEO CHER KOON

....
LIM SIANG KAI

Singapore
5 April 2010

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ISDN HOLDINGS LIMITED

We have audited the accompanying financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 39 to 94, which comprise the balance sheets of the Group and of the Company as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is 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:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 as to 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 auditors' 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 auditors consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ISDN HOLDINGS LIMITED

Opinion

In our opinion,

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the financial 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 Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore
5 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009	Group 2008
		S$'000	S$'000
Revenue	4	106,650	116,415
Cost of sales		(75,064)	(81,450)
Gross profit		31,586	34,965
Other operating income	5	831	1,190
Distribution costs		(10,710)	(10,913)
Administrative expenses		(13,408)	(13,482)
Other operating expenses		(2,767)	(667)
Finance costs	6	(869)	(448)
Share of (losses) profits of associates		(269)	45
Profit before income tax	7	4,394	10,690
Income tax	9	(2,071)	(2,496)
Profit after income tax		2,323	8,194
Other comprehensive (loss) income:			
Exchange differences on translation of foreign operations		(1,248)	967
Total comprehensive income for the year		1,075	9,161
Profit after income tax attributable to:			
Equity holders of the Company		1,038	6,832
Minority interests		1,285	1,362
		2,323	8,194
Total comprehensive income for the year attributable to:			
Equity holders of the Company		50	7,765
Minority interests		1,025	1,396
		1,075	9,161
		Singapore cents	
Earnings per share:	10		
Basic		0.52	3.44
Diluted		0.52	3.44

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS
AS AT 31 DECEMBER 2009

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		S$'000	S$'000	S$'000	S$'000
ASSETS					
Non-current Assets					
Property, plant and equipment	11	25,369	15,831	-	-
Investment properties	12	584	600	-	-
Intangible assets	13	1,166	832	-	-
Goodwill	14	11,760	11,760	-	-
Subsidiaries	15	-	-	30,916	30,737
Associates	16	945	1,159	-	-
Total non-current assets		39,824	30,182	30,916	30,737
Current Assets					
Inventories	18	19,907	22,568	-	-
Trade and other receivables	19	33,850	26,005	58	44
Amount owing by subsidiaries	15	-	-	2,316	1,543
Dividend receivable		-	-	3,383	3,763
Cash and cash equivalents	20	18,980	15,496	82	96
Total current assets		72,737	64,069	5,839	5,446
Total Assets		112,561	94,251	36,755	36,183
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	21	34,542	34,542	34,542	34,542
Treasury shares	22	(340)	-	(340)	-
Reserves	23	17,301	17,748	507	302
		51,503	52,290	34,709	34,844
Minority interests		5,622	5,185	-	-
Total Equity		57,125	57,475	34,709	34,844
Non-current liabilities					
Bank borrowings	24	10,309	1,001	-	-
Finance leases	25	121	155	-	-
Deferred income tax liabilities	26	49	54	-	-
Total non-current liabilities		10,479	1,210	-	-
Current Liabilities					
Bank borrowings	24	12,413	11,038	-	-
Finance leases	25	36	41	-	-
Trade and other payables	27	31,962	22,582	2,046	1,339
Dividend payable		-	1,000	-	-
Current income tax liabilities		546	905	-	-
Total current liabilities		44,957	35,566	2,046	1,339
Total Liabilities		55,436	36,776	2,046	1,339
Total Liabilities and Equity		112,561	94,251	36,755	36,183

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Minority interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group									
Balance at 1 January 2008	24,209	-	(436)	(505)	777	11,226	35,271	3,507	38,778
Total comprehensive income for the year	-	-	-	933	-	6,832	7,765	1,396	9,161
Issue of shares for acquisitions	10,333	-	-	-	-	-	10,333	-	10,333
Acquisition of minority interests	-	-	-	-	-	-	-	672	672
Capital contributed by minority interests	-	-	-	-	-	-	-	412	412
Dividends to minority shareholders	-	-	-	-	-	-	-	(802)	(802)
Transfer to other reserves	-	-	-	-	575	(575)	-	-	-
Dividends declared and paid (Note 28)	-	-	-	-	-	(1,079)	(1,079)	-	(1,079)
Balance at 31 December 2008	34,542	-	(436)	428	1,352	16,404	52,290	5,185	57,475
Balance at 1 January 2009	34,542	-	(436)	428	1,352	16,404	52,290	5,185	57,475
Total comprehensive income (loss) for the year	-	-	-	(988)	-	1,038	50	1,025	1,075
Dilution of minority interests	-	-	-	-	-	-	-	32	32
Capital contributed by minority interests	-	-	-	-	-	-	-	250	250
Dividends to minority shareholders	-	-	-	-	-	-	-	(870)	(870)
Transfer to other reserves	-	-	-	-	136	(136)	-	-	-
Dividends declared and paid (Note 28)	-	-	-	-	-	(497)	(497)	-	(497)
Purchase of treasury shares (Note 22)	-	(340)	-	-	-	-	(340)	-	(340)
Balance at 31 December 2009	34,542	(340)	(436)	(560)	1,488	16,809	51,503	5,622	57,125

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	2009	2008
	S$'000	S$'000
Cash Flows from Operating Activities		
Profit before income tax	4,394	10,690
Adjustments for:		
Allowance for impairment of trade receivables	217	104
Write down for inventories obsolescence	1,812	302
Amortisation of intangible assets	403	182
Bad trade receivables written off	14	31
Depreciation of property, plant and equipment	1,149	955
Depreciation of investment properties	16	17
Gain on dilution of a subsidiary	(41)	-
Gain on sale of property, plant and equipment	(8)	(12)
Goodwill arising from aquisition of additional interest in subsidiaries written off	18	-
Interest expense	869	448
Interest income	(65)	(156)
Inventories written off	179	47
Investment in an associate written back	(7)	-
Property, plant and equipment written off	7	-
Share of losses (profits) of associates	269	(45)
Unrealised currency translation differences	(658)	464
Operating cash flow before working capital changes	8,568	13,027
Changes in working capital:		
Inventories	576	(2,387)
Trade and other receivables	(7,879)	2,566
Trade and other payables	9,423	(5,940)
Cash generated from operations	10,688	7,266
Interest paid	(869)	(448)
Interest received	65	156
Income tax paid	(2,432)	(2,812)
Net cash generated from operating activities	7,452	4,162
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(11,023)	(7,814)
Proceeds from disposal of property, plant and equipment	8	60
Acquisitions of a subsidiary and joint ventures (Note A)	-	1,799
Dilution of interest in a subsidiary (Note A)	5	-
Additions of intangible assets	(789)	(1,014)
Net cash used in investing activities	(11,799)	(6,969)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	2009	2008
	S$'000	S$'000
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	(497)	(1,079)
Dividends to subsidiary's and joint venture's shareholders before acquisition	(1,000)	(3,164)
Dividends to minority shareholders	(870)	(802)
Investment in subsidiaries by minority shareholders	250	412
Restricted bank balances	-	(21)
Amount owing to minority shareholder	50	75
(Loan to) Repayment of loans by associates	(57)	33
Loan to a joint venture	(227)	-
Loan from a joint venture	105	-
Purchase of treasury shares	(340)	-
Proceeds from bank loans	15,173	-
Repayments of bank loans	(1,114)	(225)
(Repayment of)/Proceeds from short-term loans (net)*	(4,904)	5,121
Trust receipts	906	(24)
Repayment to finance leases	(39)	(47)
Net cash generated from financing activities	7,436	279
Net increase/(decrease) in cash and cash equivalents	3,089	(2,528)
Cash and cash equivalents at beginning of year	15,312	17,404
Effect of currency translation on cash and cash equivalents	(227)	436
Cash and cash equivalents at end of year (Note 20)	18,174	15,312

* Short-term loans are with a maturity period of three months or less

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

Note A:

During the current financial year, the Group's effective interest in a subsidiary, DKM South Asia Pte Ltd ("DKM"), was diluted from 52.5% to 35.0%. The dilution occurred on account of additional capital contribution by a minority shareholder of DKM. Accordingly, DKM has been reclassified and equity accounted for as an associate of the Group. The comparatives relate to the Group's acquisitions of a subsidiary and joint ventures during the previous financial year.

The effects of the dilution / acquisitions of the subsidiaries and joint ventures on the cash flow of the Group for the financial years ended 31 December 2009 and 2008 were as follows:

	Dilution 2009	**Acquisitions 2008**
	S$'000	S$'000
Property, plant and equipment	(50)	457
Inventories	(94)	3,534
Trade and other receivables	(31)	6,520
Trade and other payables	198	(3,677)
Cash and bank balance	-	2,285
Dividend payable	-	(4,164)
Income tax liabilities	-	(151)
Deferred tax liabilities	3	-
Bank overdraft	5	-
Identifiable net assets	31	4,804
Minority interests	(15)	(672)
Share of losses equity accounted for as an associate	25	-
Identifiable net assets on dilution/acquisitions	41	4,132
Gain on dilution of a subsidiary	(41)	-
Goodwill arising on consolidation (Note 14)	-	11,611
Dilution/Purchase considerations	-	15,743
Less: Share consideration	-	(10,333)
Less: Cash consideration unpaid	-	(4,924)
Less: Cash and cash equivalents on dilution /acquisitions	(5)	(2,285)
Cash inflow on dilution/acquisitions	(5)	(1,799)

The accompanying notes form an integral part of the financial statements

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

1 General

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

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

The Company's principal activities included the provision of technical consultancy, training services and management services. The principal activities of its subsidiaries are set out in Note 15.

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 Basis of Preparation

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical convention except as disclosed in the summary of significant accounting policies set out in Note 3.

Adoption of New and Revised FRS

For the financial year ended 31 December 2009, the Group has adopted the following new and revised FRS that are mandatory for application in the said year and which are relevant to the Group as follows:

FRS 1	*Presentation of Financial Statements - Revised Presentation*
FRS 23	*Borrowing Costs*
Amendments to FRS 107	*Financial instruments: Disclosures – Improving Disclosure about Financial Instruments*
FRS 108	*Operating Segments*

Adoption of New and Revised FRS

FRS 1 *Presentation of Financial Statements – Revised Presentation*

Revised 1 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The Group has elected to adopt the format of one statement of comprehensive income.

FRS 23 *Borrowing Costs*

Revised FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The Group's current policy to capitalise borrowing costs is consistent with the requirement in Revised FRS 23.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

Amendments to FRS 107 *Financial Instruments - Disclosures*

Amendments to FRS 107 introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. Additionally, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The adoption of the amendments results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

FRS 108 *Operating Segments*

FRS 108, which replaces FRS 14 Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group has determined that the reportable operating segments are the same as business segments previously identified under FRS 14. Additional disclosures required by FRS 108 are disclosed in Note 29 including comparative information.

New or Revised FRS issued but not yet adopted

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised FRS that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods as follows:

		Effective for annual periods beginning on or after
Amendments to FRS 27	*Consolidated and Separate Financial Statements*	1 January 2010
FRS 103	*Business Combinations (Revised)*	1 January 2010
FRS 24	*Related Party Disclosures (Revised)*	1 January 2011

Amendments to FRS 27 *Consolidated and Separate Financial Statements*

Amendments to FRS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The revised standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss recognised in profit and loss. The changes will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 103 *Business Combinations*

The revised FRS 103 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The changes will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet adopted (cont'd)

FRS 24 *Related Party Disclosures (Revised)*

The revised FRS 24 simplifies the definition of a related party and provides partial exemption for government-related entities. The revised FRS 24 applies retrospectively for annual periods beginning on or after 1 January 2011 but earlier application is permitted. The Group is in the process of assessing the impact on the financial statements.

(b) Significant Accounting Estimates, Assumptions 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 accounting estimates and assumptions

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated, using the straight-line method, over their estimated useful lives. Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 50 years. 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. The carrying amount of the Group's property, plant and equipment at the end of the financial year was S$25,369,000 (2008: S$15,831,000).

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates of the assets' useful lives, the Group's net profit will decrease/increase by approximately S$115,000 (2008: S$95,000).

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

Goodwill arising from acquisition of subsidiaries and joint ventures is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions (Note 14). Changes to the estimates and assumptions could result in changes in the carrying amount of the goodwill. The carrying amount of the goodwill arising from acquisition of subsidiaries and joint ventures at end of the financial year was S$11,760,000 (2008: S$11,760,000).

No impairment loss was recognised for the carrying amount of goodwill assessed as at 31 December 2009 (2008: Nil) as the recoverable value was in excess of the carrying amount. Any reasonably possible changes to the key assumptions applied in the value-in-use calculations will not likely to cause the recoverable value to be materially below the carrying amount.

2 Basis of Preparation (cont'd)

(b) Significant Accounting Estimates, Assumptions and Judgements (cont'd)

Critical accounting estimates and assumptions (cont'd)

(iii) Allowance for impairment of trade receivables

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

The Group has made allowance for impairment loss on trade receivables for the financial year ended 31 December 2009 of S$217,000 (2008: S$104,000) (Note 7). In addition, certain trade receivables which were assessed to be non-recoverable totalling S$14,000 (2008:S$31,000) were written off during the financial year. The carrying amount of the Group's trade receivables at the end of the financial year was S$28,723,000 (2008: S$22,728,000).

(iv) Income taxes

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

The Group has recognised income tax expense of S$2,071,000 (2008: S$2,496,000) for the financial year ended 31 December 2009. The carrying amounts of the Group's current income tax liabilities and deferred income tax liabilities at the end of the financial year were S$546,000 (2008: S$905,000) and S$49,000 (2008: S$54,000) respectively.

Critical judgements in applying the Group's accounting policies

(i) Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost and an allowance is made against the inventories for any such declines. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

The Group has made allowance for inventories obsolescence for the financial year ended 31 December 2009 of S$1,812,000 (2008: S$302,000) (Note 7). In addition, certain inventories which became obsolete and unusable totalling S$179,000 (2008: S$47,000) have been written off during the financial year. The carrying amount of the Group's inventories at the end of the financial year was S$19,907,000 (2008: S$22,568,000).

3 Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries made up to the financial year ended 31 December.

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. The results of the subsidiaries acquired or disposed of during the year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or which control ceases respectively.

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 Group, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been fully recovered.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests, which result in gains and losses for the Group, are recorded in profit or loss. The difference between any consideration paid to minority interests for purchases of additional equity interest in a subsidiary and the Group's incremental share of the carrying value of the identifiable net assets of the subsidiary is recognised as goodwill.

(b) Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of these assets over their estimated useful lives, using the straight-line method, as follows:

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

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

3 Summary of Significant Accounting Policies (cont'd)

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

Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The land use rights are depreciated, using the straight-line method, over the remaining lease period of 48 years.

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

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

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

For acquisitions and disposals of property, plant and equipment during the year, depreciation is provided from the year of acquisition and to the year before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed at each year end to ensure that the amount, 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 property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(c) 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 initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of these assets over their remaining useful lives of 45 years, using the straight-line method. Cost includes purchase price, appropriate legal fees and stamp duty.

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

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

(d) Intangible Assets

Goodwill

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

3 Summary of Significant Accounting Policies (cont'd)

(d) Intangible Assets (cont'd)

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

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

Research and Development Costs

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

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

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

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision of the amortisation period or amortisation method are included in profit or loss for the financial year in which the changes arise.

(e) 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.

In the Company's balance sheet, investment in subsidiaries is stated at cost less allowance for any impairment losses on an individual subsidiary basis.

(f) Associates

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.

Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates. Under the equity method of accounting, the Group's investment in associates are measured in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments. Goodwill relating to an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

3 Summary of Significant Accounting Policies (cont'd)

(f) Associates (cont'd)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transactions provide evidence of an impairment of the asset transferred.

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. 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.

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.

(g) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar item, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

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

(h) Impairment of Non-Financial Assets excluding Goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in profit or loss.

3 Summary of Significant Accounting Policies (cont'd)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average method and includes freight and handling charges. In the case of manufactured inventories and work-in-progress, 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. Allowance is made for obsolete and slow moving inventories.

(j) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

(k) 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. These include bank overdrafts which formed part of the Group's cash management which are presented as current borrowing on the balance sheet.

For the purpose of the consolidated cash flow statement, cash and cash equivalents presented are net of bank overdrafts and restricted bank balances.

(l) Borrowings

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 profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs are recognised in profit or loss as incurred except to the extent that they are capitalised which necessarily taken a substantial period of time to be prepared for its intended use or sale.

(m) Leases

<u>Finance leases</u>

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 periods 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 to give a constant effective rate of charge on the remaining balance of the obligation.

3 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

Operating leases

Where the Group is the lessor:

Assets leased out under operating leases are included in investment properties as referred to in (c) above. Rental income from operating lease (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as an income in profit or loss when earned.

Where the Group is the lessee:

Rentals on operating leases are charged to 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 profit or loss when incurred.

Contingent rents are recognised as an expense in profit or loss when incurred.

(n) Trade and Other Payables

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

(o) Share Capital

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

(p) Treasury Shares

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

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

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

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely probable that an outflow of resources embodying economic benefits will be required than not settle the obligation and a reliable estimate can be made of the amount of the obligation.

The provisions are reviewed annually and where it is determined that the provision is inadequate or excessive, due adjustment is made.

3 Summary of Significant Accounting Policies (cont'd)

(r) 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 profit or loss 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.

(s) 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 using the effective interest method.

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

(t) Employee Benefits

Defined contribution plans

The Group participates in the defined contribution national pension schemes as provided by the laws 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 profit or loss in the year to which the contributions relate. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlements

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

(u) Functional and Presentation 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 are presented in Singapore dollars, to the nearest thousand, which is also the functional currency of the Company.

3 Summary of Significant Accounting Policies (cont'd)

(v) 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. Non-monetary items that are measured in terms of historical cost in a forein currency shall be translated using the exchange rate at the date of the transactions; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in profit or loss 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 exchange rates, which approximate the exchange rates prevailing at the dates of the transactions (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated using the exchange rates at the dates of the transactions). Foreign currency translation adjustments arising are recorded directly in the exchange translation reserve.

(w) Income Taxes

The liability method of tax effect accounting is adopted by the Group. Current income tax is provided at the current income tax rate based on the tax payable on the income for the year that is chargeable to tax. Deferred taxation is provided at the current income tax 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 income tax liabilities are recognised for all taxable temporary differences (unless the deferred income 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 income tax is provided on all temporary differences arising on investment in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 income 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 income tax rates enacted at the balance sheet date are used to determine deferred taxation.

(x) Segment Reporting

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

4 Revenue

Revenue represents invoiced value of goods delivered and integration services rendered less applicable goods and services tax and after eliminating sales within the Group.

5 Other Operating Income

	Group	
	2009	2008
	S$'000	S$'000
Bad trade receivables recovered	2	12
Commission income	275	6
Foreign exchange gain	-	438
Gain on dilution of a subsidiary	41	-
Gain on sale of property, plant and equipment	8	12
Government grant income	-	153
Interest income on:		
- bank deposits	65	153
- loan to an associate	-	3
Investment in an associate written back	7	-
Miscellaneous income:		
- third parties	86	38
Operating lease income		
- investment properties	39	39
Technical service income	308	336
	831	1,190

6 Finance Costs

	Group	
	2009	2008
	S$'000	S$'000
Interest expense on:		
- bank overdrafts	20	-
- bank loans	833	432
- trust receipts	6	7
- finance leases	10	9
	869	448

7 Profit before Income Tax

	Group 2009	Group 2008
	S$'000	S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of intangible assets	403	182
Bad trade receivables written off	14	31
Depreciation of property, plant and equipment		
- recognised in distribution costs	52	71
- recognised in administrative expenses	927	742
- recognised in cost of sales	170	142
	1,149	955
Depreciation of investment properties	16	17
Write down for inventories obsolescence (included in other operating expenses)	1,812	302
Allowance for impairment of trade receivables (included in other operating expenses)	217	104
Property, plant and equipment written off (included in other operating expenses)	7	2
Inventories written off (included in other operating expenses)	179	47
Directors' fee	194	167
Foreign exchange loss	115	-
Goodwill arising from aquisition of additional interest in subsidiaries written off	18	-
Operating lease rentals	1,163	1,115

8 Employee Benefits Cost

	Group 2009	Group 2008
	S$'000	S$'000
Directors' remuneration		
- salaries and related costs	965	1,864
- defined contribution plans	8	10
Key management personnel (other than directors)		
- salaries and related costs	3,435	3,086
- defined contribution plans	294	260
Other than directors and key management personnel		
- salaries and related costs	7,838	6,783
- defined contribution plans	1,131	1,103
	13,671	13,106

9 Income Tax

	Group 2009	Group 2008
	S$'000	S$'000
Current income tax	2,104	2,480
Deferred taxation (Note 26)	-	(4)
	2,104	2,476
(Over)Under provision in respect of prior years:		
- current income tax	(28)	12
- deferred taxation (Note 26)	(5)	8
	2,071	2,496

9 Income Tax (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 income tax as a result of the following differences:

	Group	
	2009	**2008**
	S$'000	S$'000
Profit before income tax	4,394	10,690
Tax at statutory rate of 17% (2008: 18%)	747	1,924
Tax effect of non-deductible expenses	652	134
Tax effect of non-taxable income	-	(32)
Effect of different tax rates of overseas subsidiaries	374	367
Singapore statutory stepped income exemption	(118)	(93)
Current year deferred tax benefits not recognised	457	176
Utilisation of deferred tax benefits previously not recognised	(8)	-
(Over)Under provision in respect of prior years:		
- current income tax	(28)	12
- deferred taxation	(5)	8
	2,071	2,496

During the financial year, the Singapore corporate tax rate was reduced from 18% for the year of assessment 2009 to 17% for the year of assessment 2010.

Subject to agreement with the relevant tax authorities, certain subsidiaries of the Group have unutilised tax losses amounting to S$4,433,000 (2008: S$1,651,000) 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 S$754,000 (2008: S$297,000) have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods.

10 Earnings Per Share

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to the equity holders of the Company of S$1,038,000 (2008: S$6,832,000) by the weighted average number of ordinary shares in issue of 199,621,697 (2008: 198,605,941) during the financial year.

Diluted earnings per share for the financial years ended 31 December 2009 and 2008 is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the said financial years.

11 Property, Plant and Equipment

	Freehold land	Land use rights	Freehold building	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group										
2009										
Cost										
Balance at 1 January 2009	552	819	143	5,132	496	1,422	1,605	3,605	6,767	20,541
Additions	-	410	-	9,229	53	190	363	373	405	11,023
Disposals	-	-	-	-	(15)	-	(5)	(62)	-	(82)
Written off	-	-	-	-	-	-	-	(17)	-	(17)
Reclassification	-	415	-	5,747	-	-	-	-	(6,162)	-
Translation adjustment	6	(13)	(2)	(166)	34	(45)	(70)	(107)	(29)	(392)
Balance at 31 December 2009	558	1,631	141	19,942	568	1,567	1,893	3,792	981	31,073
Accumulated depreciation										
Balance at 1 January 2009	-	17	50	867	212	618	549	2,397	-	4,710
Depreciation for the year	-	23	3	188	86	203	242	404	-	1,149
Disposals	-	-	-	-	(8)	-	(1)	(73)	-	(82)
Written off	-	-	-	-	-	-	(5)	(5)	-	(10)
Translation adjustment	-	-	(1)	-	41	(27)	(21)	(55)	-	(63)
Balance at 31 December 2009	-	40	52	1,055	331	794	764	2,668	-	5,704
Net book value										
Balance at 31 December 2009	558	1,591	89	18,887	237	773	1,129	1,124	981	25,369
2008										
Cost										
Balance at 1 January 2008	629	791	150	5,132	375	1,123	846	2,600	-	11,646
On acquisition of subsidiary and joint ventures	-	-	-	-	78	135	336	572	-	1,121
Additions	-	-	-	-	22	184	403	438	6,767	7,814
Disposals	-	-	-	-	(11)	(74)	(9)	(2)	-	(96)
Written off	-	-	-	-	-	-	-	(46)	-	(46)
Translation adjustment	(77)	28	(7)	-	32	54	29	43	-	102
Balance at 31 December 2008	552	819	143	5,132	496	1,422	1,605	3,605	6,767	20,541
Accumulated depreciation										
Balance at 1 January 2008	-	-	49	751	92	427	211	1,636	-	3,166
On acquisition of subsidiary and joint ventures	-	-	-	-	27	46	146	445	-	664
Depreciation for the year	-	17	3	116	88	186	193	352	-	955
Disposals	-	-	-	-	(9)	(30)	(3)	(6)	-	(48)
Written off	-	-	-	-	-	-	-	(46)	-	(46)
Translation adjustment	-	-	(2)	-	14	(11)	2	16	-	19
Balance at 31 December 2008	-	17	50	867	212	618	549	2,397	-	4,710
Net book value										
Balance at 31 December 2008	552	802	93	4,265	284	804	1,056	1,208	6,767	15,831

11 Property, Plant and Equipment (cont'd)

The Group's freehold land and building and leasehold properties are set out below:

Description and location	Gross Area (approximately)	Use	Encumbrance
Freehold land			
4 Rai and 15 Square Wah Title deed number 37395 Bangkaew (Samrong Nok District) Bangplee (Prakanang, Samutprakarn Province), Thailand	69,535 sq. ft.	Vacant land	Mortgaged for banking facilities
Freehold building			
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities*
Leasehold properties			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 1128 Jiangxing East Road Wujiang Economic Development Zone The People's Republic of China	387,500 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities

* The freehold building has been pledged to a bank for bank overdraft facility granted to a subsidiary. However, the facility was not untilised as at 31 December 2009 and 2008.

As at 31 December 2009, the net book value of the mortgaged properties set out above (other than the freehold building), including certain of the Group's land use rights, to secure the Group's bank borrowings as disclosed in Note 24 was S$19,881,000 (2008: S$4,817,000).

As at 31 December 2009, the net book value of motor vehicles and office equipment of the Group held under finance leases was S$167,000 (2008: S$236,000).

The land use rights of the Group relates to two parcels of land in Wujiang City, Jiangsu in the People's Republic of China.

12 Investment Properties

	Group 2009	Group 2008
	S$'000	S$'000
Cost		
Balance at 1 January and 31 December	834	834
Accumulated depreciation		
Balance at 1 January	234	217
Depreciation for the year	16	17
Balance at 31 December	250	234
Net book value		
Balance at 31 December	584	600

The Group applies the cost model for its investment properties. Management is of the opinion that the market value approximates the carrying amount as at the balance sheet date.

The Group's investment properties are set out below:

Description and location	Gross Area (approximately)	Tenure	Use	Encumbrance
Leasehold properties				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	1,000 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	1,800 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities

These investment properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 24.

Investment properties are leased to third parties under operating leases. During the financial year, rental income from the investment properties amounted to S$39,000 (2008: S$39,000); and direct operating expenses amounted to S$8,000 (2008: S$8,000).

13 Intangible Assets

	Group 2009	Group 2008
	S$'000	S$'000
Cost		
Balance at 1 January	1,014	-
Additions for the year	789	1,014
Translation adjustment	(60)	-
Balance at 31 December	1,743	1,014
Accumulated amortisation		
Balance at 1 January	182	-
Amortisation for the year	403	182
Translation adjustment	(8)	-
Balance at 31 December	577	182
Net book value		
Balance at 31 December	1,166	832

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

14 Goodwill

	Group 2009	Group 2008
	S$'000	S$'000
Balance at 1 January	11,760	149
On acquisition of a subsidiary and joint ventures	-	11,611
Balance at 31 December	11,760	11,760

Goodwill on acquisition of a subsidiary and joint ventures

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the identifiable assets and liabilities acquired in TDS Technology (S) Pte Ltd and Dirak Asia Pte Ltd during the previous financial year. The goodwill was attributable to the products and business prospects of the entities acquired.

14 Goodwill (cont'd)

Impairment testing of goodwill

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired in the following subsidiaries and joint ventures:

	Group	
	2009	**2008**
	S$'000	S$'000
JM Vistec System Pte Ltd	48	48
JM Vistec (Suzhou) Co., Ltd	26	26
Servo Dynamics (Thailand) Co., Ltd	75	75
TDS Technology (S) Pte Ltd	2,103	2,103
Dirak Asia Pte Ltd	9,508	9,508
	11,760	11,760

The Group assessed the recoverable amount of goodwill based on value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3% (2008: 3%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid entities operate. The discount rates used ranged from 4% to 8% (2008: 3% to 8%) and have been applied to the cash flows.

15 Subsidiaries

	Company	
	2009	**2008**
	S$'000	S$'000
Non-current assets		
Equity shares, at cost	17,924	16,924
Loans to subsidiaries	12,992	13,813
	30,916	30,737
Current assets		
Amount owing by subsidiaries	2,316	1,543

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

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

15 Subsidiaries (cont'd)

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

Name	Country of incorporation/ principal place of business	Cost of investment by the Company		Effective equity interest held by the Group		Principal activities
		2009	2008	2009	2008	
		S$'000	S$'000	%	%	
Held by the Company						
Motion Control Group Pte Ltd [(1)]	Singapore	13,977	13,977	100	100	Investment holding
Servo Dynamics Pte Ltd [(1)]	Singapore	2,512	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
		17,924	16,924			
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

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2009	2008	
		%	%	
Held by Motion Control Group Pte Ltd (cont'd)				
Servo Engineering (M) Sdn Bhd [3]	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 [1]	Singapore	67	67	Trading and supplying of vision related products and industrial automation solutions
Servo Dynamics (H.K.) Limited [3]	Hong Kong	100	100	Trading in electronics products
Eisele Asia Co., Ltd [2][5]	People's Republic of China	50	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd [3]	Hong Kong	51	51	Investment holding and provision of engineering solutions
USAS Motion Co., Ltd [3]	Hong Kong	95	95	Investment holding and provision of engineering solutions and supply special purpose motors
Servo Dynamics Sdn Bhd [3]	Malaysia	100	100	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd [2]	People's Republic of China	100	100	Land investment
IDI (INA) Laser Services Pvt Ltd [6]	India	53.33	53.33	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd [2]	People's Republic of China	51	51	Provision of other engineering solutions to packaging, textile and plastic industries in China

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2009 %	Effective equity interest held by the Group 2008 %	Principal activities
Held by Motion Control Group Pte Ltd (cont'd)				
DKM South Asia Pte Ltd (1)(4)	Singapore	-	52.5	Provision of DKM integrated engineering solutions and services
Suzhou PDC Co., Ltd (2)	People's Republic of China	100	100	Land investment
Gateway Motion (Shanghai) Co., Ltd(2)	People's Republic of China	100	100	Integrating and selling of motion control products and providing system integrated solutions
JAP Wire & Rebar Machinery Inc. (2)(8)	People's Republic of China	95.33	90	Manufacturing and selling of machines for bending and cutting fully-automatic coil wire
DBASIX Singapore Pte Ltd (1)	Singapore	53.75	53.75	Investment holding
TDS Technology (S) Pte Ltd (1)	Singapore	61.2	61.2	Wholesalers of electrical and electronic components and wiring accessories
ISDN Property Management (Wujiang) Co., Ltd(2)(7)	People's Republic of China	100	-	Management of ISDN High-Tech Industrial Park in Wujiang, China
Accel Technologies (China) Co., Ltd (f.k.a. USAS Motion (Suzhou) Co., Ltd) (2)(9)	People's Republic of China	100	95	Manufacturing of special purpose motors and provision of engineering solutions
Held by Servo Dynamics Pte Ltd				
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")(2)(5)	People's Republic of China	50	50	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd ("Maxon Shanghai") (2)(5)	People's Republic of China	50	50	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2009	2008	
		%	%	
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
Shanghai Delta Automation International Trade Co., Ltd [(2)]	People's Republic of China	100	100	International trade and entreport 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	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	51	Manufacturing and provision of engineering solutions

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2009	2008	
		%	%	
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd [2]	People's Republic of China	53.75	53.75	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd[3]	Malaysia	43	43	Sale of aluminum profiles, actuators and related components
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd [1][7]	Singapore	52.02	-	Industrial plant engineering services
TDS Technology (Penang) Sdn Bhd [3][7]	Malaysia	48.96	-	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
TDS Technology (KL) Sdn Bhd [3][7]	Malaysia	48.96	-	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products

(1) Audited by Moore Stephens LLP
(2) Audited by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) See Footnote 7 of Note 16
(5) With management control over the financial and operating policy decisions
(6) Audited by Kannan and Alamelu
(7) Incorporated during the financial year
(8) During the financial year, the Company's wholly owned subsidiary, Motion Control Group Pte Ltd, injected an addition S$352,000 (equiralent to USD 240,000) into JAP Wire & Rebar Machinery Inc.("JAP"), and accordingly, increased the Group's effective equity interest in JAP from 90% to 95.33%. Goodwill arising from additional interest in JAP of S$5,400 was written off during the financial year.
(9) 100% equity of Accel Technologies (China) Co., Ltd ("Accel") held by USAS Motion Co., Ltd, a 95% subsidiary of the Group was transferred to Motion Control Group Pte Ltd during the financial year, and accordingly, increased the Group's effective interest in Accel from 95% to 100%. Goodwill arising from additional interest in Accel of S$12,800 was written off during the financial year.

Additional investment in subsidiary

During the financial year, the Company increased its investment in Servo Dynamic Pte Ltd, a wholly owned subsidiary, by S$1,000,000 via the capitalisation of the outstanding dividend receivable of the same amount from the subsidiary.

15 Subsidiaries (cont'd)

Acquisition of a subsidiary

During the previous financial year, the total consideration for a 61.2% equity interest in TDS Technology (S) Pte Ltd ("TDS") was paid via the issuance of the Company's issued shares on 2 July 2008 and it represented the fair value of the share of net identifiable assets acquired on that date. (Note 21(b)).

From the date of acquisition, TDS had contributed a net profit of S$405,000 to the Group for the financial year ended 31 December 2008. If the acquisition had taken place at the beginning of the financial year ended 31 December 2008, the Group's profit for the year would have been S$8,485,000 and revenue would have been at S$122,269,000.

16 Associates

	Group	
	2009	**2008**
	S$'000	S$'000
Equity shares, at cost	1,193	1,088
Share of post-acquisition (losses) profits	(118)	151
Share of pre-acquisition losses on acquisition	(142)	(62)
Currency translation difference	(76)	(42)
	857	1,135
Less: Allowance for impairment	-	(7)
	857	1,128
Loans to associates	88	31
	945	1,159

As at 31 December 2009, investment in associates includes goodwill of S$125,000 (2008: S$125,000).

Loans to associates are unsecured, interest-free and repayable on demand.

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

	Group	
	2009	**2008**
	S$'000	S$'000
Assets and Liabilities:		
- total assets	6,207	5,650
- total liabilities	4,341	3,303
Results:		
- revenue	9,219	9,046
- loss for the year	(188)	(337)

The Group has not recognised its share of profits of certain associates for the current financial year amounted to S$34,000 (2008: Nil) because the Group's cumulative share of unrecognised losses with respect to these associates amounted to Nil (2008: S$34,000) as at balance sheet date.

16 Associates (cont'd)

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

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2009	2008	2009	2008	
		S$'000	S$'000	%	%	
Held by the Company						
W2Energy Pte Ltd [1][6]	Singapore	*	-	35	-	Environmental control and alternative energy
Held by Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd [3]	Republic of China (Taiwan)	117	117	50	50	Engaging in offering of Maxon motor motion control solutions
Held by Motion Control Group Pte Ltd						
DKM South Asia Pte Ltd [1][7]	Singapore	105	-	35	-	Provision of DKM integrated engineering solutions and services
Servo-matic Technology (M) Sdn Bhd [2]	Malaysia	25	25	50	50	Carrying on all kinds of automation business, engineering works, trading import export design and servicing of industrial automation parts and all related fields
Precision Motion Control Phils. Inc. [4]	Philippines	9	9	40	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd [5]	Singapore	700	700	33.33	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd [1]	Singapore	175	175	37.5	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions
Held by TDS Technology (S) Pte Ltd						
TDS Technology (Thailand) Co., Ltd [2]	Thailand	62	62	30	30	Trading of electrical and electronic equipment
		1,193	1,088			

16 Associates (cont'd)

* Less than $1,000
(1) Audited by Moore Stephens LLP
(2) Audited by member firms of Moore Stephens International Limited in the respective countries
(3) Unaudited as statutory report is not required
(4) Audited by SGV & Co
(5) Audited by Ong Teh & Co
(6) Incorporated during the financial year
(7) The Group's effective interest in DKM South Asia Pte Ltd ("DKM"), previously a subsidiary of the Group (see Footnote 4 of Note 15), was diluted from 52.5% to 35% during the financial year. This was due to additional capital contribution by a minority shareholder of DKM. Accordingly, DKM has been reclassified as an associate of the Group.

17 Joint Ventures

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

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2009	2008	
		%	%	
Held by Motion Control Group Pte Ltd				
Dirak Asia Pte Ltd [1]	Singapore	49	49	Sale of industrial locks, hinges and enclosure products
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd [2]	People's Republic of China	49	49	Manufacturing and sale of industrial locks, hinges and enclosure products
Suzhou D Snap Technologies Co., Ltd [2]	People's Republic of China	49	49	Manufacturing and selling of D Snap products and applications
Taiwan Dirak Co., Ltd [3]	Republic of China (Taiwan)	29.89	29.89	Sale of industrial locks, hinges and enclosure products
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd [2]	People's Republic of China	31.85	31.85	Sale of industrial locks, hinges and enclosure products

(1) Audited by Moore Stephens LLP
(2) Audited by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Unaudited as statutory report is not required

17 Joint Ventures (cont'd)

Acquisition of joint ventures

During the previous financial year, the total consideration for a 49% equity interest in Dirak Asia Pte Ltd and its subsidiaries ("Dirak Asia Group") was paid/payable in cash and shares of the Company issued on 11 January 2008 and it represented the fair value of the share of net identifiable assets acquired on that date (Note 21(a)).

From the date of acquisition, the Dirak Asia Group had contributed a net profit of S$1,651,000 to the Group for the financial year ended 31 December 2008. If the acquisition had taken place at the beginning of the financial year ended 31 December 2008, the Group's profit for the year and revenue would have remained unchanged at S$8,194,000 and S$116,415,000 respectively.

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

	Group	
	2009	**2008**
	S$'000	S$'000
Assets and liabilities:		
Current assets	6,298	6,024
Non-current assets	718	650
Total assets	7,016	6,674
Current liabilities	(2,468)	(1,519)
Non-current liabilities	(77)	-
	(2,545)	(1,519)
Income and expense:		
Income	6,531	9,601
Expense	(5,392)	(7,879)

18 Inventories

	Group	
	2009	**2008**
	S$'000	S$'000
Components parts	7,678	9,254
Finished goods	11,177	12,806
Work-in-progress	384	472
Goods-in-transit (finished goods)	668	36
	19,907	22,568
Cost of inventories sold recognised as cost of sales in the income statement	74,894	81,308

19 Trade and Other Receivables

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Trade receivables, net of impairment:				
- note receivables	1,495	1,019	-	-
- third parties	25,499	20,817	-	3
- associates	1,036	274	-	-
- joint ventures	-	33	-	-
- related parties	693	585	-	-
	28,723	22,728	-	3
Advances paid to:				
- suppliers	2,151	835	-	-
- associates	113	153	-	-
- joint ventures	96	25	33	16
- related parties	1	16	-	-
Deposits	181	164	-	-
Prepayments	523	504	-	-
Loans to employees	-	106	-	-
Loan to a joint venture	227	-	-	-
Tax recoverable	19	-	25	25
Other receivables	1,816	1,474	-	-
	33,850	26,005	58	44

Trade receivables are non-interest bearing and are usually due within 30-90 days.

The note receivables from banks, mature at varying dates between 22 January 2010 (2008: 6 January 2009), the earliest date and 18 June 2010 (2008: 11 June 2009), the latest date.

The advances owing by associates, joint ventures, and related parties are unsecured, interest-free, and are repayable on demand.

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

The loan to a joint venture is unsecured, interest-free and is repayable on demand.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	7,719	7,425	58	44
Renminbi	16,632	12,860	-	-
United States Dollar	6,039	2,593	-	-
Malaysian Ringgit	627	680	-	-
Thai Baht	320	166	-	-
Swiss Franc	1,623	854	-	-
Euro	761	1,016	-	-
Others	129	411	-	-
	33,850	26,005	58	44

20 Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Cash and bank balances	18,966	14,882	82	96
Fixed deposits	14	614	-	-
	18,980	15,496	82	96
Effective interest rate per annum	0.03%	1.25%	0.03%	1.07%

The fixed deposits mature within one (2008: eleven) month(s) from the balance sheet date.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	3,245	3,813	82	96
Renminbi	10,185	6,379	-	-
United States Dollar	3,016	3,308	-	-
Swiss Franc	538	730	-	-
Euro	913	497	-	-
Malaysian Ringgit	841	500	-	-
Others	242	269	-	-
	18,980	15,496	82	96

For the purpose of the consolidated cash flow statement, cash and cash equivalents at the balance sheet date comprise the following:

	Group	
	2009	2008
	S$'000	S$'000
Cash and bank balances	18,966	14,882
Fixed deposits	14	614
Less: Bank overdrafts (Note 24)	(785)	(163)
	18,195	15,333
Less: Restricted bank balances	(21)	(21)
	18,174	15,312

21 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2009	2008	2009	2008
			S$'000	S$'000
Group and Company				
Balance at 1 January	201,768,300	182,798,700	34,542	24,209
Issue of shares for acquisitions (a) and (b)	-	18,969,600	-	10,333
Balance at 31 December	201,768,300	201,768,300	34,542	34,542

(a) During the previous financial year, the Company acquired 49% of the joint venture, Dirak Asia Pte Ltd, by issuing 13,375,800 ordinary shares to settle partially the purchase consideration. As at the date of completion, the fair value of those shares amounted to S$7,089,000.

(b) During the previous financial year, the Company had via its wholly owned subsidiary, Motion Control Group Pte Ltd, acquired 61.2% of the issued and paid up capital of TDS Technology (S) Pte Ltd by issuing 5,593,800 ordinary shares to settle in full the purchase consideration. As at the date of completion, the fair value of those shares amounted to S$3,244,000.

The ordinary shares of the Company have no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

22 Treasury Shares

	No. of ordinary shares		Amount	
	2009	2008	2009	2008
			S$'000	S$'000
Group and Company				
Balance at 1 January	-	-	-	-
Acquired during the year	2,665,000	-	340	-
Balance at 31 December	2,665,000	-	340	-

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

During the financial year, the Company acquired 2,665,000 (2008: Nil) shares in the Company through purchases for a consideration of approximately S$340,000. These shares are presented under treasury shares as a component within shareholders' equity.

23 Reserves

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve	(560)	428	-	-
Other reserves (b)	1,488	1,352	-	-
Retained earnings	16,809	16,404	167	302
	17,301	17,748	167	302

23 Reserves (cont'd)

(a) 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 Group's financial statements for the financial period ended 31 December 2005.

(b) Other reserves refer to the reserves set aside under the laws of the People's Republic of China ("PRC"), which according to the current PRC Company Law, the company is required to transfer between 10% and 50% of its profit after income tax 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 income tax shall be the amount determined under PRC accounting standards. The transfer to these reserves must be made before the distribution of dividends to shareholders. These reserves can be used to make good previous years' losses, for conversion to capital and expansion of production, if any.

24 Bank Borrowings

		Group					
		2009			2008		
	Note	Unsecured	Secured	Total	Unsecured	Secured	Total
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank loan #1	a	-	-	-	-	47	47
Bank loan #2	b	-	-	-	1	-	1
Bank loans #3	c	-	-	-	-	1,028	1,028
Bank loans #4	d	-	8	8	-	46	46
Bank loans #5	e	622	-	622	-	-	-
Bank loan #6	f	-	10,000	10,000	-	-	-
Bank loan #7	f	-	892	892	-	-	-
Bank loans #8	g	173	-	173	-	-	-
Bank loan #9	h	1,844	-	1,844	-	-	-
Bank loan #10	i	-	1,541	1,541	-	-	-
Bank loan #11	j	101	-	101	-	-	-
		2,740	12,441	15,181	1	1,121	1,122
Short-term loan #1	k	2,055	-	2,055	1,058	-	1,058
Short-term loans #2	l	3,795	-	3,795	9,696	-	9,696
		5,850	-	5,850	10,754	-	10,754
Trust receipts #1	m	-	77	77	-	-	-
Trust receipts #2	n	786	-	786	-	-	-
Trust receipts #3	o	43	-	43	-	-	-
		829	77	906	-	-	-
Bank overdraft #1	p	-	248	248	-	163	163
Bank overdrafts #2	q	523	-	523	-	-	-
Bank overdraft #3	f	-	14	14	-	-	-
		523	262	785	-	163	163
Total borrowings		9,942	12,780	22,722	10,755	1,284	12,039

24 Bank Borrowings (cont'd)

		Group					
		2009			2008		
	Note	Unsecured	Secured	Total	Unsecured	Secured	Total
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current liabilities							
Later than one year and not later than five years		1,398	8,911	10,309	1	180	181
Later than five years		-	-	-	-	820	820
		1,398	8,911	10,309	1	1,000	1,001
Current liabilities							
Repayable not later than one year		8,544	3,869	12,413	10,754	284	11,038
		9,942	12,780	22,722	10,755	1,284	12,039

Bank borrowings are denominated in the following currencies:

	Group					
	2009			2008		
	Unsecured	Secured	Total	Unsecured	Secured	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	5,782	10,906	16,688	7,962	1,028	8,990
Renminbi	2,055	1,541	3,596	1,058	-	1,058
United States Dollar	2,105	-	2,105	1,735	-	1,735
Thai Baht	-	333	333	-	256	256
	9,942	12,780	22,722	10,755	1,284	12,039

(a) In the previous financial year, bank loan #1 granted to a subsidiary was secured on the freehold land of the subsidiary and personal guarantees provided by two directors of the subsidiary. The loan was repayable in 44 instalments commencing November 2007. Interest was charged at the minimum loan rate plus 1% per annum. The loan was fully repaid during the financial year.

(b) In the previous financial year, bank loan #2 granted to a subsidiary was repayable in 47 instalments commencing January 2005. The loan was secured by a personal guarantee provided by a director of the subsidiary. Interest was charged at 5% per annum. The loan was fully repaid during the financial year.

(c) In the previous financial year, bank loans #3 granted to two subsidiaries were each repayable in 240 monthly instalments commencing December 2006. The loans were secured on the leasehold properties of the subsidiaries as well as corporate guarantees provided by the Company. Interest was charged at 4.98% per annum. The outstanding loans were refinanced via other bank borrowings during the financial year and the facilities were accordingly terminated during the year.

(d) Bank loans #4 granted to a subsidiary pertains to two working capital loans which are repayable in 36 and 60 instalments with the final instalment due in October 2009 and December 2012 respectively. The former was fully repaid during the financial year. The loans are secured on the freehold land of the subsidiary and personal guarantees provided by two directors of the subsidiary. Interest is charged at minimum loan rate (2008: minimum retail rate plus 1% to minimum loan rate) per annum.

24 Bank Borrowings (cont'd)

(e) Bank loans #5 comprise two loans which are granted to a subsidiary. These loans are repayable in 12 and 8 instalments commencing March 2009 and June 2009 respectively. These loans are secured by corporate guarantees provided by the Company. Interests are charged at 2.40% to 2.56% per annum and 2.9% to 3.05% per annum respectively.

(f) Bank loan #6, bank loan #7 and bank overdraft #3 are secured by a legal mortgage over the leasehold properties of three subsidiaries, investment properties of a subsidiary and corporate guarantees provided by the Company.

Bank loan #6 is a 4-year term loan repayable in 6 half-yearly instalments with its first instalment due in February 2010. Each instalment payable is S$1,666,667 with the last instalment being S$1,666,665. Interest is charged at cost of funds plus 2.35% per annum.

Bank loan #7 is a 5-year commercial property loan repayable in 60 monthly instalments with its first instalment due in March 2009. Interest is charged at 0.95% below the commercial financing rate per annum.

Bank overdraft #3 is charged at 1.25% plus prime lending rate per annum.

(g) Bank loans #8 granted to a subsidiary are repayable in 36 and 48 instalments commencing October 2009 and December 2009 respectively. The loans are secured by personal guarantees provided by a director of the subsidiary. Interests are charged at 5% per annum.

(h) Bank loan #9 granted to a subsidiary is repayable in 36 instalments commencing October 2009. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5% per annum.

(i) Bank loan #10 is a 5-year term loan of RMB28 million (equivalent of S$5.75 million) granted to a subsidiary, which are repayable in 8 equal half-yearly instalments of RMB3,500,000 (equivalent of S$719,250) each with its first instalment due in March 2011. As at 31 December 2009, the drawn down amount was approximately RMB7.5 million (equivalent of S$1.54 million). This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and another subsidiary of the Group. The term loan is also to be secured on the leasehold buildings constructed on the said land once the title deed to the leasehold buildings is obtained by the subsidiary. Interest is charged at 115% of the People's Bank of China's base rate per annum.

(j) Bank loan #11 granted to a joint venture is repayable in 48 instalments commencing November 2009. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5.5% per annum.

(k) Short-term loan #1 granted to a subsidiary is secured by corporate guarantee provided by a subsidiary of the Group. Interest is charged at 7.62% (2008: 7.623%) per annum

(l) Short-term loans #2 granted to subsidiaries are secured by corporate guarantees provided by the Company. Interests are charged at 3.22% to 6.82% (2008: 1.91% to 7.344%) per annum.

(m) The facility for trust receipts of a subsidiary is secured on the freehold land of the subsidiary and personal guarantees by two directors of the subsidiary. Interest is charged at 6.25% to 7.50% (2008: 7.50% to 9.25%) per annum.

(n) The facility for trust receipts of a subsidiary are secured by corporate guarantee provided by the Company. Interests are charged at cost of funds plus 1.5% /1.75% per annum.

(o) The facility for trust receipts of a subsidiary is secured by personal guarantee provided by a director of the subsidiary. Interest is charged at SIBOR plus 2% per annum.

(p) Bank overdraft #1 granted to a subsidiary is secured on the freehold land of the subsidiary. The facility is also secured by personal guarantees provided by two directors of the subsidiary. Interest is charged at minimum overdraft rate plus 1% (2008: minimum overdraft rate plus 1%) per annum.

24 Bank Borrowings (cont'd)

(q) Bank overdrafts #2 granted to a subsidiary are secured by corporate guarantee provided by the Company. Interests are charged at prime lending rate/prime lending rate plus 0.25% per annum.

The weighted average effective interest rate of the Group's bank borrowings is 4.81% (2008: 4.63%) per annum.

As at 31 December 2009, the Group has breached a financial covenant for bank facilities in relation to bank loan #9 and short term loan #2, totalling of S$5.6 million, of which S$1.2 million is presented under non-current liabilities as at 31 December 2009. The financial covenant requires the Group's consolidated liabilities (including contingent liabilities) not to exceed 125% of its consolidated tangible net worth (as defined under the terms of the bank facility letter) at all the time. Due to this breach of covenant, the bank is contractually entitled to request for immediate repayment of the outstanding loan amounts. However, subsequent to year end and prior to the date of the authorisation of these financial statements, the Group has obtained a letter of waiver for the breach of covenant from the relevant bank, and accordingly, the term and condition of the banking facilities continue to remain in force and effect.

25 Finance Leases

	Group	
	2009	**2008**
	S$'000	S$'000
Minimum lease payments payable:		
- due not later than one year	43	49
- due later than one year and not later than five years	142	171
- due later than five years	-	14
	185	234
Finance charges allocated to future years	(28)	(38)
Present value of minimum lease payments	157	196
Present value of minimum lease payments:		
Non-current liabilities		
Due later than one year and not later than five years	121	143
Due later than five years	-	12
	121	155
Current liabilities		
Due not later than one year	36	41
	157	196

The weighted average effective interest rate of the Group's finance leases is 5.335% (2008: 3.57%) per annum.

26 Deferred Income Tax Liabilities

	Group	
	2009	**2008**
	S$'000	S$'000
Deferred tax liabilities		
- to be settled within one year	49	54
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	54	50
(Credited)Charged to income statement (Note 9)		
- current year	-	(4)
- (over) under provision in respect of prior years	(5)	8
Balance at 31 December	49	54

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

27 Trade and Other Payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
- third parties	12,593	6,457	-	-
- associates	17	16	-	-
- joint ventures	-	45	-	-
- related parties	3,168	2,478	-	-
	15,778	8,996	-	-
Advances received from:				
- customers	4,909	3,228	-	-
- subsidiaries	-	-	627	-
Accrued operating expenses	5,102	4,491	1,377	1,201
Amount owing to directors of subsidiaries	196	232	-	-
Amount owing to minority shareholder	125	75	-	-
Consideration payable to director of the Company for acquisition of joint venture entities	4,924	4,924	-	-
Loan from a joint venture	105	-	-	-
Other payables	823	636	42	138
	31,962	22,582	2,046	1,339

Trade payables are non-interest bearing and are usually settled within 30-90 days.

The amounts owing to directors of subsidiaries, minority shareholder and consideration payable to director of Company for acquisition of joint venture entities are unsecured, interest-free, and are repayable on demand.

Loan from a joint venture is unsecured, interest-free and repayable on demand.

27 Trade and Other Payables (cont'd)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	9,472	8,321	2,046	1,339
Renminbi	13,575	7,618	-	-
United States Dollar	3,603	1,713	-	-
Swiss Franc	2,646	1,879	-	-
Euro	1,275	1,602	-	-
Japanese Yen	775	766	-	-
Others	616	683	-	-
	31,962	22,582	2,046	1,339

28 Dividends

	Group and Company	
	2009	2008
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore 0.25 cents per share (2008: Singapore 0.55 cents per share) paid in respect of the previous financial year	497	1,079

No dividend is recommended for the current financial year ended 31 December 2009.

29 Segment Information

(a) Information by operating segments:

The Group has adopted FRS 108 Operating Segments with effect from 1 January 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by management in order to allocate resources to the segments and to assess their performance. The application of FRS 108 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segment determined in accordance with FRS 14 nor has the adoption of FRS 108 changed the basis of measurement of segment profit or loss. The identification of the Group's reportable segments under FRS 108 is consistent with the prior years' presentation of business segments under FRS 14 as follows:

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

No operating segments have been aggregated to form the reportable segments above. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of corporate expenses, rental income, interest income and finance costs, and income tax expense. Segment assets/liabilities are all operating assets/liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

Segment revenue includes transfer between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation.

29 Segment Information (cont'd)

(a) Information by operating segments: (cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue										
External sales	77,570	81,340	24,383	30,187	4,697	4,888	-	-	106,650	116,415
Inter-segment sales	1,506	800	1,546	1,548	9	280	(3,061)	(2,628)	-	-
	79,076	82,140	25,929	31,735	4,706	5,168	(3,061)	(2,628)	106,650	116,415
Results										
Segment results	6,854	9,935	(1,203)	1,488	111	(24)	-	-	5,762	11,399
Share of (losses) profits of associates	(269)	45	-	-	-	-	-	-	(269)	45
Corporate expenses									(334)	(501)
Rental income									39	39
Interest income									65	156
Finance costs									(869)	(448)
Profit before income tax									4,394	10,690
Income tax									(2,071)	(2,496)
Net profit for the year									2,323	8,194
Assets										
Segment assets	63,622	48,847	15,620	16,739	2,403	2,399	(1,353)	(2,749)	80,292	65,236
Goodwill	2,252	2,252	9,508	9,508	-	-	-	-	11,760	11,760
Investments in associates	945	1,159	-	-	-	-	-	-	945	1,159
Cash and cash equivalents									18,980	15,496
Investment properties									584	600
Consolidated total assets									112,561	94,251
Liabilities										
Segment liabilities	23,741	21,244	9,122	4,634	1,347	453	(1,353)	(2,749)	32,857	23,582
Bank borrowings and finance leases									21,973	12,235
Others unallocated corporate liabilities									606	959
Consolidated total liabilities									55,436	36,776

29 Segment Information (cont'd)

(a) Information by operating segment: (cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Elimination		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group										
Capital expenditure on										
- Property, plant and equipment	10,911	7,258	111	554	1	2	-	-	11,023	7,814
- Intangible assets	789	1,014	-	-	-	-	-	-	789	1,014
Additional goodwill arising from acquisition of subsidiary and joint ventures	-	2,103	-	9,508	-	-	-	-	-	11,611
Depreciation of properties, plant and equipment	925	637	190	283	34	35	-	-	1,149	955
Depreciation of investment properties	16	17	-	-	-	-	-	-	16	17
Other non-cash expenses										
- allowance for impairment of trade receivables	158	104	59	-	-	-	-	-	217	104
- allowance for inventories obsolescence	1,510	244	288	16	14	42	-	-	1,812	302
- amortisation of intangible assets	202	96	201	86	-	-	-	-	403	182
- bad trade receivables written off	13	17	1	-	-	14	-	-	14	31
- inventories written off	11	34	154	-	14	13	-	-	179	47
- goodwill arising from additional interest in subsidiaries written off	18	-	-	-	-	-	-	-	18	-
- property, plant and equipment written off	7	-	-	-	-	-	-	-	7	-

(b) Information by geographical segment:

The Group's revenue from sales to external customers and information about its non-current assets based on the geographical location customers and assets respectively are detailed below:

	Revenue from external customers		Non-current assets	
	2009	**2008**	**2009**	**2008**
	S$'000	S$'000	S$'000	S$'000
Singapore	24,337	24,966	18,050	17,726
People's Republic of China	63,898	69,762	20,760	10,948
Malaysia	9,014	7,888	175	23
Others	9,401	13,799	839	1,485
	106,650	116,415	39,824	30,182

29 Segment Information (cont'd)

(c) Information about major customers:

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

30 Operating Lease Commitments

Where the Group is a lessor:

The Group leases out investment properties to non-related parties under non-cancellable operating leases. These leases have varying terms and renewal rights.

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

	Group	
	2009	**2008**
	S$'000	S$'000
Future minimum lease payment receivable:		
- not later than one year	28	33
- later than one year and not later than five years	9	15
	37	48

The remaining tenure period of aforesaid operating leases are within 1 to 2 years (2008: 1 to 2 years).

Where the Group is a lessee:

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

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

	Group	
	2009	**2008**
	S$'000	S$'000
Future minimum lease payment payable:		
- not later than one year	581	586
- later than one year and not later than five years	332	212
	913	798

The remaining tenure period of aforesaid operating leases are within 1 to 3 years (2008: 1 to 3 years).

31 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2009	**2008**
	S$'000	S$'000
Capital commitment in respect of construction in progress	3,391	16,800

32 Corporate Guarantees

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries – unsecured	-	-	20,118	10,724
Corporate guarantees provided to banks in connection with banking facilities granted to a joint venture – unsecured	206	-	206	-
Letters of credit	269	-	-	-
	475	-	20,324	10,724

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

33 Related Party Transactions

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.

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

	Group	
	2009	2008
	S$'000	S$'000
Sales to associates	(1,248)	(1,050)
Sales to related parties	(1,346)	(1,569)
Sales to joint ventures	(40)	(13)
Purchases from associates	51	49
Purchases from related parties	14,054	16,917
Purchases from a joint venture	27	30
Administrative income charged to associates	(14)	-
Administrative income charged to a related party	(4)	-
Administrative income charged to a joint venture	(7)	-
ERP maintenance costs charged to joint ventures	(120)	-
Rental expenses paid to a related party	3	-
Rental charged to an associate	(6)	-
Rental charged to a joint venture	(34)	(32)
Technical service fee charged by related parties	-	3
Other expenses paid to associates	-	2
Other expenses charged by related parties	69	97
Other expenses paid to a joint venture	1	1
Other income charged to an associate	(2)	(4)
Other income charged to a related party	(4)	(4)
Other income charged to a joint venture	(30)	(38)

34 Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's activities expose it to foreign currency risk, interest risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group continually monitors the risk management process to ensure that an appropriate balance between risk and control is achieved.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board will review and agree on policies for managing each of these risks as summarised below.

Foreign currency risk

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

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

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

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

	RMB	US$	CHF	Euro
	S$'000	S$'000	S$'000	S$'000
Group				
2009				
Financial assets				
Trade and other receivables	16,632	6,039	1,623	761
Cash and cash equivalents	10,185	3,016	538	913
	26,817	9,055	2,161	1,674
Financial liabilities				
Bank borrowings	3,596	2,105	-	-
Trade and other payables	13,575	4,023	2,950	1,338
	17,171	6,128	2,950	1,338
Net financial assets/(liabilities)	9,646	2,927	(789)	336
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(9,646)	-	-	-
Currency exposure	-	2,927	(789)	336

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

	RMB	US$	CHF	Euro
	S$'000	S$'000	S$'000	S$'000
2008				
Financial assets				
Trade and other receivables	12,860	2,593	854	1,016
Cash and cash equivalents	6,379	3,308	730	497
	19,239	5,901	1,584	1,513
Financial liabilities				
Bank borrowings	1,058	1,735	-	-
Trade and other payables	7,618	1,713	1,879	1,602
	8,676	3,448	1,879	1,602
Net financial assets/(liabilities)	10,563	2,453	(295)	(89)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(10,563)	-	-	-
Currency exposure	-	2,453	(295)	(89)

If the following currencies strengthen by 5% (2008: 5%) against S$ at the balance sheet date, with all other variables including tax rate being held constant, the effect arising from the net financial asset/(liability) position will be as follows:

	Group	
	2009	**2008**
	Increase/ (Decrease) Profit after tax	**Increase/ (Decrease) Profit after tax**
	S$'000	S$'000
RMB	-	-
US$	146	123
CHF	(39)	(15)
Euro	17	(4)

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

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

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

Interest-bearing financial liabilities mainly include bank borrowings and finance leases.

34 Financial Instruments (cont'd)

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

Interest rate risk (cont'd)

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

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2008: 0.5%) with all other variables remain constant, the Group's profit after income tax will be approximately lower/higher by S$79,000, S$18,000 and S$10,500 respectively (2008: S$45,000, S$5,300 and S$8,700) as a result of higher/lower interest expense on these bank borrowings.

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.

For trade receivables, the Group adopted the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Cash and fixed deposits are held with creditworthy financial institutions.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The credit quality of customers is assessed after taking into account their financial position and the Group's past experience in dealing with the customers.

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

Financial assets that are neither past due nor impaired

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

Financial assets that are past due and/or impaired

There is no other class of the Group's financial assets that is past due and/or impaired except for trade receivables as set out below.

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

The Group has trade receivables that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2009	**2008**
	S$'000	S$'000
Trade receivables past due:		
- not more than 3 months	2,098	4,059
- 3 to 6 months	1,205	1,215
- over 6 months	1,636	965
	4,939	6,239

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

	Group	
	2009	**2008**
	S$'000	S$'000
Trade receivables	317	100
Less: Allowance for impairment	(317)	(100)
	-	-

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

	Group	
	2009	**2008**
	S$'000	S$'000
Balance at 1 January	100	20
Allowance for the year	217	104
Amount written off	-	(24)
Balance at 31 December	317	100

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

34 Financial Instruments (cont'd)

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

Liquidity risk

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

	Carrying amount	Contractual cash flows	Within one year	Within two to five years	Over five years
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2009					
Bank borrowings	22,722	23,246	12,631	10,615	-
Finance leases	157	185	43	142	-
Trade and other payables	31,962	31,962	31,962	-	-
	54,841	55,393	44,636	10,757	-
2008					
Bank borrowings	12,039	12,671	11,133	394	1,144
Finance leases	196	234	49	171	14
Trade and other payables	22,582	22,582	22,582	-	-
	34,817	35,487	33,764	565	1,158

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

	Within one year	Within two to five years	Total
	S$'000	S$'000	S$'000
Company			
2009			
Financial guarantee contracts	18,577	10,843	29,420
2008			
Financial guarantee contracts	10,724	27,034	37,758

The Group monitors its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of approximately 23 days (2008: 23 days), including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the Group maintains the following lines of credit:

(i) S$1.20 million overdraft facilities unsecured and covered by a corporate guarantee of the Company. Interest would be payable at rates ranging from Prime to Prime+1.25%.

(ii) S$3.50 million foreign exchange contract hedging limit that is unsecured and covered by a corporate guarantee of the Company. Limit in excess of S$3.78 million is determined at the discretion of some banks when entering into each contract.

34 Financial Instruments (cont'd)

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

Liquidity risk (cont'd)

(iii) S$20.47 million other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc) that are unsecured and covered by a corporate guarantee of the Company. Interest would be payable at rates ranging from SIBOR, Cost of Funds or Prime +0.75% to 2%, or rates mutually agreed at each drawdown.

(iv) S$5.75 million (RMB 28.0 million) of a term loan that is secured by land use rights of a subsidiary and corporate guarantees provided by the Company and another subsidiary of the Group. The facility is also to be secured on the leasehold buildings constructed on the said land parcel once the title deed to the leasehold buildings is obtained by the subsidiary. Interest is charged at 115% of the People's Bank of China's base rate per annum.

(v) S$2.00 million bridging loan secured by a corporate guarantee of the Company. Interest is fixed at 5% per annum or such other rate as may be approved by SPRING Singapore under Local Enterprise Finance Scheme (LEFS).

As at the balance sheet date, the Group had at its disposal cash and cash equivalents amounting to approximately S$18,174,000 (2008: S$15,312,000) and unutilised bank facilities of approximately S$23,890,000 (2008: S$19,340,000).

(b) Fair Values

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

Non-derivative financial liabilities

The fair values of trust receipts approximate their carrying amounts due to the relatively short term maturity period.

The fair values of bank borrowings and finance leases approximate their carrying amounts, as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

Other financial assets and liabilities

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

35 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's strategies, which were unchanged from 2008, are to maintain gearing ratios within 20% to 50%. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings and finance leases, trade and other payables, less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2009	**2008**
	S$'000	S$'000
Net debt	35,861	19,321
Total equity	57,125	57,475
Total capital	92,986	76,796
Gearing ratio	39%	25%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2009 and 2008.

36 Events after Balance Sheet Date

(a) As at 31 December 2009, the Group has an effective interest of 53.75% in DBASIX Singapore Pte Ltd ("DBASIX Singapore") and its subsidraries ("DBASIX Group") through its wholly owned subsidiary, Motion Control Group Pte Ltd ("MCG") and a 37.5% owned associated company Prestech Industrial Automation Pte Ltd ("Prestech"). MCG and DBASIX Global Pte Ltd ("DBASIX Global") hold 50% each of the equity shares in DBASIX Singapore. Prestech holds 20% in DBASIX Global.

- In January 2010, MCG and DBASIX Global have each injected an additional capital of S$200,000 into DBASIX Singapore.

- In January 2010, Prestech's interest in DBASIX Global was diluted from 20% to 10.24%, as a result of the additional capital injection into DBASIX Global by the other shareholder of DBASIX Global.

  Accordingly, the Group's effective interest in the DBASIX Group are diluted as follows:

DBASIX Group	**Prior to the dilution**	**Post dilution**
DBASIX Singapore	53.75%	51.92%
DBASIX Shanghai	53.75%	51.92%
DBASIX Malaysia	43.00%	41.54%

Further, subsequent in March 2010, DBASIX Singapore injected an addition capital of MYR250,000 into DBASIX Malaysia, which resulted in DBASIX Singapore increasing its equity interest in DBASIX Malaysia from 80% to 90%. Accordingly, the Group's effective interest in DBASIX Malaysia increased from 41.54% as referred to above, to 46.73%.

36 Events after Balance Sheet Date (cont'd)

(b) In January 2010, the Group's wholly owned subsidiary, Motion Control Group Pte Ltd, disposed of a portion of its interest (27% equity holding) in JM Vistec System Pte Ltd ("JM") to JM's minority shareholder for a consideration of S$300,000. Accordingly, the Group's effective interest in JM decreased from 67% to 40%, resulting in JM becoming an associate of the Group.

(c) In March 2010, the Group's wholly owned subsidiary, Motion Control Group Pte Ltd, incorporated a wholly owned subsidiary SD Offshore Pte Ltd ("SD Offshore") in Singapore with a paid-up capital of S$1. SD Offshore will provide electromechanical and hydraulic products and engineering services on board ships, oil rigs and to general industries.

SHAREHOLDERS' INFORMATION
AS AT 12 MARCH 2010

Issued and fully paid-up capital	:	S$34,202,676
Number of shares (excluding treasury shares)	:	199,103,300
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Number of treasury shares held by the Company: 2,665,000
Percentage of treasury shares held by the Company against the total number of issued shares excluding treasury shares: 1.34%

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 12 March 2010.

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Assetraise Holdings Limited	107,593,500	54.04	-	-
Teo Cher Koon	-	-	107,593,500[1]	54.04
Karl Walter Braun	26,250,000	13.18	-	-
DBS Nominees Pte Ltd	11,143,185	5.60	-	-

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 107,593,500 shares held by Assetraise Holdings Limited.

Free Float

As at 12 March 2010, approximately 26.09% 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.

STATISTICS OF SHAREHOLDINGS
AS AT 12 MARCH 2010

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	3	0.75	1,618	0.00
1,000 - 10,000	169	42.36	910,835	0.46
10,001 - 1,000,000	214	53.63	25,040,000	12.58
1,000,001 AND ABOVE	13	3.26	173,150,847	86.96
TOTAL	**399**	**100.00**	**199,103,300**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	ASSETRAISE HOLDINGS LIMITED	107,593,500	54.04
2.	KARL WALTER BRAUN	26,250,000	13.18
3.	DBS NOMINEES PTE LTD	11,143,185	5.60
4.	ONG BEE CHEW	5,044,800	2.53
5.	CHOW KA MAN	5,005,000	2.51
6.	KIM ENG SECURITIES PTE. LTD.	4,616,862	2.32
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	3,889,000	1.95
8.	TAN THIAM CHYE	2,501,000	1.26
9.	KONG DEYANG	1,900,000	0.95
10.	POET INVESTMENT HOLDINGS PTE LTD	1,702,000	0.85
11.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,231,500	0.62
12.	KOK TIU SING	1,200,000	0.60
13.	LAU CHOON GUAN	1,074,000	0.54
14.	LIM HWEE HONG	999,000	0.50
15.	QUAH PENG WAH	950,000	0.48
16.	SIM LEONG SEANG	813,000	0.41
17.	NG SOCK HONG	800,000	0.40
18.	EE BENG CHUAN	762,000	0.38
19.	CHONG KOK HOONG	752,000	0.38
20.	WU SIEW WAH	750,000	0.38
	TOTAL	**178,976,847**	**89.88**

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 Monday, 26 April 2010 at 9.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Soh Beng Keng **(Resolution 2)**
   Mr Tay Gim Sin Leonard **(Resolution 3)**

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

   Mr Tay Gim Sin Leonard, upon re-election will continue to serve as a member of the Remuneration and Audit Committees of the Company.

3. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2010 (2009: S$100,000). **(Resolution 4)**

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

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

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares ("Share Issue Mandate")**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), authority be and is hereby given to the Directors to:-

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any shares in the Company pursuant to convertible securities

   (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) and convertible securities in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company (excluding treasury shares) at the time this Resolution is passed and that the aggregate number of shares and convertible securities in the Company to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company (excluding treasury shares) at the time this Resolution is passed.

That unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital (excluding treasury shares) is based on the issued share capital of the Company (excluding treasury shares) at the time this Resolution is passed after adjusting for:-

(i) new shares arising from the conversion or exercise of convertible securities;

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

(iii) any subsequent bonus issue, consolidation or subdivision of shares."
[See Explanatory Note (i)] **(Resolution 6)**

7. **Authority to allot and issue shares up to 100 per cent. (100%) of the issued capital via a pro-rata renounceable rights issue**

"That, notwithstanding Resolution 7 above, authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company by way of a pro-rata renounceable rights issue at any time and upon such terms and conditions and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares in the Company to be issued pursuant to such authority may be increased to but shall not exceed one hundred per cent. (100%) of the issued share capital of the Company (excluding treasury shares) at the time this Resolution is passed.

That unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier.

For the purposes of this Resolution, the percentage of issued share capital (excluding treasury shares) is based on the issued share capital of the Company (excluding treasury shares) at the time this Resolution is passed after adjusting for:-

(i) new shares arising from the conversion or exercise of convertible securities;

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

(iii) any subsequent bonus issue, consolidation or subdivision of shares."
[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to allot and issue shares at a discount of up to 20 per cent. (20%) under the Share Issue Mandate**

"That subject to and pursuant to the Share Issue Mandate in Resolution 7 above being obtained, authority be and is hereby given to the Directors of the Company to allot and issue new shares on a non pro-rata basis at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than twenty per cent. (20%) discount to the weighted average price per share determined in accordance with the requirements of the Singapore Exchange Securities Trading Limited."
[See Explanatory Note (iii)] **(Resolution 8)**

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

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

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 12 April 2010

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution shall not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 6) of the Company.

For issues of shares other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 6) of the Company.

This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(ii) On 19 February 2009, the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore introduced new measures to accelerate and facilitate listed issuers' fund raising efforts. Under the new measures, a listed issuer can seek a general mandate from shareholders to issue up to one hundred per cent. (100%) of its issued share capital via a pro-rata renounceable rights issue, subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

The Ordinary Resolution 7 proposed in item 7 above, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares.This new measure shall be effective from 20 February 2009 to 31 December 2010.

As such, for issues of shares pursuant to a renonunceable rights issue, the aggregate number of shares to be issued shall not exceed one hundred per cent. (100%) of the issued share capital (as defined in Resolution 7) of the Company.

This mandate is conditional upon the Company making periodic announcements on the use of the proceeds as and when the funds are materially disbursed and providing a status report on the use of proceeds in the annual report.

This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors to allot and issue new shares (on a non pro-rata basis) at an issue price of up to twenty per cent. (20%) discount to the weighted average price per share. This is one of the new measures introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, on 19 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Schemes.

Notes:

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

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

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

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

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Important

1. For investors who have used their CPF monies to buy ISDN Holdings Limited hares, 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.

ISDN HOLDINGS LIMITED

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

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 Monday, 26 April 2010 at 9.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' and Auditors' Report and Audited Accounts of the Company for the year ended 31 December 2009		
2.	Re-election of Mr Soh Beng Keng as Director of the Company		
3.	Re-election of Mr Tay Gim Sin Leonard as Director of the Company		
4.	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2010		
5.	Re-appointment of Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration		
6.	Authority to allot and issue new shares		
7.	Authority to allot and issue shares up to 100 per cent. (100%) of the issued capital via a pro-rata renounceable rights issue		
8.	Authority to issue shares at a discount of up to 20% under Share Issue Mandate		
9.	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share 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

Notes:

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

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

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

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

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

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

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

General:

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

ISDNHoldings
LIMITED

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

Designed & Produced by
+65 6880 2828 Xpress