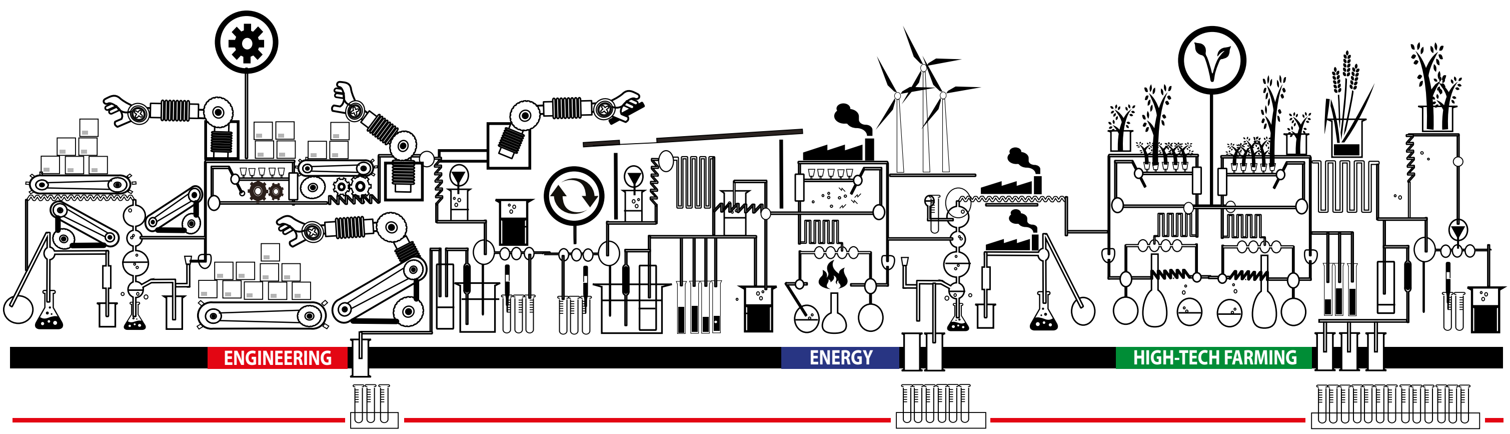
ISDN Holdings
LIMITED

CHARTING
New Frontiers

Annual Report 2010



*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.

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.

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
Marina Bay Financial Centre, Tower 1
8 Marina Boulevard
Singapore 018981

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

DBS Bank Limited
Main Branch
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

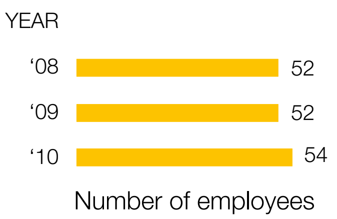
China Construction Bank Co., Ltd
Suzhou New & Hi-Tech Industrial
Development Zone Sub-Branch
No.95 Shishan Road
Suzhou New District, China

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



WAREHOUSE, DELIVERY & PRODUCTION

TECHNICAL, SALES & SALES SUPPORT

FINANCE, OFFICE & IT ADMINISTRATION

President's Message

"We expect the outlook for FY2011 to remain positive barring any changes in the external business environment."

Net Earnings grew by

365%

from $2.3 million to $10.7 million

Total Revenue surged by

53.4%

from $106.7 million to $163.6 million

Earnings per share jumped

686%

from 0.42 cents to 3.30 cents

Dear shareholders,

Two themes dominated the Group's performance and business activities in FY2010: organic growth and proposed diversification. Our mainstay motion control and engineering solutions business staged a significant rebound of more than four-fold from its FY2009 net earnings of $2.3 million to post $10.7 million this year. Revenue surged by 53.4% from $106.7 million to $163.6 million. The stronger results were in part due to improving business sentiments for demand for motion control products and services in China. Recovery in the semi-conductor industry added to this upturn. Average selling prices and material costs remained relatively stable resulting in gross margin of 29.3%, within the Group's traditional band.

Earnings per share jumped from 0.42 cents to 3.30 cents while cash and cash equivalents at year's end stood at $28.5 million - after taking into account net cash generated from operations of $11.4 million and net proceeds of a recent rights issue of $5.4 million – as compared to $18.2 million a year ago.

We expect the outlook for FY2011 to remain positive barring any changes in the external business environment. In view of the encouraging performance, the Board of Directors has proposed final dividends of 0.5 cents per share.

Notwithstanding the stronger performance from ISDN's core business, the Group is constantly exploring and considering new areas to inject fresh revenue streams and to develop new growth drivers. Two new businesses have been identified as potential future growth drivers: hydroponics, or high-tech farming as it will be classified within the Group, and coal mining. Both are high-growth industries that require proprietary engineering know-how that the Group could further develop by leveraging on our engineering DNA.

There could be plans to expand and erect new farms in other countries within the 10 countries that are covered in the agreement between ISDN and our Australian partner, Polyphemus Pty Ltd. To date we have received numerous interested enquiries.

A prime example of this is the visit by Malaysian Minister of Agriculture, Datuk Seri Noh Bin Omar to our Malaysian high-tech farm. The positive reception has led to their assistance in helping us obtain the SALM certificate under the Malaysian farm certification scheme for good agricultural practices. We will explore expansion through organic means as well as joint ventures and by potentially involving private equity or philanthropy funds.

More recently, in February, the Group announced its proposed acquisition of 51% of an Indonesian coal mining exploration company, PT Putra Perkasa Indah (PT PPI) after PT PPI was granted the mining authorization to conduct exploration activity in a 3,800 hectares mining region in Kalimantan. If successful, ISDN will be funding the project with a 10 per cent annual guaranteed investment return from this mining venture before any distribution of dividends.

While we seek out new ventures, we will continue to grow our engineering solutions business at steady pace. Our engineering capabilities and our relatively early head start in China that culminated in the completion of the ISDN Wujiang High-Tech Industrial Park a year ago have given us a distinct competitive advantage. We will tap into these strengths as we ride the crest of the next lap.

Allow me to express my appreciation to our Board of Directors for their insightful inputs, our key management team for their astute leadership and our staff for their unending perseverance. I would also like to thank our customers, suppliers and business partners for their loyal support.

Teo Cher Koon
ISDN Holdings Limited
Managing Director and President

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 more than 700 employees, 93 sales offices and 61 companies.

ISDN's engineering 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.

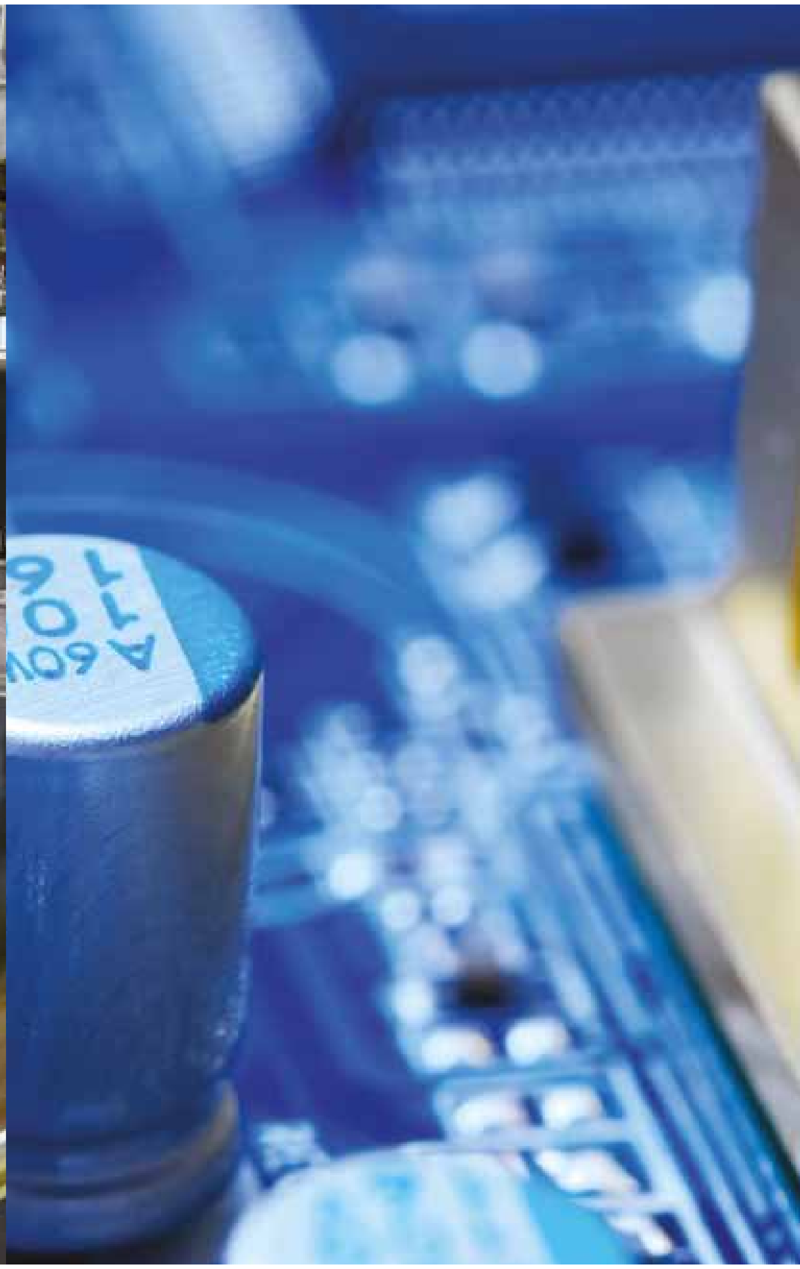
Industrial computing

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, Shanghai Weichuang)
Manufacturing	Line assembly automation	Leica Instruments
Oil and Gas	Gas pipeline, shutdown systems.	China Petroleum Pipeline Scientific Research, 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.

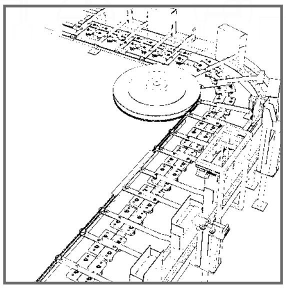
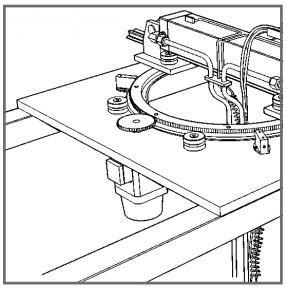
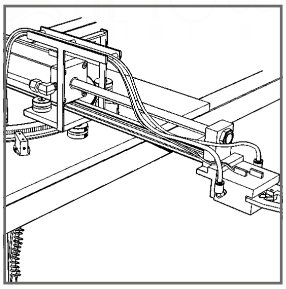
Strong Engineering Capability

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 53 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 Review

Key Growth Drivers

China continued to contribute to the bulk of Group revenue, accounting for 58% of overall sales as compared to 60% a year earlier. In dollar terms, sales from China grew by 48%, from $63.9 million to $94.5 million due to higher demand for ISDN's motion controls and other specialised engineering solutions. Singapore came in as the second largest revenue contributor with 23% of Group sales equivalent to $37.4 million, an increase of 53.8%, from $24.3 million last year. The better outlook in the semi-conductor industry contributed to the Republic's stronger showing. Malaysia brought in $17.7 million sales, a jump of 96.5% from the previous year's $9.0 million.

Across the business segments, Motion Control continued to be the dominant revenue driver. It raked in $125.0 million sales accounting for approximately two thirds of the Group's total revenue. Demand growth from China, Singapore and Malaysia contributed to the 61.2% rise from last year's sales of $77.6 million.

Semi-conductor and solar energy stood out among the industry sectors Motion Control supplies to. Both sectors showed encouraging growth - accounting for Group revenue in the double-digit percentiles. They are expected to extend their positive performance this financial year. Plans are in the pipeline to widen the breadth of our motion control products and services for solar energy equipment manufacturers by way of new collaborations with strategic partners.

Other Specialised Engineering Solutions, another of the Group's key growth driver accounted for nearly a third of Group revenue, generating $31.7 million in sales, an increase of 29.9% from FY2009's $24.4 million. Whilst Industrial Computing posted $6.9 million revenue, up 46.7% from last year's $4.7 million.

New Business Ventures

In line with ISDN's ongoing quest to identify new growth areas, the Group's investment vehicle ISDN Investments Pte Ltd was established in FY2010. Its objective is to invest in viable new businesses that generate stable earnings in line with our mission to create and enhance shareholder value. Ell-Gro Hydroponics Pte Ltd was set up in May 2010 as a wholly-owned subsidiary of ISDN Investments. In January 2011, Ell-Gro successfully completed the pilot phase of its first hydroponics farm in Malaysia with the first harvest of 14 varieties of lettuce. The success of this farm is now being replicated at ISDN's second hydroponics plant in Suzhou, China.

Each farm, measuring approximately an acre, can produce up to 23,000 crops every harvest which translates to approximately 100,000 tonnes of fresh produce annually. $2.0 million has been set aside to grow the hydroponics business, from a rights issue that raised net proceeds of $5.4 million. We expect revenue from hi-tech farming to begin contributing to our top and bottom lines in this financial year.

The vegetable farms were developed with our Australian partner and thus meet the stringent standards of Australian and New Zealand food grade benchmarks. Under the terms of the partnership agreement, ISDN has the exclusive rights to market and install this Australian technology in China, Taiwan, Indonesia, Korea, Vietnam, Singapore, Thailand, Philippines, Cambodia and Malaysia. In addition to vegetables, this proprietary method allows for the seeding of herbs, flowers and fruits.

Using the Boxsell elliptical channels hydroponics systems, some of which are patented, have allowed for the optimal utilisation of water, sunlight and nutrients leading to a reduction of 60 per cent less water and fertiliser yet producing significantly higher yields than conventional methods.

ISDN's high-tech farms in Malaysia will cater to both the Malaysian and Singaporean markets while the ones in China will be designated for local consumption and to eventually include the larger North Asian region, beyond China. The end-customers will trend towards distributors and wholesalers.

ISDN Wujiang High-Tech Industrial Park

After about a year of commencing full operations in our high-tech park in Wujiang, China, the $22 million complex is now home to ISDN's consolidated operations in the mainland. Owing to its ideal entry point into China's thriving hi-tech and R&D ecosystem, the Park now offers office and industrial space solutions to new businesses, both local and foreign, who are gaining a foothold in China's vast economic frontier. The centralisation of ISDN's joint ventures and associates in one single location creates a vibrant business environment that allows for an exchange of know-how and synergies beyond the Group.

Sitting on 36,000 square metres of built-up area, the high-tech park is equipped with cutting-edge production capabilities and modern amenities, including staff dormitories, office space, warehouse, training and research & development facilities. We are now exploring the possibility of developing phase two which will add another 80 square metres to the built-up area for commercial use.

Board of Directors

Lim Siang Kai
Chairman and Independent Director

Mr Lim is currently the independent director of several other listed companies. Prior to joining the Board of ISDN Holdings Limited, Mr Lim held various positions in banks, financial services companies and a fund management company and has over 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

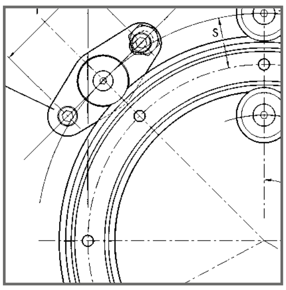
Mr Kong is in charge of all aspects of our business operations in the PRC, from charting and developing growth policies for our PRC businesses to managing the day-to-day operations of our subsidiaries in China. Mr. Kong began his career in a PRC government linked company involved in nuclear research 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.

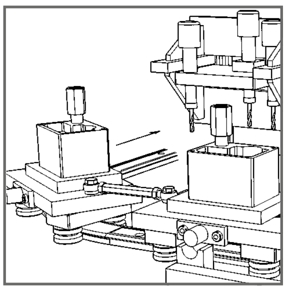
Soh Beng Keng
Independent Director

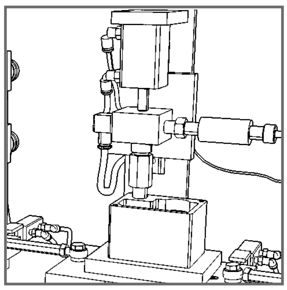
Mr Soh is currently the Independent Director of several other listed companies. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. He is also a full member of the Singapore Institute of Directors and a fellow member of the Institute of 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 and the Singapore Institute of Directors.







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.

Group Structure

ISDN Holdings LIMITED

- ISDN Industrial Park
- Centre of Excellence
- ENGINEERING
  - Engineering Solutions Motion Control
  - Other specialised engineering solutions
  - Industrial computing
- AGRICULTURE
- ENERGY

Directorship

Present Directorships

LIM SIANG KAI
Group companies
ISDN Holdings Limited

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

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

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

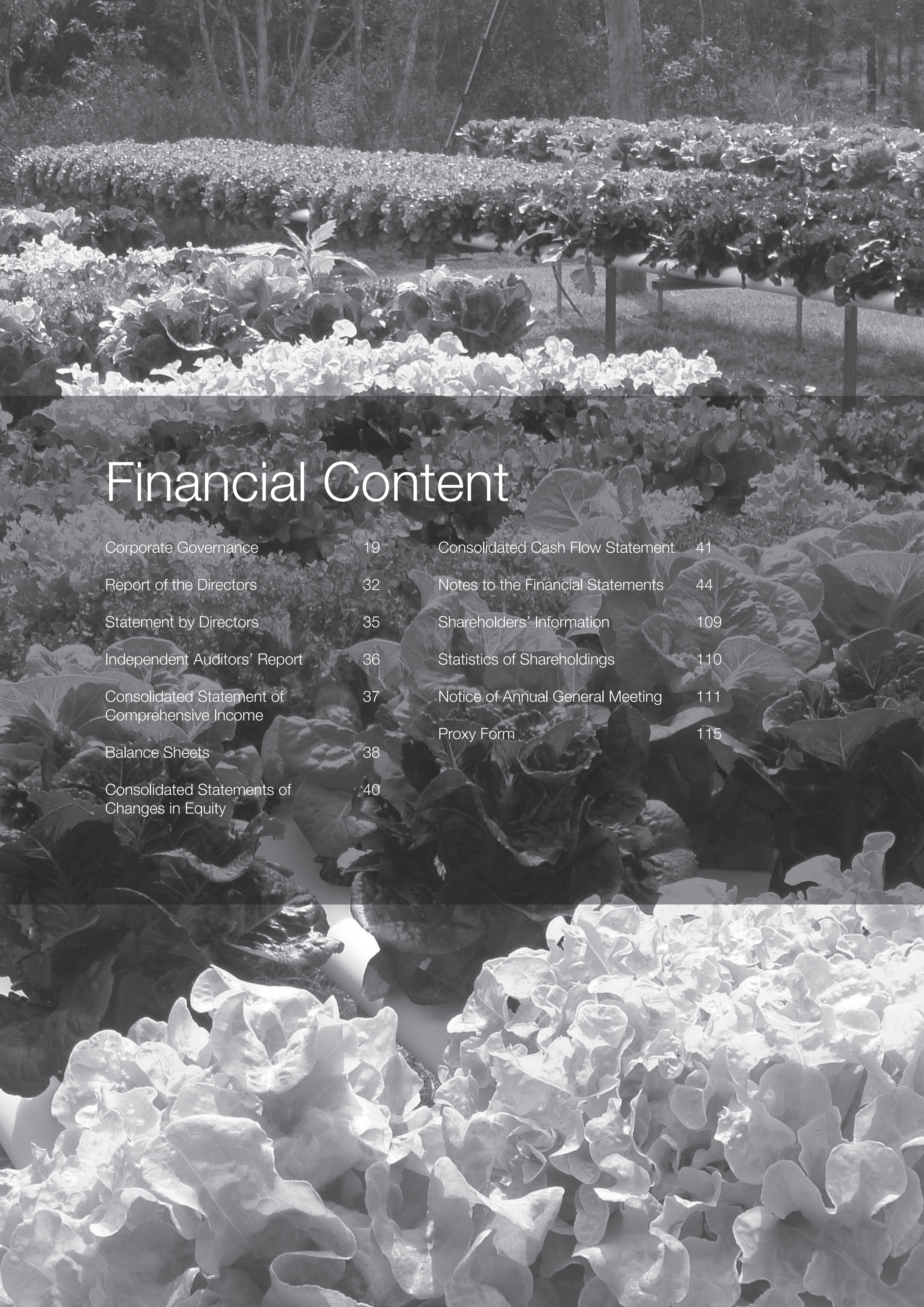
KONG DEYANG
Group companies
ISDN Holdings Limited
Accel Technologies (China) Co., Ltd
Beijing Beicheng Xinkong Ci Fu Technology Co., Ltd
Beijing Junyizhicheng Technology Developing Co.,Ltd
Chongqing Junzhi Automatic Instrument Control Co., Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., 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
Yamada Green Resources Limited
Ziwo Holdings Ltd

TAY GIM SIN LEONARD
Group companies
ISDN Holdings Limited

Other companies
Swiber Corporate Services Pte Ltd



Financial Content

Corporate Governance

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 2010 ("FY2010").

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.

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.

Corporate Governance

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	5	5	1	1
Directors		**Number of meetings attended**		
Teo Cher Koon	5	N/A	1	N/A
Kong Deyang	5	N/A	N/A	N/A
Tay Gim Sin Leonard	4	5	N/A	1
Lim Siang Kai	5	5	1	1
Soh Beng Keng	5	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

1 Board Matters (cont'd)

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

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.

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.

1 Board Matters (cont'd)

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

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.

2 Nominating Committee (cont'd)

Principle 4: Board Membership (cont'd)

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.

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

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.

4 Remuneration Matters (cont'd)

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

Primary functions to be performed by RC:

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme and ISDN Performance Share Scheme (the "Schemes") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

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 2010 are set out below:

	Number of Directors	
	2010	2009
$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	29	71	-	-	100
Kong Deyang	24	68	-	8	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	29	68	-	3	100
Individual B	47	49	-	4	100
Individual C	80	20	-	-	100
Individual D	65	30	-	5	100
Individual E	91	-	-	9	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)

(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	85	15	-	-	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$200,000 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

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.

5 Accountability and Audit (cont'd)

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.

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

6 Communication with Shareholders (cont'd)

Principle 15: Greater Shareholder Participation (cont'd)

- 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		
Sand Profile (Suzhou) Co., Ltd and Sand Profile (HK) Co., Ltd	820	-
Resem Technologies Pte Ltd	428	-
Teo Cher Koon	3,226	-

Corporate Governance

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 two weeks and one month before the announcement of ISDN's quarterly and full-year financial results respectively and ending on the day of the announcement of the quarterly and full-year results.

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

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

The Group has complied with Rule 1207(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 Rights Issue Proceeds

On 28 December 2010, the Company allotted and issued rights shares of 99,551,650 new ordinary shares in the capital of the Company at an issue price of S$0.105 for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company held by the shareholders of the Company.

The uses of the Rights proceeds as at 31 December 2010 are as follow:

Earmarked purpose	Amount set aside per Offer Information Statement ("OIS")	Amount used	Remaining amount
	S$'000	S$'000	S$'000
Hydroponics Business	2,000	-	2,000
Working capital	3,390	-	3,390
Expenses incurred in connection with the Rights Issue	140	140	-
Total	5,530	140	5,390

Report of the Directors

31 December 2010

The directors are pleased to present their report to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2010 and the balance sheet of the Company as at 31 December 2010.

1 Names of Directors

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

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

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

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

	Number of ordinary shares registered in the name of director		
	As at 1.1.2010	**As at 31.12.2010**	**As at 21.1.2011**
The Company -			
ISDN Holdings Limited			
Teo Cher Koon	107,193,500*	153,890,250*	153,890,250*
Kong Deyang	1,900,000	2,850,000	2,850,000
Tay Gim Sin Leonard	264,000	396,000	396,000
The holding company -			
Assetraise Holdings Limited			
Teo Cher Koon	1	1	1

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

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

4 Directors' Contractual Benefits

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

5 Share Options

Options Granted

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

Options Exercised

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

Options Outstanding

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

6 Audit Committee

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

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

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

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

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

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

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

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

6 Audit Committee (cont'd)

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

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

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

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

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

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

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

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

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

7 Independent Auditors

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

On behalf of the Board of Directors,

………………………………………
TEO CHER KOON

………………………………………
LIM SIANG KAI

Singapore
9 April 2011

Statement By Directors

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company together with the notes thereon, as set out on pages 37 to 108, 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 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

On behalf of the Board of Directors,

....

TEO CHER KOON

....

LIM SIANG KAI

Singapore
9 April 2011

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 37 to 108, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2010, 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore
9 April 2011

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2010

	Note	Group 2010	Group 2009
		S$'000	S$'000
Revenue	4	163,578	106,650
Cost of sales		(115,574)	(75,064)
Gross profit		48,004	31,586
Other operating income	5	2,162	831
Distribution costs		(13,322)	(10,710)
Administrative expenses		(17,976)	(13,408)
Other operating expenses		(3,684)	(2,767)
Finance costs	6	(982)	(869)
Share of profits (losses) of associates		518	(269)
Profit before income tax	7	14,720	4,394
Income tax	9	(4,029)	(2,071)
Profit for the year		10,691	2,323
Other comprehensive loss:			
Exchange differences on translation of foreign operations		(1,718)	(1,248)
Total comprehensive income for the year		8,973	1,075
Profit for the year attributable to:			
Equity holders of the Company		8,313	1,038
Non-controlling interests		2,378	1,285
		10,691	2,323
Total comprehensive income for the year attributable to:			
Equity holders of the Company		7,076	50
Non-controlling interests		1,897	1,025
		8,973	1,075
		Singapore cents	
Earnings per share:	10		
Basic		3.30	0.42
Diluted		3.30	0.42

The accompanying notes form an integral part of the financial statements

Consolidated Balance Sheet

As at 31 December 2010

	Note	Group 2010	Group 2009
		S$'000	S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	24,880	23,511
Investment properties	12	567	584
Intangible assets	13	232	1,166
Land use rights	14	1,502	1,591
Goodwill	15	11,686	11,760
Associates	17	2,177	945
Total non-current assets		41,044	39,557
Current Assets			
Assets held for sale	19	567	-
Inventories	20	25,819	19,907
Trade and other receivables	21	42,453	34,117
Cash and cash equivalents	22	28,955	18,980
Total current assets		97,794	73,004
Total Assets		138,838	112,561
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	44,855	34,542
Treasury shares	24	(340)	(340)
Reserves	25	24,387	17,301
		68,902	51,503
Non-controlling interests		5,563	5,622
Total Equity		74,465	57,125
Non-current liabilities			
Bank borrowings	26	8,155	10,309
Finance leases	27	99	121
Deferred income tax liabilities	28	46	49
Total non-current liabilities		8,300	10,479
Current Liabilities			
Bank borrowings	26	16,785	12,413
Finance leases	27	39	36
Trade and other payables	29	37,173	31,962
Current income tax liabilities		2,076	546
Total current liabilities		56,073	44,957
Total Liabilities		64,373	55,436
Total Liabilities and Equity		138,838	112,561

The accompanying notes form an integral part of the financial statements

Balance Sheet

As at 31 December 2010

	Note	Company 2010	Company 2009
		S$'000	S$'000
ASSETS			
Non-current Assets			
Subsidiaries	16	34,550	30,916
Associates	17	33	-
Total non-current assets		34,583	30,916
Current Assets			
Trade and other receivables	21	85	58
Amount owing by subsidiaries	16	3,637	2,316
Dividend receivable		4,750	3,383
Cash and cash equivalents	22	5,649	82
Total current assets		14,121	5,839
Total Assets		48,704	36,755
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	44,855	34,542
Treasury shares	24	(340)	(340)
Retained earnings	25	1,518	507
Total Equity		46,033	34,709
Current Liabilities			
Trade and other payables	29	2,671	2,046
Total current liabilities		2,671	2,046
Total Liabilities		2,671	2,046
Total Liabilities and Equity		48,704	36,755

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2010

	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Merger reserve**	**Exchange translation reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling 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 2010	34,542	(340)	(436)	(560)	1,488	16,809	51,503	5,622	57,125
Total comprehensive income for the year	-	-	-	(1,237)	-	8,313	7,076	1,897	8,973
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	50	50
Increase in non-controlling interests	-	-	-	-	-	(14)	(14)	14	-
Acquisition of non-controlling interests	-	-	-	(4)	-	28	24	(104)	(80)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	(310)	(310)
Rights issue	10,453	-	-	-	-	-	10,453	-	10,453
Share issue expense	(140)	-	-	-	-	-	(140)	-	(140)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,606)	(1,606)
Transfer to other reserves	-	-	-	-	257	(257)	-	-	-
Balance at 31 December 2010	44,855	(340)	(436)	(1,801)	1,745	24,879	68,902	5,563	74,465
Balance at 1 January 2009	34,542	-	(436)	428	1,352	16,404	52,290	5,185	57,475
Total comprehensive income for the year	-	-	-	(988)	-	1,038	50	1,025	1,075
Dilution of non-controlling interests	-	-	-	-	-	-	-	32	32
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	250	250
Dividends to non-controlling interests	-	-	-	-	-	-	-	(870)	(870)
Transfer to other reserves	-	-	-	-	136	(136)	-	-	-
Purchase of treasury shares (Note 24)	-	(340)	-	-	-	-	(340)	-	(340)
Dividends paid (Note 30)	-	-	-	-	-	(497)	(497)	-	(497)
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 2010

	2010	2009
	S$'000	S$'000
Cash Flows from Operating Activities		
Profit before income tax	14,720	4,394
Adjustments for:		
Amortisation of intangible assets	1,053	403
Amortisation of land use rights	24	23
Bad trade receivables written off	112	14
Depreciation of property, plant and equipment	1,631	1,126
Depreciation of investment properties	17	16
Allowance for inventory obsolescence	406	1,812
Allowance for impairment of trade receivables	329	217
Gain on disposal of property, plant and equipment	(3)	(8)
Gain on disposal/dilution of interests in subsidiaries	(67)	(41)
Property, plant and equipment written off	-	7
Inventories written off	599	179
Goodwill arising from acquisition of additional interest in subsidiaries written off	-	18
Investment in an associate written back	-	(7)
Interest expense	982	869
Interest income	(111)	(65)
Share of (profits) losses of associates	(518)	269
Unrealised currency translation differences	(286)	(658)
Operating cash flow before working capital changes	18,888	8,568
Changes in working capital:		
Inventories	(7,608)	576
Trade and other receivables	(5,992)	(7,879)
Trade and other payables	9,487	9,423
Cash generated from operations	14,775	10,688
Interest paid	(982)	(869)
Interest received	111	65
Income tax paid	(2,471)	(2,432)
Net cash generated from operating activities	11,433	7,452
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(4,634)	(10,346)
Increase in intangible assets	(219)	(789)
Increase in land use rights	-	(410)
Advances for construction facilities	(3,261)	-
Progress payments of properties under development	(204)	(267)
Proceeds from disposal of property, plant and equipment	102	8
Consideration for acquisition of interests from non-controlling interests	(80)	-
Cash (outflow)/inflow on disposal/dilution of interests in subsidiaries (Note A)	(71)	5
Funding to investee company	(429)	-
Dividend from an associate	40	-
Net cash used in investing activities	(8,756)	(11,799)

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

For the Financial Year Ended 31 December 2010

	2010	2009
	S$'000	S$'000
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	-	(497)
Dividends to non-controlling interests before acquisition	-	(1,000)
Dividends to non-controlling interests	(197)	(870)
Investment in subsidiaries by non-controlling interests	-	250
Amount due to an associate	50	-
Amount owing to minority shareholder	451	50
Loans to associates	(282)	(57)
Loan to a joint venture	112	(227)
Loan from a joint venture	(49)	105
Purchase of treasury shares	-	(340)
Proceeds from bank loans	5,772	15,173
Repayments of bank loans	(6,194)	(1,114)
Proceeds from (Repayment of) short term loans (net)*	2,882	(4,904)
Rights issue proceeds (net of expenses)	5,388	-
Proceeds from trust receipts	105	906
Repayment of finance leases	(16)	(39)
Net cash generated from financing activities	8,022	7,436
Net increase in cash and cash equivalents	10,699	3,089
Cash and cash equivalents at beginning of year	18,174	15,312
Effect of currency translation on cash and cash equivalents	(373)	(227)
Cash and cash equivalents at end of year (Note 22)	28,500	18,174

* 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 2010

Note A:

2010

As disclosed in Note 16, the Group's effective interest in, JM Vistec System (Pte) Ltd ("JM Spore") and its subsidiary, JM Vistec (Suzhou) Co., Ltd ("JM Suzhou")(collectively referred to as the "JM Vistec Group"), was reduced from 67% to 40% during the current financial year. The decrease had occurred on the account of disposal of 27% effective interest from the Group, to the non-controlling interests of JM Spore for a consideration of S$300,000.

2009

The Group's effective interest in a subsidiary, DKM South Asia Pte Ltd ("DKM"), was diluted from 52.5% to 35.0% during the previous financial year. The dilution had occurred on the account of additional capital contribution by a minority shareholder of DKM.

The effects of the above disposal/dilution of interests in subsidiaries on the consolidated cash flows of the Group for the financial years ended 31 December 2010 and 2009 were as follows:

	Disposal 2010 S$'000	**Dilution 2009 S$'000**
Property, plant and equipment	50	50
Goodwill arising from acquisition of JM Spore and JM Suzhou	74	-
Inventories	691	94
Trade and other receivables	1,394	31
Trade and other payables	(1,263)	(198)
Income tax liabilities	(33)	-
Deferred tax liabilities	-	(3)
Bank borrowings	(216)	-
Cash and cash equivalents	291	(5)
Identifiable net assets	988	(31)
Derecognised of non-controlling interests	(310)	15
Share of losses equity accounted for as an associate	-	(25)
Identifiable net assets on disposal/dilution	678	(41)
Fair value of investment retained transferred to associates	(445)	-
Gain on disposal/dilution of subsidiaries	67	41
Disposal consideration	300	-
Less: Cash consideration receivable	(80)	-
Less: Cash and cash equivalents on disposal/dilution	(291)	5
Cash (outflow)/inflow on disposal/dilution of interests in subsidiaries	(71)	5

Notes to the Financial Statements

31 December 2010

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

1 General

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

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

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

The financial statements for the financial year ended 31 December 2010 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.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Adoption of New/Revised FRS which are effective

The Group has adopted the following revised standards which are effective and relevant to the Group as of 1 January 2010:

(i) FRS 103 (Revised) "Business Combinations" – The revised standard has been applied prospectively and will affect the accounting for business combination for which the acquisition date is on or after the adoption of the revised standard.

The impact of the application of the revised standard is:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

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

(a) Basis of Preparation (cont'd)

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

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of twelve months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

(ii) FRS 27 (Revised) "Consolidated and Separate Financial Statements" – The revised standard is a result of consequential amendments to changes to FRS 103 (Revised). The revised standard requires a) 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 and losses, b) when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss, and c) losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest's share in the subsidiary's equity. The revised standard has been applied prospectively and the effect on the financial statements on adoption is described below.

(iii) FRS 28 (Revised) "Investment in Associates" – The principle adopted under FRS 27 (Revised) (see (ii) above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to FRS 28. Therefore, when significant influence over an associate is lost, any remaining investment retained in the former associate is measured at fair value, with any consequential gain or loss recognised in profit or loss.

(iv) Amendments to FRS 17 "Leases" – The amendments remove the specific guidance on classifying land as a lease so that only the general guidance remains.

On adoption of the revised amended standards set out in (i) to (iv) above, the Group changed its accounting policies where relevant (see Note 3(a)(i) and 3(a)(ii)), but the changes had no effect on the financial performance and financial position of the Group for the financial year ended 31 December 2010 except for the adoption of FRS 27 (Revised), which has affected the accounting of the Group's transactions with non-controlling interests in certain subsidiaries in the current financial year (see Note 16). However, the impact is not material to the Group's financial statements for the financial year ended 31 December 2010 as set out in Note 16.

Notes to the Financial Statements

31 December 2010

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are not yet effective

At the date of these financial statements, the following revised or amended standards which have been issued and are relevant to the Group but are not yet effective:

		Effective for accounting periods beginning on or after
FRS 24 (Revised)	Related Party Disclosures	1 January 2011
FRS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2010
FRS 103 (Amendment)	Business Combinations	1 July 2010
FRS 107 (Amendment)	Financial Instruments: Disclosures	1 January 2011

Except for FRS 24 (Revised), FRS 103 (Amendment) and FRS 107 (Amendment), the adoption of the other amended standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes on adoption of FRS 24 (Revised), FRS 103 (Amendment) and FRS 107 (Amendment) is discussed below:

(i) FRS 24 (Revised), "Related Party Disclosures" - The revised standard provides a partial exemption for government-related entities. If a government controlled or significantly influenced an entity, the entity requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. This balance is achieved by requiring disclosure about these transactions only if they are individually or collectively significant. The amendment also provides a revised definition of a related party that is simplified and removes inconsistencies. The amendment is unlikely to have material impact on the related party transaction disclosures on initial application.

(ii) FRS 103 (Amendment) "Businsess Combinations – As part of the 2010 Annual Improvements to FRSs". The amendments clarify that

- the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

- contingent consideration arrangements arising from business combinations with acquisition dates preceding the application of FRS 103 (Revised) are to be accounted for in accordance with the guidance in the previous version of FRS 103, at initial recognition, i.e contingent consideration is recognised at fair value if it is deemed to be probable of payment and can be measured reliably at the date of the acquisition.

  All subsequent changes in the contingent consideration are adjusted against the cost of combination. Under FRS 103 (Revised), at initial recognition, contingent consideration is now required to be recognised at fair value even if it is deemed not to be probable of payment at the date of the acquisition. All subsequent changes in debt contingent consideration are recognised in profit or loss, rather than the goodwill.

The above amendments will affect the accounting for business combination for which the acquisition date is on or after the adoption of the amended standard.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are not yet effective (cont'd)

(iii) FRS 107 (Amendment) "Financial Instruments: Disclosures – As part of the 2010 Annual Improvements to FRSs". The amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. As this is a disclosure standard, it will have no impact on the financial performance and financial position of the Group on initial application.

(b) Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these judgements and estimates and are based on historical experience and other relevant factors, including management's expectation of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement are summarised below:

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2010 was S$24,880,000 (2009: S$23,511,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these property, plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such estimate has been changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will decrease/increase by approximately S$163,000 (2009: S$113,000).

2 Basis of Preparation (cont'd)

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

(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 15). Changes to the estimates and assumptions could result in changes in the carrying amount of the goodwill. The carrying amount of the goodwill arising from acquisition of subsidiaries and joint ventures as at 31 December 2010 was S$11,686,000 (2009: S$11,760,000).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries and joint ventures assessed as at 31 December 2010 (2009: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

If the management's estimated pre-tax discount rates applied to the discounted cash flows for the cash-generating units as at 31 December 2010 is increased by 1% (2009: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the goodwill.

(iii) 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$4,029,000 (2009: S$2,071,000) for the financial year ended 31 December 2010. The carrying amounts of the Group's current income tax liabilities and deferred income tax liabilities as at 31 December 2010 were S$2,076,000 (2009: S$546,000) and S$46,000 (2009: S$49,000) respectively.

Critical judgements in applying accounting policies

(i) Allowance for inventory obsolescence

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

During the financial year, the Group recognised an allowance for inventory obsolescence of S$406,000 (2009: S$1,812,000) (Note 7). In addition, certain inventories which became obsolete and unusable amounted to S$599,000 (2009: S$179,000) (Note 7) were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2010 was S$25,819,000 (2009: S$19,907,000).

2 Basis of Preparation (cont'd)

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

Critical judgements in applying accounting policies (cont'd)

(ii) Impairment of trade receivables

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

During the financial year, the Group recognised an allowance for impairment loss on trade receivables of S$329,000 (2009: S$217,000) (Note 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$112,000 (2009: S$14,000) (Note 7) were written off during the financial year. The carrying amount of the Group's allowance for impairment of trade receivables as at 31 December 2010 was S$627,000 (2009: S$317,000) (Note 37(a)(iii)) and the carrying amount of the Group's trade receivables was S$31,681,000 (2009: S$28,723,000).

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) Subsidiaries

Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition of businesses

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

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

Acquisition-related costs are expensed as incurred.

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

In business combinations achieved in stages, the Group recognises any non- controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

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

Disposals of subsidiaries or businesses

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

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

Transactions with non-controlling interest

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

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Transactions with non-controlling interest (cont'd)

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

(ii) Associates

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(ii) Associates (cont'd)

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

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

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

(iii) Joint Ventures

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

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

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

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

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

(b) Foreign Currencies

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

3 Summary of Significant Accounting Policies (cont'd)

(b) Foreign Currencies (cont'd)

Transactions and balances

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

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

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

Translation of group entities' financial statements

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

- assets and liabilities are translated at the closing exchange rates at the reporting date;

- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

- all resulting currency translation differences are recognised in the exchange translation reserve.

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

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

3 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(d) Investment Properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of investment properties over their remaining useful lives of 45 years. Cost includes purchase price, appropriate legal fees and stamp duty.

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

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

(e) Land Use Rights

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

(f) Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

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

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's cash-generating-units ("CGU") that are expected to benefit from synergies arising from the business combination.

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

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

3 Summary of Significant Accounting Policies (cont'd)

(g) Intangible Assets

Research and development costs

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

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

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

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

(h) Investments in Subsidiaries, Joint Ventures and Associates

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

(j) Inventories

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

(k) Trade and Other Receivables

Trade and other receivables, including amounts due from subsidiaries, are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate 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 the 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 the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

(l) Cash and Cash Equivalents

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

3 Summary of Significant Accounting Policies (cont'd)

(m) Trade and Other Payables

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

(n) Interest-bearing Loans and Borrowings

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

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

(o) Assets Under Hire Purchase Arrangements

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

(p) Share Capital

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

(q) Treasury Shares

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(r) Financial Guarantees

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are amortised to profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amounts with the difference charged to profit or loss.

(s) Revenue Recognition

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

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

Sale of goods

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

Interest income

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

Dividend income

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

(t) Employee Benefits

Defined contribution plans

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

Employee leave entitlements

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

3 Summary of Significant Accounting Policies (cont'd)

(u) Operating Leases

As lessor

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

Contingent rents are recognised as revenue in the period in which they are earned.

As lessee

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

Contingent rents are recognised as an expense in the period in which they are incurred.

(v) Income Tax

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

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

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

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

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

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

3 Summary of Significant Accounting Policies (cont'd)

(w) 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.

(x) Dividends to Company's shareholders

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

4 Revenue

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

5 Other Operating Income

	Group	
	2010	**2009**
	S$'000	S$'000
Bad trade receivables recovered	37	2
Commission income	917	275
Gain on disposal of property, plant and equipment	3	8
Gain on disposal/dilution of interests in subsidiaries	67	41
Finance income:		
- interest on bank deposits	99	65
- interest on loan to an associate	12	-
Investment in an associate written back	-	7
Miscellaneous income	184	86
Operating lease rental income		
- investment properties	45	39
- sub-let office/warehouse premises	84	-
Property management income	87	-
Technical service income	627	308
	2,162	831

Notes to the Financial Statements

31 December 2010

6 Finance Costs

	Group 2010	Group 2009
	S$'000	S$'000
Interest expense on:		
- bank overdrafts	34	20
- bank loans	915	833
- trust receipts	26	6
- finance leases	7	10
	982	869

7 Profit before Income Tax

	Group 2010	Group 2009
	S$'000	S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of intangible assets (Note 13)	1,053	403
Amortisation of land use rights	24	23
Depreciation of property, plant and equipment		
- recognised in cost of sales	265	170
- recognised in distribution costs	89	52
- recognised in administrative expenses	1,277	904
	1,631	1,126
Depreciation of investment properties	17	16
Other operating expenses included:		
- bad trade receivables written off	112	14
- allowance for inventory obsolescence	406	1,812
- allowance for impairment of trade receivables	329	217
- property, plant and equipment written off	-	7
- inventories written off	599	179
- foreign exchange loss, net	1,161	115
Directors' fees	100	100
Goodwill arising from acquisition of additional interest in subsidiaries written off	-	18
Operating lease rental expense	934	1,163

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2010 (2009: Nil).

8 Employee Benefits

	Group 2010 S$'000	Group 2009 S$'000
Directors' remuneration		
- salaries and related costs	2,351	965
- defined contribution plans	11	8
Key management personnel (other than directors)		
- salaries and related costs	3,400	3,435
- defined contribution plans	293	294
Other than directors and key management personnel		
- salaries and related costs	9,795	7,838
- defined contribution plans	1,761	1,131
	17,611	13,671

9 Income Tax

	Group 2010 S$'000	Group 2009 S$'000
Current income tax	3,896	2,104
Deferred taxation (Note 28)	(6)	-
	3,890	2,104
Under(Over) provision in respect of prior years:		
- current income tax	139	(28)
- deferred taxation (Note 28)	-	(5)
	4,029	2,071

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

	Group 2010 S$'000	Group 2009 S$'000
Profit before income tax	14,720	4,394
Income tax calculated at applicable tax rates	3,196	1,084
Non-deductible expenses	677	599
Singapore statutory stepped income exemption	(106)	(118)
Deferred tax assets not recognised	278	552
Utilisation of deferred tax benefits previously not recognised	(148)	(8)
Share of results of associates	(33)	(5)
Under(Over) provision in respect of prior years:		
- current income tax	139	(28)
- deferred taxation	-	(5)
	4,029	2,071

9 Income Tax (cont'd)

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2009: 17%).

The corporate tax rate applicable to those entities of the Group incorporated in Malaysia is 25% (2009: 25%).

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

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

<u>*Unrecognised tax losses*</u>

As at 31 December 2010, the Group has unutilised tax losses of approximately S$4,975,000 (2009: S$4,433,000) which can be carried forward and used to offset against future taxable income of those Group entities in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. Deferred tax asset arising from these unutilised tax losses carry forward has not been recognised in accordance with the Group's accounting policy stated in Note 3(v). The deferred tax asset not recognised is estimated to be S$1,432,000 (2009: S$1,276,000).

<u>*Unrecognised temporary differences relating to investments in subsidiaries and joint ventures*</u>

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

As at 31 December 2010, no deferred tax liability (2009: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures in PRC as:

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

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

Such temporary difference for which no deferred tax liability has been recognised aggregate to S$13,113,000 (2009: S$9,500,000). The deferred tax liability is estimated to be S$1,311,000 (2009: S$950,000).

10 Earnings Per Share

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to the equity holders of the Company dividend by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares. Further, as disclosed in Note 23, the Company had a Rights Issue during the current financial year and pursuant to the terms of the Rights Issue, the Company issued the Rights Shares at less than the full market price which the Rights Issue is deemed to be equivalent to a public issue at full market price plus a bonus issue in accordance with FRS 33 Earnings per Share. Accordingly, the notional bonus element in the Rights Issue has been adjusted retroactively as if it has come into existence on 1 January 2010 when computing the weighted average number of ordinary shares outstanding as at 31 December 2010 for the purpose of calculating the basic earnings per share.

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

	Group	
	2010	**2009**
Profit for the year attributable to equity holders of the Company (S$'000)	8,313	1,038
Weighted average number of ordinary shares outstanding for basic earnings per share computation	251,682,886	249,015,817
Basic earnings per share (Singapore cents)	3.30	0.42*

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares as at 31 December 2010 and 2009.

* Previous financial year's earnings per share has been retrospectively adjusted for the notional bonus element in the Rights Issue of the current financial year, and consequently, the basic earnings per share for the previous financial year ended 31 December 2009 has been revised from 0.52 Singapore cents to 0.42 Singapore cents.

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11 Property, Plant and Equipment

	Freehold land	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
Group									
2010									
Cost									
Balance at 1 January 2010	558	141	19,942	568	1,567	1,893	3,792	714	29,175
Additions	-	-	2,739	240	285	912	458	-	4,634
Disposals	-	-	-	-	(138)	(65)	(112)	-	(315)
Written off	-	-	-	-	-	-	(28)	-	(28)
Disposal of interests in subsidiaries	-	-	-	(21)	(22)	(7)	(82)	-	(132)
Transfer to assets held for sale (Note 19)	(567)	-	-	-	-	-	-	-	(567)
Translation adjustment	9	3	(742)	(65)	(47)	(63)	(76)	(67)	(1,048)
Balance at 31 December 2010	-	144	21,939	722	1,645	2,670	3,952	647	31,719
Accumulated depreciation									
Balance at 1 January 2010	-	52	1,055	331	794	764	2,668	-	5,664
Depreciation for the year	-	3	625	105	196	297	405	-	1,631
Disposals	-	-	-	-	(102)	(18)	(96)	-	(216)
Written off	-	-	-	-	-	-	(28)	-	(28)
Disposal of interests in subsidiaries	-	-	-	(16)	(8)	(3)	(55)	-	(82)
Translation adjustment	-	(1)	4	(54)	(16)	(20)	(43)	-	(130)
Balance at 31 December 2010	-	54	1,684	366	864	1,020	2,851	-	6,839
Net book value									
Balance at 31 December 2010	-	90	20,255	356	781	1,650	1,101	647	24,880

11 Property, Plant and Equipment (cont'd)

	Freehold land	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
Group									
2009									
Cost									
Balance at 1 January 2009	552	143	5,132	496	1,422	1,605	3,605	6,352	19,307
Additions	-	-	9,229	53	190	363	373	138	10,346
Disposals	-	-	-	(15)	-	(5)	(62)	-	(82)
Written off	-	-	-	-	-	-	(17)	-	(17)
Reclassification	-	-	5,747	-	-	-	-	(5,747)	-
Translation adjustment	6	(2)	(166)	34	(45)	(70)	(107)	(29)	(379)
Balance at 31 December 2009	558	141	19,942	568	1,567	1,893	3,792	714	29,175
Accumulated depreciation									
Balance at 1 January 2009	-	50	867	212	618	549	2,397	-	4,693
Depreciation for the year	-	3	188	86	203	242	404	-	1,126
Disposals	-	-	-	(8)	-	(1)	(73)	-	(82)
Written off	-	-	-	-	-	(5)	(5)	-	(10)
Translation adjustment	-	(1)	-	41	(27)	(21)	(55)	-	(63)
Balance at 31 December 2009	-	52	1,055	331	794	764	2,668	-	5,664
Net book value									
Balance at 31 December 2009	558	89	18,887	237	773	1,129	1,124	714	23,511

Notes to the Financial Statements

31 December 2010

11 Property, Plant and Equipment (cont'd)

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

Description and location	Gross Area (approximately)	Use	Encumbrance
Freehold building			
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Office, workshop and warehouse	None
Leasehold properties			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 1128 Jiangxing East Road Wujiang Economic Development Zone People's Republic of China	387,500 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2010, the net book value of the mortgaged properties set out above (other than the freehold building), to secure the Group's bank borrowings as disclosed in Note 26 was S$20,255,000 (2009: S$19,445,000).

As at 31 December 2010, the net book value of motor vehicles and office equipment of the Group held under finance leases was S$137,000 (2009: S$167,000).

12 Investment Properties

	Group 2010	Group 2009
	S$'000	S$'000
Cost		
Balance at 1 January and 31 December	834	834
Accumulated depreciation		
Balance at 1 January	250	234
Depreciation for the year	17	16
Balance at 31 December	267	250
Net book value		
Balance at 31 December	567	584

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$731,000 (2009: 610,000) as at the balance sheet date based on directors' valuation.

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

As at 31 December 2010, the investment properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 26.

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S$45,000 (2009: S$39,000); and direct operating expenses amounted to S$9,000 (2009: S$8,000).

13 Intangible Assets

	Group	
	2010	**2009**
	S$'000	S$'000
Cost		
Balance at 1 January	1,743	1,014
Additions for the year	219	789
Translation adjustment	(130)	(60)
Balance at 31 December	1,832	1,743
Accumulated amortisation		
Balance at 1 January	577	182
Amortisation for the year	1,053	403
Translation adjustment	(30)	(8)
Balance at 31 December	1,600	577
Net book value		
Balance at 31 December	232	1,166

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.

For projects completed during the financial year, their remaining unamortised deferred development costs which amounted to S$805,000 (2009: Nil) were fully charged to profit or loss as part of the annual amortisation.

14 Land Use Rights

	Group	
	2010	**31.12.2009**
	S$'000	S$'000
Cost		
Balance at 1 January	1,631	1,234
Additions for the year	-	410
Translation adjustment	(63)	(13)
Balance at 31 December	1,568	1,631
Accumulated amortisation		
Balance at 1 January	40	17
Amortisation for the year	24	23
Translation adjustment	2	-
Balance at 31 December	66	40
Net book value		
Balance at 31 December	1,502	1,591
Amount to be amortised:		
- not later than one year	35	24
- later than one year but not later than five years	140	96
- later than five years	1,327	1,471
	1,502	1,591

The land use rights relates to two parcels of state-owned land situated in the PRC.

As at 31 December 2010, the net book value of the land use rights set out above that are mortgaged to secure the Group's bank borrowings as disclosed in Note 26 was S$743,000 (2009: S$772,000).

15 Goodwill

	Group 2010	Group 2009
	S$'000	S$'000
Balance at 1 January	11,760	11,760
Disposal of interests in subsidiaries	(74)	-
Balance at 31 December	11,686	11,760

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 under the respective reportable operating segments as set out below.

	Group 2010	Group 2009
	S$'000	S$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd	75	75
- TDS Technology (S) Pte Ltd	2,103	2,103
	2,178	2,178
Other Specialised Engineering Solutions		
- JM Vistec System Pte Ltd	-	48
- JM Vistec (Suzhou) Co., Ltd	-	26
- Dirak Asia Pte Ltd	9,508	9,508
	11,686	11,760

The Group assessed the recoverable amount of goodwill based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 5% (2009: 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 pre-tax discount rates used ranged from 5% to 8% and 5.5% (2009: 5% to 8% and 5.5%) for Engineering Solutions – Motion Control segment and Other Specialised Engineering Solutions segment, respectively and have been applied to the cash flows. Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

16 Subsidiaries

	Company 2010	Company 2009
	S$'000	S$'000
Non-current assets		
Equity shares, at cost	22,849	17,924
Loans to subsidiaries	11,701	12,992
	34,550	30,916
Current assets		
Amount owing by subsidiaries	3,637	2,316

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

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

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

Name	Country of incorporation/ principal place of business	Cost of investment by the Company 2010	Cost of investment by the Company 2009	Effective equity interest held by the Group 2010	Effective equity interest held by the Group 2009	Principal activities
		S$'000	S$'000	%	%	
Held by the Company						
Motion Control Group Pte Ltd(1)	Singapore	18,902	13,977	100	100	Investment holding
Servo Dynamics Pte Ltd(1)	Singapore	2,512	2,512	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
ISDN Investments Pte Ltd(1)(7)	Singapore	*	-	100	-	Provision of technical consultancy, training services, and management services.
		22,849	17,924			

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2010	Effective equity interest held by the Group 2009	Principal activities
		%	%	
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
Servo Engineering (M) Sdn Bhd(3)(9)	Malaysia	90	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)(4)	Singapore	-	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

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16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2010 %	Effective equity interest held by the Group 2009 %	Principal activities
Held by Motion Control Group Pte Ltd (cont'd)				
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
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]	People's Republic of China	95.33	95.33	Manufacturing and selling of machines for bending and cutting fully-automatic coil wire
DBASIX Singapore Pte Ltd[1][8]	Singapore	51.92	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]	People's Republic of China	100	100	Management of ISDN High-Tech Industrial Park in Wujiang, China
Accel Technologies (China) Co., Ltd[2]	People's Republic of China	100	100	Manufacturing of special purpose motors and provision of engineering solutions
SD Offshore Pte Ltd[1][7]	Singapore	100	-	Provide electromechanical and hydraulic products and engineering services on board ships, oil rigs and to general industries

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2010	2009	Principal activities
		%	%	
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
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)(4)]	People's Republic of China	-	67	Trading and supplying of vision related products and industrial automation solutions

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2010	2009	
		%	%	
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
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd[2][8]	People's Republic of China	51.92	53.75	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd[3][8]	Malaysia	46.73	43	Sale of aluminum profiles, actuators and related components
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd[1]	Singapore	52.02	52.02	Industrial plant engineering services
TDS Technology (Penang) Sdn Bhd[3]	Malaysia	48.96	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
TDS Technology (KL) Sdn Bhd[3]	Malaysia	48.96	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
Held by ISDN Investments Pte Ltd				
Ell-Gro Hydroponics Pte Ltd[1][7]	Singapore	100	-	Hydroponics and high tech farming
RLM Pte Ltd[1][5][7]	Singapore	50	-	Providing resource and logistics management and services relating to mining and natural resources business. Providing financing for resource and logistics management and services relating to mining and natural resources business
Held by Ell-Gro Hydroponics Pte Ltd				
Ell-Gro Farms Sdn Bhd[3][7]	Malaysia	100	-	Hydroponics and high tech farming
Ell-Gro Farms Suzhou Co., Ltd[2][7]	People's Republic of China	100	-	Hydroponics and high tech farming

* Less than $1,000
(1) Audited by Moore Stephens LLP Singapore
(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) Disposal of interests in subsidiaries (see details below)
(5) With management control over the financial and operating policy decisions
(6) Audited by Kannan and Alamelu
(7) Incorporated during the financial year
(8) Dilution of interests in subsidiaries (see details below)
(9) Acquisition of interests from non-controlling interests (see details below)

16 Subsidiaries (cont'd)

Incorporation of new subsidiaries

(i) 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.

(ii) In May 2010, the Company incorporated a wholly owned subsidiary, ISDN Investments Pte. Ltd. ("ISDN Investments"), in Singapore with a paid up capital of S$1.

(iii) In May 2010, the Company's wholly owned subsidiary, ISDN Investments, incorporated a wholly owned subsidiary, Ell-Gro Hydroponics Pte. Ltd. ("Ell-Gro"), in Singapore with a paid-up capital of S$250,000.

(iv) In July 2010, the Group's wholly owned subsidiary, Ell-Gro, incorporated Ell-Gro Farms Sdn Bhd ("Ell-Gro Msia") in Malaysia with paid up capital of MYR600,000 (equivalent to approximately S$250,000).

(v) In August 2010, the Group's wholly owned subsidiary, Ell-Gro, incorporated a wholly owned subsidiary, Ell-Gro Farms Suzhou Co., Ltd ("Ell-Gro Suzhou"), in the People's Republic of China with an initial paid-up capital of USD200,000 (equivalent to approximately S$260,000). As at 31 December 2010, the Group has contributed approximately S$131,000 (equivalent to USD100,000) towards the paid-up capital of Ell-Gro Suzhou.

(vi) In October 2010, the Group's wholly owned subsidiary, ISDN Investments, incorporated a new company, RLM Pte. Ltd. ("RLM"), with a paid-up share capital of S$100,000. At the date of incorporation, ISDN Investments held 25% of the entire issued and paid-up share capital of RLM, and subsequently in November 2010, ISDN Investments acquired an additional 25% interest from one of the other shareholders of RLM at a consideration of S$1, including paid-up capital S$25,000 due from the selling shareholder to be contributed by ISDN Investments. Accordingly, the Group has 50% effective interest in RLM as at 31 December 2010 and regards RLM as a subsidiary of the Group as the Group has management control over the financial and operating policy decisions of RLM.

Additional investment in subsidiary

During the financial year, the Company increased its investment in Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary, by S$4,925,000 via the capitalisation of the same amount due from the MCG to the Company in connection with the settlement made by the Company on behalf of MCG for the payable amount to a director of the Company, the details of which are disclosed in Notes 23 and 29.

Dilution of interests in subsidiaries

As at 31 December 2009, the Group had an effective interest of 53.75% in DBASIX Singapore Pte Ltd ("DBASIX Singapore") and its subsidiaries ("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.

16 Subsidiaries (cont'd)

Dilution of interests in subsidiaries (cont'd)

Accordingly, the Group's effective interest in the DBASIX Group was 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 additional capital of approximately S$106,000 (equivalent to 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%.

The above transactions did not result in loss of control in the current year, and accordingly, the dilution of interests in the DBASIX Group has been accounted for as equity transactions.

Transactions with non-controlling interests

(i) Acquisition of interests from non-controlling interests

During the financial year, the Group via its wholly owned subsidiary Motion Control Group Pte Ltd, acquired an addition 15% equity interest in Servo Engineering Sdn Bhd from the non-controlling interests for a consideration of S$80,000, and accordingly, the Group's effective interest in Servo Engineering Sdn Bhd increased from 75.00% to 90.00%.

As disclosed in Note 2(a), the adoption of FRS 27 (Revised) affects the accounting of the above transactions with non-controlling interests that did not result in loss of control in the current year. The change of accounting resulted in the difference of S$24,000 between the consideration paid of S$80,000 and the non-controlling interests derecognised of S$104,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting has resulted in a decrease in the profit for the year amounted to S$24,000.

The following summarises the effect of the change of the Group's effective interest in Servo Engineering Sdn Bhd on the equity attributable to equity holder of the Company:

	2010
	S$'000
Consideration paid for acquisition of non-controlling interests	80
Decrease in equity attributable to non-controlling interests	104
Increase in equity attributable to equity holder of the Company	24

(ii) Disposal of interests in subsidiaries

The Group's effective interest in JM Vistec System Pte Ltd ("JM Spore") and its subsdiary, JM Vistec Suzhou Co., Ltd (collectively referred to as the "JM Vistec Group"), was reduced from 67% to 40% during the financial year. The decrease occurred on the account of acquisition of 27% effective interests from the Group, by a non-controlling interest of JM Spore for a consideration of S$300,000. Accordingly, the JM Vistec Group has been reclassified as associates of the Group.

16 Subsidiaries (cont'd)

Transactions with non-controlling interests (cont'd)

(ii) Disposal of interests in subsidiaries (cont'd)

As disclosed in Note 2(a), the adoption of FRS 27 (Revised) affects the accounting of the above transactions with non-controlling interests that resulted in loss of control during the year. The change in accounting requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Further, the retained interest in former subsidiaries is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss. The change of accounting has resulted in the retained interest in the JM Group to be recognised at its fair value of S$445,000 and the gain on disposal of interests in subsidiaries recognised in profit or loss amounted to S$67,000.

17 Associates

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$'000	S$'000	S$'000	S$'000
Equity shares, at cost	1,688	1,193	-	-
Share of post-acquisition profits (losses)	400	(118)	-	-
Share of dividends paid	(40)	-	-	-
Share of pre-acquisition losses on acquisition	(142)	(142)	-	-
Translation adjustment	(100)	(76)	-	-
	1,806	857	-	-
Loans to associates	371	88	33	-
	2,177	945	33	-

As at 31 December 2010, investment in associates includes goodwill of S$125,000 (2009: S$125,000).

In May 2010, JM Vistec Pte Ltd declared and paid tax-exempt (one-tier) interim dividend of S$0.44 per ordinary share in respect of the financial year ended 31 December 2010.

Loans to associates are unsecured, interest-free and repayable on demand except for certain loans of S$250,000 (2009: Nil) which bore interest at 6% (2009: Nil) per annum.

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

	Group	
	2010	**2009**
	S$'000	S$'000
Assets and Liabilities:		
- total assets	10,484	6,207
- total liabilities	7,157	4,341
Results:		
- revenue	20,637	9,219
- profit (loss) for the year	963	(188)

17 Associates (cont'd)

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

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2010	2009	2010	2009	
		S$'000	S$'000	%	%	
Held by the Company						
W2Energy Pte Ltd[(1)]	Singapore	*	*	35	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)]	Singapore	105	105	35	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
JM Vistec System Pte Ltd[(1)(7)]	Singapore	445	-	40	-	Trading and supplying of vision related products and industrial automation solutions
Schneeberger Linear Technology Pte Ltd[(6)(9)]	Singapore	50	-	50	-	Marketing, sale, customisation, application engineering, technical support and after sale services for Schneeberger brand of motion control products

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2010	2009	2010	2009	
		S$'000	S$'000	%	%	
Held by TDS Technology (S) Pte Ltd						
TDS Technology (Thailand) Co., Ltd(2)	Thailand	62	62	30	30	Trading of electrical and electronic equipment
		1,688	1,193			
Held by JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd(2)(7)	People's Republic of China	-	-	40	-	Trading and supplying of vision related products and industrial automation solutions
JM Vision Technologies Co., Ltd(3)(8)	Republic of China (Taiwan)	-	-	40	-	Trading and supplying of vision related products and industrial automation solutions

* 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) Reclassification from subsidiaries (see details in Note 16)

(8) In August 2010, the Group's associated company, JM Vistec Pte Ltd, incorporated a wholly owned subsidiary, JM Vision Technologies Co., Ltd with a registered capital of TWD1.2 million (equivalent to approximately S$54,000).

(9) In December 2010, the Group's wholly owned subsidiary, Motion Control Group Pte Ltd, in collaboration with Schneeberger AG, incorporated a new company, Schneeberger Linear Technology Pte. Ltd. ("Schneeberger") with a paid-up share capital of S$100,000. The Group holds 50% of the entire issued and paid-up share capital of Schneeberger.

Notes to the Financial Statements

31 December 2010

18 Joint Ventures

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

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2010 %	2009 %	Principal activities
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 Ernst & Young LLP for FRS consolidated purposes

(2) Audited by member firms of Ernst & Young LLP Global for FRS consolidation purposes

(3) Unaudited as statutory report is not required

18 Joint Ventures (cont'd)

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 profit or loss using the line-by-line format of proportionate consolidation:

	Group	
	2010	**2009**
	S$'000	S$'000
Assets and Liabilities:		
Current assets	5,529	6,298
Non-current assets	740	718
Total assets	6,269	7,016
Current liabilities	(1,897)	(2,468)
Non-current liabilities	-	(77)
Total liabilities	(1,897)	(2,545)
Income and Expenses:		
Income	7,274	6,531
Expenses	(6,641)	(5,392)

19 Asset Held for Sale

	Group	
	2010	**2009**
	S$'000	S$'000
Transferred from property, plant and equipment (Note 11)	567	-

The Group's assets held for sale is 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

During the financial year, the Group entered into a sale and purchase agreement with a third party to sell the freehold land for a consideration of approximately S$1.38 million (equivalent to THB31.33 million). A deposit of approximately S$275,000 has been received and is included in other payables (Note 29). The sale of freehold land is expected to be completed in June 2011.

As at 31 December 2010, the freehold land held for sale set out above is mortgaged to secure the Group's bank borrowings as disclosed in Note 26.

20 Inventories

	Group	
	2010	2009
	S$'000	S$'000
Components parts	7,779	7,678
Finished goods	16,740	11,177
Work-in-progress	235	384
Goods-in-transit (finished goods)	1,065	668
	25,819	19,907
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	115,309	74,894

21 Trade and Other Receivables

	Group		Company	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Trade receivables, net of impairment:				
- note receivables	1,195	1,495	-	-
- third parties	28,269	25,499	-	-
- associates	1,435	1,036	-	-
- joint ventures	23	-	-	-
- related parties	759	693	-	-
	31,681	28,723	-	-
Other receivables:				
Advances for construction of facilities (c)	3,261	-	-	-
Progress payments for properties under development (d)	471	267	-	-
Funding to investee company (e)	429	-	-	-
Advances paid to				
- suppliers	2,929	2,151	-	-
- associates	245	113	28	-
- joint ventures	44	96	28	33
- related parties	28	1	-	-
Deposits	157	181	-	-
Loan to a joint venture (g)	115	227	-	-
Amount owing from a minority shareholder (h)	50	-	-	-
Tax recoverable	36	19	25	25
Sundry debtors	2,448	1,816	4	-
	10,213	4,871	85	58
Prepayments	559	523	-	-
	42,453	34,117	85	58

21 Trade and Other Receivables (cont'd)

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

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

(c) During the financial year, the Group through its 50% owned subsidiary, RLM Pte Ltd ("RLM"), entered into several agreements with third parties for investing, managing and operating a road and port facilities for the transportation of bauxite from a mine in Kalimantan, Indonesia. In this regard, the Group has obtained a loan facility of US$5 million to finance RLM's construction of the road and port facilities. As at 31 December 2010, RLM has drawn down US$2.5 million (equivalent to approximately S$3.3 million) for the loan facility as advances to a third party contracted by RLM for the construction of the facilities. The construction of the road and port facilities was completed subsequent to the financial year end.

(d) Progress payments for properties under development relate to the acquisition of commercial properties for office use for a total consideration of approximately S$1,019,000.

(e) During the financial year, the Group's wholly owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investments"), entered into a proposed investment agreement to acquire 51% interest in PT Putra Perkasa Indah ("PT PPI") (the "Investment Agreement"), a company incorporated in Indonesia, for a consideration of S$72,000. Pursuant to the Investment Agreement and amended by a Supplemental Agreement in February 2011, the proposed acquisition is conditional upon PT PPI obtaining the exploration and operation licenses from the relevant Indonesian authorities in connection with PT PPI's mining business in Kutai Kartenegara Recency, Indonesia, the related expenses of which is to be funded by ISDN Investments. As at 31 December 2010, the Group has funded PT PPI an amount of US$330,000 (equivalent to approximately S$429,000) which is unsecured, reimbursable on demand with 10% guaranteed return per annum. As at the financial year end, PT PPI obtained the the IUP Eksplorasi, the mining authorisation to conduct exploration activity in the mining area in accordance with the mining laws of Indonesia. The application for the IUP Operasi Produksi, the mining authorisation to conduct production activity in the mining area in accordance with the mining laws of Indonesia is still in progress.

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

(g) The loan to a joint venture is unsecured, interest-free and is repayable on demand in cash.

(h) The amount owing from a minority shareholder is non-trade, unsecured, interest-free and repayable on demand in cash.

22 Cash and Cash Equivalents

	Group		Company	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Cash and bank balances	28,942	18,966	5,649	82
Fixed deposits	13	14	-	-
	28,955	18,980	5,649	82
Effective interest rate per annum	0.05%	0.03%	0.05%	0.03%

The fixed deposits have a maturity period of one month.

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

	Group	
	2010	2009
	S$'000	S$'000
Cash and bank balances	28,942	18,966
Fixed deposits	13	14
Less: Bank overdrafts (Note 26)	(434)	(785)
	28,521	18,195
Less: Restricted bank balances	(21)	(21)
	28,500	18,174

23 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2010	2009	2010	2009
			S$'000	S$'000
Group and Company				
Balance at 1 January	201,768,300	201,768,300	34,542	34,542
Issue of Rights Shares (net of expenses)	99,551,650	-	10,313	-
Balance at 31 December	301,319,950	201,768,300	44,855	34,542

Ordinary shares of the Company do not have any par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Rights Issue

In December 2010, the Company completed its renounceable non-underwritten rights issue (the "Rights Issue") of 99,551,650 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.105 (a discount of approximately 61.87% to market price) for each Rights Share, on the basis of one (1) Rights Share for every two (2) existing ordinary shares (excluding treasury shares) in the capital of the Company held by the shareholders of the Company. The Rights Issue raised net proceeds of approximately S$10,313,000, which include the proceeds from Rights Shares subscribed by the ultimate holding company, Assetraise Holdings Limited, amounted to approximately S$5,386,000 that was made by setting off the amount of S$4,925,000 payable to the director of the Company (see Note 29) and the remaining amount of S$461,000 paid in accordance with the terms of the Rights Issue.

24 Treasury Shares

	No. of ordinary shares		Amount	
	2010	2009	2010	2009
			S$'000	S$'000
Group and Company				
Balance at 1 January and 31 December	2,665,000	2,665,000	340	340

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

During the previous financial year, the Company acquired 2,665,000 ordinary shares in the Company through purchases for a consideration of approximately S$340,000. These shares were presented under treasury shares as a component within shareholders' equity.

25 Reserves

	Group		Company	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(1,801)	(560)	-	-
Other reserves (c)	1,745	1,488	-	-
Retained earnings	24,879	16,809	1,518	507
	24,387	17,301	1,518	507

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

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

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

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

26 Bank Borrowings

		Group					
		2010			2009		
	Note	Unsecured	Secured	Total	Unsecured	Secured	Total
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank loans #1	(a)	1,167	-	1,167	-	-	-
Bank loans #2	(b)	1,799	-	1,799	-	-	-
Bank loans #3	(c)	-	5	5	-	8	8
Bank loans #4	(d)	-	-	-	622	-	622
Bank loan #5	(e)	-	6,667	6,667	-	10,000	10,000
Bank loan #6	(e)	-	693	693	-	892	892
Bank loans #7	(f)	-	-	-	173	-	173
Bank loan #8	(g)	1,203	-	1,203	1,844	-	1,844
Bank loan #9	(h)	-	3,123	3,123	-	1,541	1,541
Bank loan #10	(i)	159	-	159	101	-	101
		4,328	10,488	14,816	2,740	12,441	15,181
Short-term loan #1	(j)	1,952	-	1,952	2,055	-	2,055
Short-term loans #2	(k)	3,510	-	3,510	3,795	-	3,795
Short-term loans #3	(l)	3,260	-	3,260	-	-	-
		8,722	-	8,722	5,850	-	5,850
Trust receipts #1	(m)	-	24	24	-	77	77
Trust receipts #2	(n)	635	-	635	786	-	786
Trust receipts #3	(o)	-	-	-	43	-	43
Trust receipts #4	(p)	309	-	309	-	-	-
		944	24	968	829	77	906
Bank overdraft #1	(m)	-	-	-	-	248	248
Bank overdrafts #2	(q)	434	-	434	523	-	523
Bank overdraft #3	(e)	-	-	-	-	14	14
		434	-	434	523	262	785
Total borrowings		14,428	10,512	24,940	9,942	12,780	22,722

26 Bank Borrowings (cont'd)

	Group					
	2010			2009		
	Unsecured	Secured	Total	Unsecured	Secured	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current liabilities						
Repayable later than one year and not later than five years	1,993	6,162	8,155	1,398	8,911	10,309
Current liabilities						
Repayable not later than one year	12,435	4,350	16,785	8,544	3,869	12,413
	14,428	10,512	24,940	9,942	12,780	22,722

(a) Bank loan #1 granted to a subsidiary is repayable in 24 instalments commencing March 2010. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5% per annum.

(b) Bank loan #2 granted to a subsidiary is repayable in 48 instalments commencing June 2010. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5% per annum.

(c) Bank loans #3 granted to a subsidiary pertains to a working capital loan which is repayable in 60 instalments with the final instalment due in December 2012. The loan is secured on the freehold land of the subsidiary and personal guarantees provided by two directors of the subsidiary. The freehold land has been reclassified as assets held for sale as at 31 December 2010 (see Note 19). Interest is charged at minimum loan rate (2009: minimum loan rate) per annum.

(d) Bank loans #4 comprise two loans which were granted to a subsidiary. These loans were repayable in 12 and 8 instalments commencing March 2009 and June 2009 respectively. These loans were secured by corporate guarantees provided by the Company. Interests were charged at 2.40% to 2.56% per annum and 2.9% to 3.05% per annum, respectively. The loans were fully repaid during the current financial year.

(e) Bank loan #5, bank loan #6 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 #5 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 #6 is a 5-year commercial property loan repayable in 60 monthly instalments with its first instalment due in March 2009. Interest is charged at 0.05% (2009: 0.95%) below the commercial financing rate per annum.

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

(f) Bank loans #7 granted to a former subsidiary (the Company's effective interest in the subsidiary was diluted to that of an associate during the financial year) were 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 former subsidiary. Interests were charged at 5% per annum.

26 Bank Borrowings (cont'd)

(g) Bank loan #8 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.

(h) Bank loan #9 is a 5-year term loan of RMB28 million (equivalent to S$5.47 million) granted to a subsidiary, which is repayable in 8 equal half-yearly instalments of RMB3,500,000 (equivalent to S$683,200) each with its first instalment due in March 2011. As at 31 December 2010, the drawn down amount was approximately RMB16 million (equivalent to S$3.12 million). This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and another subsidiary of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 115% of the People's Bank of China's base rate per annum.

(i) Bank loan #10 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.

(j) Short-term loan #1 granted to a subsidiary is secured by corporate guarantee provided by a subsidiary of the Group. Interest is charged at 5.31% to 5.56% (2009: 7.62%) per annum

(k) Short-term loans #2 granted to subsidiaries are secured by corporate guarantees provided by the Company. Interests are charged at 3.34% to 6.12% (2009: 3.22% to 6.82%) per annum.

(l) Short term loan #3 granted to a subsidiary is repayable in full by 31 May 2011. 50% of the loan is secured by corporate guarantees provided by the Company and a subsidiary of the Group and the remaining 50% by a personal guarantee of a director of the Company, Mr Teo Cher Koon. Interest is charged at SIBOR+2.5% per annum.

(m) The facility for trust receipts #1 and bank overdraft #1 of a subsidiary is secured on the freehold land (see (c) above) of the subsidiary and personal guarantees by two directors of the subsidiary. Interest is charged at 4% to 8% (2009: 6.25% to 7.50%) per annum for trust receipts and interest is charged at minimum overdraft rate plus 1% (2009: minimum overdraft rate plus 1%) per annum for bank overdraft.

(n) The facility for trust receipts #2 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at cost of funds plus 1.5%/1.75% per annum.

(o) The facility for trust receipts #3 of a former subsidiary (see (f) above) was secured by personal guarantee provided by a director of the subsidiary. Interest was charged at SIBOR plus 2% per annum.

(p) The facility for trust receipts #4 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 3.68% to 3.90% per annum.

(q) Bank overdrafts #2 granted to a subsidiary are secured by corporate guarantee provided by the Company. Interests are charged at prime lending rate (2009: prime lending rate/prime lending rate plus 0.25%) per annum.

The weighted average effective interest rate of the Group's bank borrowings is 4.94% (2009: 4.81%) per annum.

27 Finance Leases

	Group	
	2010	**2009**
	S$'000	S$'000
Minimum lease payments payable:		
- due not later than one year	48	43
- due later than one year and not later than five years	117	142
- due later than five years	-	-
	165	185
Finance charges allocated to future years	(27)	(28)
Present value of minimum lease payments	138	157
Non-current liabilities		
Due later than one year and not later than five years	99	121
Due later than five years	-	-
	99	121
Current liabilities		
Due not later than one year	39	36
	138	157

The weighted average effective interest rate of the Group's finance leases is 5.18% (2009: 5.335%) per annum.

28 Deferred Income Tax Liabilities

	Group	
	2010	**2009**
	S$'000	S$'000
Deferred tax liabilities		
- to be settled within one year	46	49
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	59	54
Credited to profit or loss (Note 9)		
- current year	(6)	-
- overprovision in respect of prior years	-	(5)
Translation adjustment	(7)	-
Balance at 31 December	46	49

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

29 Trade and Other Payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
- note payables (b)	586	458	-	-
- third parties	17,342	12,135	-	-
- associates	115	17	-	-
- joint ventures	1	-	-	-
- related parties	2,078	3,168	-	-
	20,122	15,778	-	-
Advances received from:				
- customers	6,437	4,909	-	-
- subsidiaries	-	-	663	627
Accrued operating expenses	6,546	5,102	1,876	1,377
Amount owing to directors of subsidiaries	131	196	-	-
Amount owing to minority shareholder	576	125	-	-
Amount due to an associate	50	-	-	-
Loan from a joint venture (d)	56	105	-	-
Consideration payable to director of the Company for acquisition of joint venture entities (e)	-	4,925	-	-
Other payables (f)	3,255	822	132	42
	37,173	31,962	2,671	2,046

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

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

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

(d) The loan from a joint venture is unsecured, interest-free and repayable on demand in cash.

(e) The consideration payable to a director of the Company for acquisition of joint venture entities by the Group was fully settled during the current financial year via the setting off of partial of the proceeds from the Rights Shares subscribed by the ultimate holding company, Assetraise Holdings Limited, the details of which are disclosed in Note 23.

(f) Included in other payables was a deposit of approximately S$275,000 (2009: Nil) in relation to deposit received for the sale of freehold land as disclosed in Note 19. In additional, there was an amount of S$1,409,000 (2009: Nil) being dividend payable to minority shareholder outstanding as at year end.

30 Dividends

	Group and Company	
	2010	2009
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore Nil cents per share (2009: Singapore 0.25 cents per share) paid in respect of the previous financial year	-	497

The Board of Directors of the Company has recommended a tax-exempt (one-tier) final dividend of Singapore 0.5 cents per share to be approved by shareholders at the Company's forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ended 31 December 2011, subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

Tax consequences of proposed dividends

There are no income tax consequences (2009: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

31 Segment Information

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

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

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

Notes to the Financial Statements

31 December 2010

31 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Elimination		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue										
External sales	125,022	77,570	31,666	24,383	6,890	4,697	-	-	163,578	106,650
Inter-segment sales	669	1,506	1,636	1,546	72	9	(2,377)	(3,061)	-	-
	125,691	79,076	33,302	25,929	6,962	4,706	(2,377)	(3,061)	163,578	106,650
Results										
Segment results	12,833	6,854	1,995	(1,203)	608	111	-	-	15,436	5,762
Share of profits (losses) of associates	518	(269)	-	-	-	-	-	-	518	(269)
Corporate expenses									(520)	(334)
Rental income									157	39
Interest income									111	65
Finance costs									(982)	(869)
Profit before income tax									14,720	4,394
Income tax									(4,029)	(2,071)
Profit for the year									10,691	2,323
Assets										
Segment assets	77,257	63,622	18,033	15,620	2,031	2,403	(1,868)	(1,353)	95,453	80,292
Goodwill	2,178	2,252	9,508	9,508	-	-	-	-	11,686	11,760
Investments in associates	2,177	945	-	-	-	-	-	-	2,177	945
Cash and cash equivalents									28,955	18,980
Investment properties									567	584
Consolidated total assets									138,838	112,561
Liabilities										
Segment liabilities	28,085	23,220	9,832	9,050	457	1,345	(1,868)	(1,353)	36,506	32,262
Bank borrowings and finance leases									25,078	21,973
Income tax liabilities									2,122	595
Others unallocated corporate liabilities									667	606
Consolidated total liabilities									64,373	55,436

31 Segment Information (cont'd)

(a) Reputable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Elimination		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Other information										
Capital expenditure on										
- Property, plant and equipment	3,601	10,234	1,033	111	-	1	-	-	4,634	10,346
- Intangible assets	-	435	219	354		-		-	219	789
- Land use rights	-	410	-	-	-	-	-	-	-	410
- Progress payments for properties under development	204	267	-	-	-	-	-	-	204	267
Depreciation of properties, plant and equipment	1,455	902	143	190	33	34	-	-	1,631	1,126
Depreciation of investment properties	15	16	-	-	2	-	-	-	17	16
Other non-cash expenses										
- amortisation of intangible assets	576	202	477	201	-	-	-	-	1,053	403
- amortisation of land use rights	24	23	-	-	-	-	-	-	24	23
- bad trade receivables written off	5	13	107	1	-	-	-	-	112	14
- allowance for inventory obsolescence	361	1,510	32	288	13	14	-	-	406	1,812
- allowance for impairment of trade receivables	246	158	83	59	-	-	-	-	329	217
- inventories written off	101	11	498	154	-	14	-	-	599	179
- property, plant and equipment written off	-	7	-	-	-	-	-	-	-	7
- goodwill arising from acquisition of additional interest in subsidiaries written off	-	18	-	-	-	-	-	-	-	18

31 Segment Information (cont'd)

(b) Geographical Information

The Group operates in three principal geographical areas - Singapore (country of domicile), the People's Republic of China and Malaysia.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Singapore	37,423	24,337	17,188	17,783
The People's Republic of China	94,544	63,898	21,237	20,760
Malaysia	17,711	9,014	212	175
Others	13,900	9,401	2,407	839
	163,578	106,650	41,044	39,557

(c) Information about Major Customers

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

32 Operating Lease Commitments

Where the Group is a lessor

The Group leases out investment properties and sub-let office/warehouse premiers to third 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	
	2010	2009
	S$'000	S$'000
Future minimum lease payment receivable:		
- not later than one year	271	28
- later than one year and not later than five years	383	9
	654	37

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2009: 1 to 2 years).

32 Operating Lease Commitments (cont'd)

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	
	2010	**2009**
	S$'000	S$'000
Future minimum lease payment payable:		
- not later than one year	523	581
- later than one year and not later than five years	259	332
	782	913

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2009: 1 to 3 years).

33 Capital Commitments

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

	Group	
	2010	**2009**
	S$'000	S$'000
Capital commitment in respect of construction in progress and properties under development	1,719	3,391

34 Corporate Guarantees and Letters of Credit

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$'000	S$'000	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries – unsecured	-	-	21,169	20,118
Corporate guarantees provided to banks in connection with banking facilities granted to a joint venture – unsecured	324	206	324	206
Corporate guarantees provided to a non-controlling shareholder of a 50% owned subsidiary for a back-to-back corporate guarantee provided by the 50% owned subsidiary to banks in connection with banking facilities granted to a fellow subsidiary - unsecured	976	-	976	-
	1,300	206	22,470	20,223
Letters of credit	1,530	269	-	-

34 Corporate Guarantees and Letters of Credit (cont'd)

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

35 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	
	2010	**2009**
	S$'000	S$'000
Sales to associates	(1,556)	(1,248)
Sales to related parties	(2,004)	(1,346)
Sales to joint ventures	(104)	(40)
Purchases from associates	639	51
Purchases from related parties	19,604	14,054
Purchases from a joint venture	4	27
Administrative income charged to associates	(79)	(14)
Administrative income charged to related parties	-	(4)
Administrative income charged to a joint venture	(33)	(7)
ERP maintenance costs charged to joint ventures	(18)	(120)
Rental expenses paid to related parties	17	3
Rental charged to associates	(4)	(6)
Rental charged to a joint venture	(36)	(34)
Other expenses charged by related parties	81	69
Other expenses paid to a joint venture	3	1
Other income charged to associates	(18)	(2)
Other income charged to a related party	(30)	(4)
Other income charged to a joint venture	(98)	(30)

36 Litigations

As at 31 December 2010, there were two outstanding litigations ("US2009 Proceedings" and "US2010 Proceedings") involving the Company and various members of the Group (collectively the "Defendants") and Frank Curtis Lopez, ("FCL"), the former executive director, legal representative and general manager of a PRC subsidiary of the Group. The details of the US2009 Proceedings and US2010 Proceedings were contained in the Company's announcements dated 17 September 2010 and 21 October 2010, respectively. An update of the said litigations as at the date of these financial statements is as follows:

US2009 Proceedings

Pursuant to the order dated 14 January 2011 of the United States District Court, Central District of California (the "Order") in relation to FCL's claims for fraud, in which FCL had sought monetary damages in the amount of US$1.26 million for lost wages and US$10 million for loss of profits, the Court had granted the Motion for Summary Judgement filed by the Defendants for the claims against them by FCL. Subsequently, a Judgement of Dismissal was entered on 18 February 2011, and accordingly, the US2009 Proceedings has been concluded in favour of the Defendants.

US2010 Proceedings

Pursuant to the order dated 10 February 2011 of the United States District Court, Central District of California (the "Order"), the Court had granted the Defendants' Motion to Dismiss for the complaints filed by FCL against the Defendants for assault, battery and intentional infliction of emotional distress. As at the date of these financial statements, the Defendants have submitted the Judgement of Dismissal and save for the Judgement of Dismissal to be issued by the Court, the US2010 Proceedings has been concluded in favour of the Defendants.

37 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 Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

Notes to the Financial Statements

31 December 2010

37 Financial Instruments (cont'd)

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

Foreign currency risk

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

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

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

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

	RMB	**USD**	**CHF**	**Euro**
	S$'000	S$'000	S$'000	S$'000
Group				
2010				
Financial assets				
Trade and other receivables	16,003	11,938	2,335	712
Cash and cash equivalents	13,176	3,139	1,335	1,698
	29,179	15,077	3,670	2,410
Financial liabilities				
Bank borrowings	5,602	4,809	-	-
Trade and other payables	14,122	6,079	3,255	731
	19,724	10,888	3,255	731
Net financial assets	9,455	4,189	415	1,679
Less: Net financial assets denominated in the respective entities' functional currencies	(9,455)	-	-	-
Currency exposure	-	4,189	415	1,679

37 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

	RMB	USD	CHF	Euro
	S$'000	S$'000	S$'000	S$'000
Group				
2009				
Financial assets				
Trade and other receivables	14,686	6,039	1,623	761
Cash and cash equivalents	10,185	3,016	538	913
	24,871	9,055	2,161	1,674
Financial liabilities				
Bank borrowings	3,596	2,105	-	-
Trade and other payables	9,353	4,023	2,950	1,338
	12,949	6,128	2,950	1,338
Net financial assets/(liabilities)	11,922	2,927	(789)	336
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(11,922)	-	-	-
Currency exposure	-	2,927	(789)	336

If the following currencies strengthen by 5% (2009: 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 assets/(liabilities) position will be as follows:

	Group	
	2010 Increase/(Decrease) profit after tax	**2009 Increase/(Decrease) profit after tax**
	S$'000	S$'000
RMB	-	-
USD	209	146
CHF	21	(39)
Euro	84	17

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.

37 Financial Instruments (cont'd)

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

Interest rate risk

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

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

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

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2009: 0.5%) with all other variables remain constant, the Group's profit after tax will be approximately lower/higher by S$71,000, S$28,000 and S$24,000 respectively (2009: S$79,000, S$18,000 and S$10,500) as a result of higher/lower interest expense on these bank borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers with an appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on an ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group level by management.

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

37 Financial Instruments (cont'd)

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

Credit risk (cont'd)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2010	**2009**
	S$'000	S$'000
By geographical areas		
Singapore	10,120	7,553
The People's Republic of China	15,706	14,170
Malaysia	2,644	2,992
Others	3,211	4,008
	31,681	28,723

(i) Financial assets that are neither past due nor impaired

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

(ii) Financial assets that are past due but not impaired

There is no other class of the Group's financial assets that is past due but not impaired except for trade receivables as set out below. 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	
	2010	**2009**
	S$'000	S$'000
Trade receivables past due:		
- not more than 3 months	3,257	2,098
- 3 to 6 months	1,382	1,205
- over 6 months	1,479	1,636
	6,118	4,939

37 **Financial Instruments** (cont'd)

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

Credit risk (cont'd)

(iii) Financial assets that are past due and impaired

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

	Group 2010	Group 2009
	S$'000	S$'000
Trade receivables	627	317
Less: Allowance for impairment	(627)	(317)
	-	-

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

	Group 2010	Group 2009
	S$'000	S$'000
Balance at 1 January	317	100
Allowance for the year	329	217
Amount written off	(19)	-
Balance at 31 December	627	317

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

37 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					
2010					
Bank borrowings	24,940	25,442	16,945	8,497	-
Finance leases	138	165	48	117	-
Trade and other payables	30,736	30,736	30,736	-	-
	55,814	56,343	47,729	8,614	-
2009					
Bank borrowings	22,722	23,246	12,631	10,615	-
Finance leases	157	185	43	142	-
Trade and other payables	27,053	27,053	27,053	-	-
	49,932	50,484	39,727	10,757	-

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

	Within one year	**Within two to five years**	**Total**
	S$'000	S$'000	S$'000
Company			
2010			
Financial guarantee contracts	22,930	22,685	45,615
2009			
Financial guarantee contracts	18,577	10,843	29,420

37 Financial Instruments (cont'd)

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

Liquidity risk (cont'd)

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

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

(i) S$1.10 million of overdraft facilities.

(ii) S$3.50 million of foreign exchange contract hedging limit. Limit in excess of S$3.78 million is determined at the discretion of some banks when entering into each contract.

(iv) S$29.93 of million other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc).

(v) S$17.24 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2010 amounted to approximately S$25.78 million (2009: S$23.89 million).

(b) Fair Value

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

Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate S$7,640,000 (2009: S$9,652,000), as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

The fair value of finance leases approximates the present value of payments as disclosed in Note 27.

Other financial assets and liabilities

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

38 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2010 and 2009.

As disclosed in Note 25, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial years ended 31 December 2010 and 2009.

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

	Group	
	2010	**2009**
	S$'000	S$'000
Net debt	33,296	35,861
Total equity	68,902	51,503
Net debt-to-equity ratio	48%	70%

39 Comparative Figures

In addition to the revised of 2009 earnings per share as disclosed in Note 10, certain reclassifications have been made to the 2009 comparative figures in the consolidated balance sheet so as to conform with 2010 presentation as set out below:

		Before Reclassification	**After Reclassification**	**Effect**
	Note	**2009**	**2009**	**2009**
		S$'000	S$	S$
<u>Consolidated balance sheet</u>				
Property, plant and equipment	(a)	25,369	(1,858)	23,511
Land use rights	(a)	-	1,591	1,591
Trade and other receivables	(b)	33,850	267	34,117

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31 December 2010

39 Comparative Figures (cont'd)

(a) Land use rights have been reclassified from "Property, plant and equipment" to "Land use rights" under non-current assets so as to better reflect the underlying nature of the concerned assets.

(b) Progress payments for properties under development, which was previously recorded under construction in progress in property, plant and equipment have been reclassified to trade and other receivables under current assets as to better reflect the underlying nature of the concerned assets.

As the above reclassification amounts involved are not material to the Group's financial statements, a third balance sheet as at 1 January 2009 as required in accordance with FRS 1 Presentation of Financial Statements have not been disclosed.

Shareholders’ Information

As at 14 March 2011

Issued and fully paid-up capital	:	S$44,855,057
Number of shares	:	298,654,950
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: 0.89%

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 14 March 2011.

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Assetraise Holdings Limited	153,890,250	51.53	-	-
Teo Cher Koon	-	-	153,890,250[1]	51.53
Karl Walter Braun	26,250,000	8.79	-	-

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 153,890,250 shares held by Assetraise Holdings Limited.

Free Float

As at 14 March 2011, approximately 38.53% 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 14 March 2011

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	15	2.13	573	0.00
1,000 - 10,000	262	37.27	1,257,204	0.42
10,001 - 1,000,000	401	57.04	39,394,009	13.19
1,000,001 AND ABOVE	25	3.56	258,003,164	86.39
TOTAL	**703**	**100.00**	**298,654,950**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	ASSETRAISE HOLDINGS LIMITED	153,890,250	51.53
2	KARL WALTER BRAUN	26,250,000	8.79
3	DBS NOMINEES PTE LTD	10,092,911	3.38
4	CITIBANK NOMINEES SINGAPORE PTE LTD	7,787,500	2.61
5	ONG BEE CHEW	7,567,200	2.53
6	CIMB SECURITIES (SINGAPORE) PTE LTD	7,486,000	2.51
7	CHENG CHIH LI @ THIE TJIE LIEP	6,450,000	2.16
8	KIM ENG SECURITIES PTE. LTD.	5,601,504	1.88
9	CHOW KA MAN	4,005,000	1.34
10	OCBC SECURITIES PRIVATE LTD	3,189,000	1.07
11	KONG DEYANG	2,850,000	0.95
12	POET INVESTMENT HOLDINGS PTE LTD	2,553,000	0.85
13	LEE SOONG KWANG	2,127,630	0.71
14	TAN HAI PENG MICHEAL	2,000,000	0.67
15	HSBC (SINGAPORE) NOMINEES PTE LTD	1,959,000	0.66
16	PHILLIP SECURITIES PTE LTD	1,900,669	0.64
17	KOK TIU SING	1,821,000	0.61
18	LAU CHOON GUAN	1,611,000	0.54
19	ALVIN LIM HWEE HONG	1,499,000	0.50
20	QUAH PENG WAH	1,425,000	0.48
	TOTAL	**252,065,664**	**84.41**

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 Wednesday, 27 April 2011 at 2.00 p.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 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one tier) dividend of 0.5 Singapore cents per ordinary share for the year ended 31 December 2010. **(Resolution 2)**

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

   Mr Lim Siang Kai **(Resolution 3)**
   Mr Kong Deyang **(Resolution 4)**

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

4. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2011 (2010: S$100,000). **(Resolution 5)**

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

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

AS SPECIAL BUSINESS

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

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

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

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

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

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

Notice of Annual General Meeting

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

provided that:

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

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

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

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

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

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

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

8. **Authority to allot and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share 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 (ii)] **(Resolution 8)**

By Order of the Board

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 12 April 2011

Notice of Annual General Meeting

Explanatory Notes:

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

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

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

Notes:

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

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

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

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

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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 105 Tampines Road #06-06 Wing Tai Industrial Centre, Singapore 535127 on Wednesday, 27 April 2011 at 2.00 p.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 2010		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Lim Siang Kai as Director of the Company		
4.	Re-election of Mr Kong Deyang as Director of the Company		
5.	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2011		
6.	Re-appointment of Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue new shares		
8.	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share 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 **10 Kaki Bukit Road, #01-30 KB Industrial Building, Singapore 416175** not less than 48 hours before the time appointed for the Annual General Meeting.

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

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

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

General:

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

Designed
& Produced by
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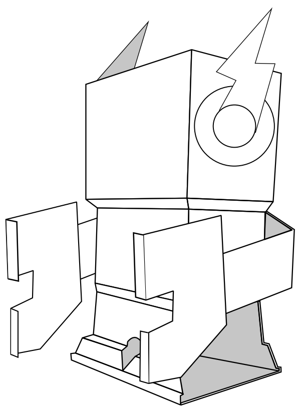
ISDNHoldings
LIMITED

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



One dollar will be given to charity for every *paper robot* sent out!