ISDN Holdings LIMITED

Annual Report 2011

Fast-forward to Tomorrow

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

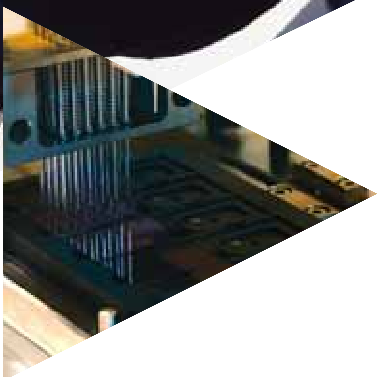
- To be recognised as the leader in all the markets we serve
- To continue to build enduring relationship of trust with our customers and partners
- To be an employer of choice that inspires and rewards performance excellence
- To generate value for shareholders through measured growth strategies in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

mission

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

contents

corporate information



Company Registration Number
200416788Z

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

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

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

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

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

Secretary
Gn Jong Yuh Gwendolyn

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

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

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

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

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

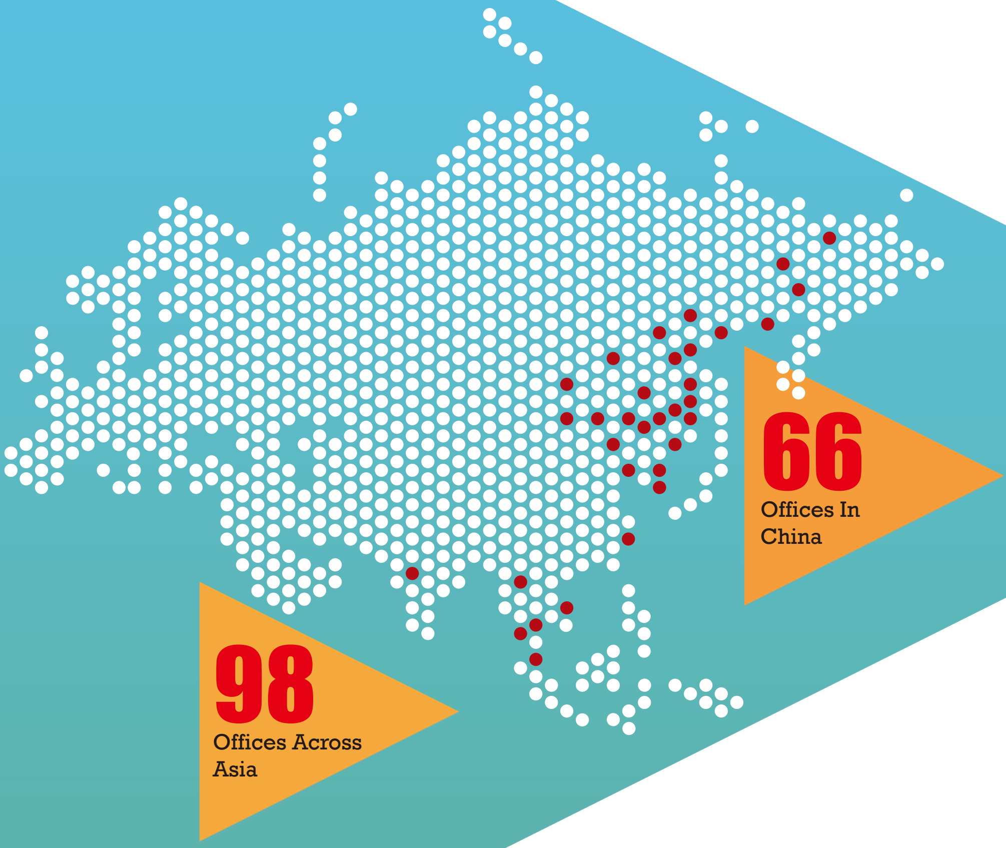
United Overseas Bank (China) Limited
Shanghai Branch
9F Shanghai Erdos International Mansion
1118 Pudong South Road
Pudong New Area
Shanghai 200122, China

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

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

Partner-in-charge: Ng Chiou Gee Willy
Date of appointment: 26 April 2007
Number of Years in-charge: 5

corporate highlights



Our Human Capital

MANAGEMENT

09	52
10	54
11	57

Number of employees

WAREHOUSE, DELIVERY & PRODUCTION

09	119
10	153
11	147

Number of employees

TECHNICAL, SALES & SALES SUPPORT

09	380
10	368
11	360

Number of employees

FINANCE, OFFICE & IT ADMINISTRATION

09	134
10	140
11	139

Number of employees

president's message

Net tangible assets value per share grew by

15.8%

from S$0.19 to S$0.22

Dear shareholders,

I am glad to note the diversification strategy that the Group embarked on since three years ago is on track and we have reached a new milestone recently. The Group has received the official nod from our shareholders to proceed with this planned business diversification in February this year. This diversification includes our nascent business in hydroponics or high-tech farming, and our foray into coal mining. These two businesses when fully developed could become ISDN's new growth drivers.

The Group will enter into the mining sphere through its proposed equity stake, at the associate company level, of PT Putra Perkasa Indah, a company engaged in the business of coal mining exploration based in Kalimantan, Indonesia. We are now awaiting the critical production licence from the Indonesian authorities to commence mining work. There is still healthy demand for coal as a fuel commodity worldwide and we have thus set aside the necessary resources so that production can take off as soon as the requisite documentation is received.

As with the energy business, the food industry has seen a spike in demand due to the fast-growing world population. Our hydroponics business have shown encouraging progress, both the prototype plants in Malaysia and China are now ready for the mass production phase. Concurrently, we have supplied fresh produce from the prototype plants to supermarkets and wholesalers.

The Group's core integrated engineering business meanwhile is likely to benefit from the growth of emerging markets that are keeping pace with the developed economies. At the full year, the Group grew net profit by 3% from $10.7 million to $11.0 million backed by revenue increase of 1.4% from $163.6 million to $165.9 million. Gross profit remained relatively stable at 29.2%, within the Group's traditional band of between 27% and 30%. Cash and cash equivalents stood at $28.4 million; the company had generated $3.5 million from operating activities.

The Board of Directors is pleased to declare final dividends of 0.5 cents per share.

Overall, the results were comparable to the previous year. In the light of the somewhat uncertain business conditions still unfolding, this was a relatively creditable performance. We expect the next 12 months to be very challenging. The global economic outlook is expected to remain volatile and unstable, so we will continue to adopt a more measured approach to managing costs and pursuing new business opportunities.

In a nutshell, moving forward the Group will pursue a three-prong approach to growth. We will continue to expand the geographical reach and customer base of our traditional engineering solutions business, develop and nurture our newly-formed businesses in high-tech farming and mining as well as weigh in on new synergistic business alliances and partnerships. These we believe, would strengthen our revenue model and fortify our earnings potential, while at the same time allowing the Group to manage business risks effectively, with a view to enhancing shareholder value in the long-run.

Allow me to take this opportunity to express my appreciation to our Board of Directors, key management team and all our staff for their valued contribution. I would also like to thank our customers, suppliers and business partners for their loyal support. Together, I am confident we would be well-placed to achieve our mission and goals in the coming year.

Teo Cher Koon
ISDN Holdings Limited
Managing Director and President

At the full year, the Group grew net profit by 3% from $10.7 million to $11.0 million backed by revenue increase of 1.4% from $163.6 million to $165.9 million.

corporate profile

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

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

With 98 offices spanning key Asian growth markets, ISDN's business interests now include, in addition to engineering, the energy and agriculture sectors. These three key sectors are expected to propel the Group to its next level of growth which would introduce fresh revenue streams and open up a new vista of business opportunities.

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

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

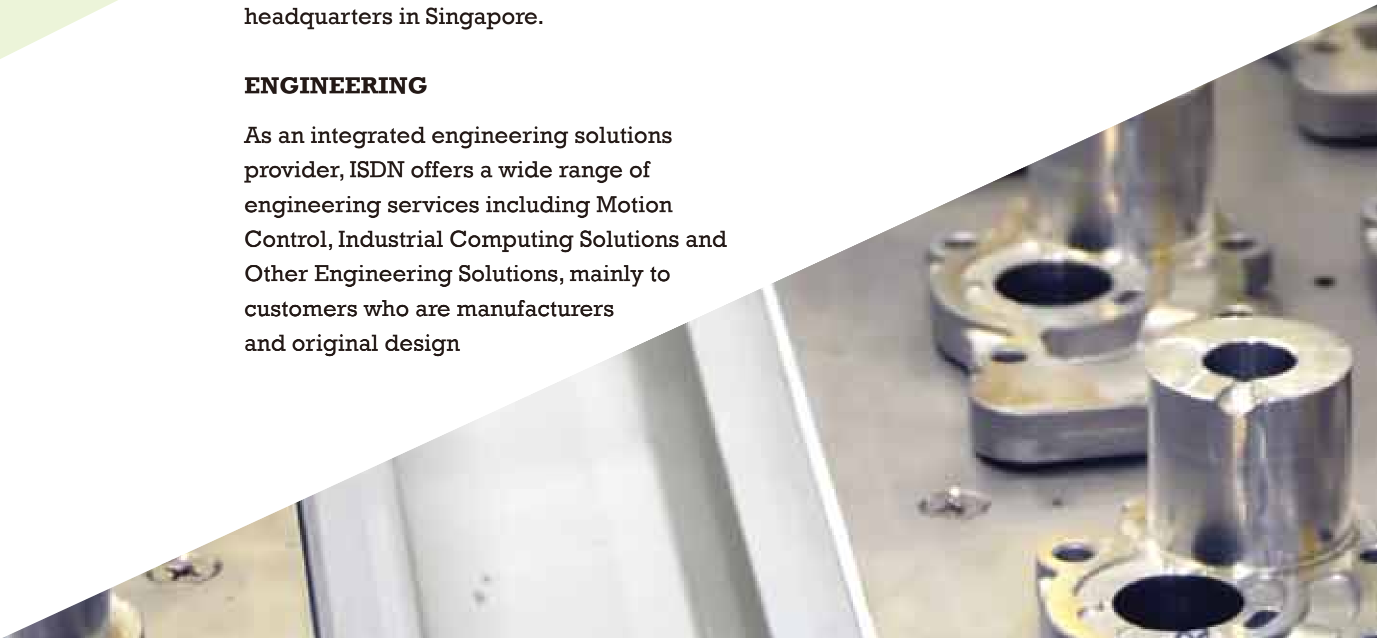
ENGINEERING

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

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

Motion Control

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



Other Specialised Engineering Solutions

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

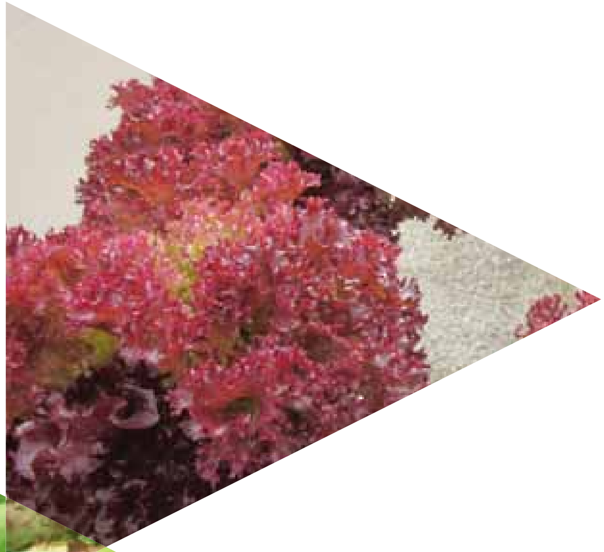
corporate profile

HIGH-TECH FARMING

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

INDUSTRIAL COMPUTING

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



ENERGY

ISDN's exposure to the energy market began with its supply of solar panel parts to industrial customers in China. This endeavor grew steadily and received a boost with ISDN's appointment in the mainland as the official distributor for a US solar equipment manufacturer. More recently, the Group marks its entry into coal mining with its proposed equity stake, at the associate company level, of PT Putra Perkasa Indah, a company set up for coal mining exploration based in Kalimantan, Indonesia.

operations review

GEOGRAPHICAL SEGMENTAL REVIEW

China continued to be the mainstay of the Group's revenue accounting for more than two thirds of total sales in FY2011. Sales from China increased by 16.2% from $100.8 million to $117.1 million. Sales in Singapore and Malaysia were impacted by the formation of an associate company with a brand owner and key supplier, Swiss-based Schneeberger AG. The new associate company has since taken over the products that were previously distributed by the Group's subsidiaries. ISDN entered into this agreement with a long-term view of expanding its business potential and cementing the relationship with the brand owner.

Overall results were comparable to the previous year. We will continue to adopt a more measured approach to managing costs and pursuing new business opportunities

Consequently, Singapore came in second with $33.8 million, a reduction of nearly 10% from the previous year's contribution of $37.4 million. Malaysia too experienced a fall in sales from $17.7 million to $7.2 million. A general slowdown from the Group's customers was another factor that led to the decline. Revenue from Others grew marginally by 2.6% from $7.7 million to $7.9 million.

EXPANDING TRADITIONAL CORE BUSINESS

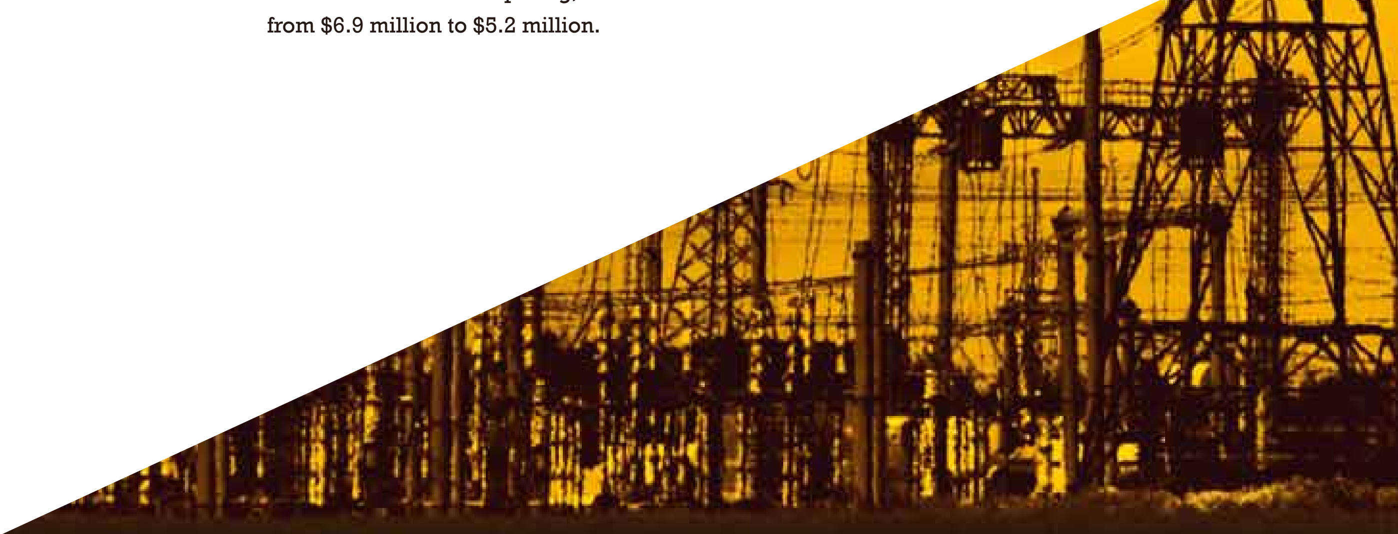
The Group continued to build market presence in its core motion control business. In FY2011, Motion Control revenue increased by 3.5% from $125.0 million to $129.4 million while Other Specialised Engineering Solutions reduced slightly from $31.7 million to $31.3 million. Industrial Computing, too decreased from $6.9 million to $5.2 million.

The Motion Control product group's revenue growth is attributed to the Group's diversified customer base across a broad range of industries. The other product groups, however, recorded lower revenue due to a general decline in demand from customers.

POTENTIAL NEW GROWTH DRIVERS

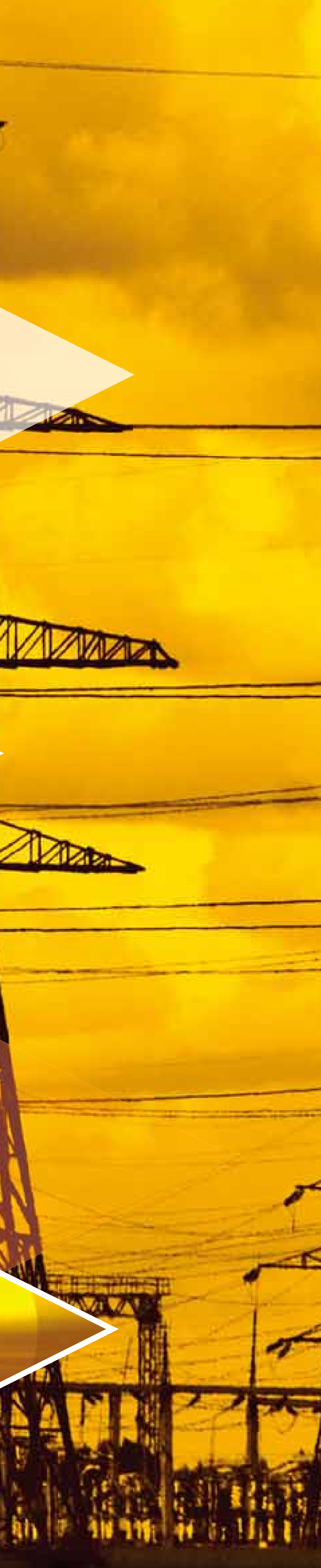
During the year in review, ISDN's first hydroponics farm in Subang, Malaysia as well as its second farm in Suzhou, China both successfully completed their pilot planting phase. Soon after, the hydroponics farms began attracting interest from potential investors due to its ability to produce premium lettuces at compelling yield rates. This culminated recently with the inking of a joint venture between Agri Source Pte Ltd, ISDN's wholly-owned subsidiary, and the Ho Lee Group for the purpose of setting up and operating hydroponics farms across the Asia-Pacific region. The Ho Lee Group is a construction-related organization with interests in steel fabrication, specialist machinery and equipment as well as property development.

Agri Source and Ho Lee will hold 51% and 49% respectively of the share capital of the JV company. The JV will have an issued share capital of $2.2 million. Under the terms of the agreement, Agri Source will supply and install its Hydroponics system to the JV and shall manage and operate the hydroponics farms under the company. ISDN will fund its share of the investment with internal resources and borrowings.



MOVING AHEAD

For the coming year, the Group expects encouraging prospects for its business in North Asia. It expects growing demand for the Group's integrated engineering solutions as industrial nations increasingly turn to the Asia-Pacific for products and services that could boost productivity and add value to their end-products. North Asia, in particular China, will continue to form a key part of the Group's growth strategy as it still presents enormous potential. To this end, ISDN will leverage on its business network and relatively early headstart in the mainland to tap into these opportunities.



board of directors

Lim Siang Kai
Chairman and
Independent Director

Teo Cher Koon
Managing Director and
President

Kong Deyang
Executive Director and Senior Vice
President – PRC Operations

Tay Gim Sin, Leonard
Independent Director

Soh Beng Keng
Independent Director

Lim Siang Kai

Chairman and Independent Director

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

Teo Cher Koon

Managing Director and President

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

Kong Deyang

Executive Director and Senior Vice President - PRC Operations

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

Soh Beng Keng

Independent Director

Mr Soh is currently the Independent Director of several other listed companies. Mr Soh has more than 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

Independent Director

Mr Tay has over a decade of financial management experience under his belt. Prior to his appointment to the Board of Directors of Swiber Holdings Limited as Independent Director in 2006 and the subsequent current appointment as Vice President and Group Chief Financial Officer in 2009, he was an Executive Director and the Chief Financial Officer of Enzer Corporation Limited and Altitude Trust Management Pte Ltd respectively. He has also spent nine years in public accounting with the Big Four accounting firms. Mr. Tay holds a Bachelors degree in Business from Monash University 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.

Ngai Kok Hoong

Chief Financial Officer

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

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

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

Sim Leong Seang

Vice President – Technical Support (Motion Control)

Mr Sim 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 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 Master Degree in Technology from National University of Singapore, a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University and a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore, where he was also awarded a Certificate of Merit for Outstanding Performance in the Electronic Engineering Course during the 1988-1989 session.

group structure

ISDN Holdings LIMITED

Centre of Excellence

Energy

Agriculture

ISDN Industrial Park

Engineering

Engineering Solutions Motion Control

Other specialised engineering solutions

Industrial computing

directorship

LIM SIANG KAI

Group companies
ISDN Holdings Limited

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

TEO CHER KOON

Group companies
ISDN Holdings Limited
Agri Source Farms Sdn Bhd
Agri Source Pte Ltd
Agri Source Suzhou Co. Ltd
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dirak Asia Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co, Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
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
JAPV Mechanical Technology (Wujiang) Co. Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics Co., Ltd
Shanghai DBASIX M&E Equipment Co., Ltd
Shanghai Delta Automation International Trade Co.,Ltd
Shenzhen Servo Dynamics Co.,Ltd
Suzhou Dirak Co., Ltd
Suzhou PDC Co., Ltd
Weiyi M&E Equipment (Shanghai) Co., Ltd

SOH BENG KENG

Group companies
ISDN Holdings Limited

Other companies
China Haida Ltd
Sino Grandness Food Industry Group Limited
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" or the "Company") 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 2011 ("FY2011").

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 review management's performance, oversees the management of the Group's business affairs and conducts periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management, internal controls and compliance. All Directors must objectively make decisions in the interests of the Group. The Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board also takes into account the scope and nature of the operations of the company.

The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	53	28/12/2004	N.A.	Managing Director
Kong Deyang	51	26/09/2005	27/04/2011	Executive Director
Lim Siang Kai	55	26/09/2005	27/04/2011	Independent Director
Tay Gim Sin, Leonard*	43	26/09/2005	26/04/2010	Non-Executive Director
Soh Beng Keng	58	26/09/2005	26/04/2010	Independent Director

* Tay Gim Sin, Leonard was re-designated as Independent Director on 17 February 2012.

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature. The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. The Company will ensure that all incoming directors are familiar with the company's business and governance practices. The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

The Board 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.

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

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

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

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

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	7*	1	1
Directors		Number of meetings attended		
Teo Cher Koon	4	N/A	1	N/A
Kong Deyang	2	N/A	N/A	N/A
Tay Gim Sin, Leonard	4	7	N/A	1
Lim Siang Kai	4	7	1	1
Soh Beng Keng	4	7	1	1

N/A- Not applicable
* Including three (3) ad-hoc meetings

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 comprised 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

* Tay Gim Sin, Leonard was re-designated as Independent Director on 17 Feb 2012

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

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

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

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 the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

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

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

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of ISDN's operations;
- ensures that the directors received accurate, timely and clear information;
- exercises control over quality, quantity and timeliness of the flow of information between Management and the Board;
- assists in ensuring compliance with ISDN's guidelines on corporate governance;
- facilitates the effective contribution of Independent Directors in particular;
- encourages constructive relations between Executive Directors and Independent Directors;
- acts on the results of the performance evaluation;

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

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

- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC; and
- promote high standards of corporate governance.

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

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

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.

2 **Nominating Committee (cont'd)**

Principle 4: Board Membership (cont'd)

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

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

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

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

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

Principle 5: Board Performance

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

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

The Board is assessed based on the following criteria:

1. Timely guidance to Management
2. Attendance at Board/Committee meetings
3. Participation at Board/Committee meetings
4. Commitment to Board activities
5. 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 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 two Independent Directors and one Non-Executive Director, one of whom is also the Chairman of the Committee, namely:

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

* Tay Gim Sin, Leonard was re-designated as Independent Director and assumed the chairmanship of the RC on 17 Feb 2012.

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

The Executive Directors, Mr Teo Cher Koon and Mr Kong Deyang have entered into separate service agreements with the Company which can be terminated by either party giving not less than six months' notice to each other. The service agreements cover the terms of employment and specifically, the salaries and bonuses. There are no long-term incentive schemes for any of the Directors.

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 2011 are set out below:

	Number of Directors	
	2011	**2010**
$500,000 and above	**2**	1
$250,000 to $499,999	**0**	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	27	73	–	–	100
Kong Deyang	21	73	–	6	100
Tay Gim Sin, Leonard	–	–	100	–	100
Lim Siang Kai	–	–	100	–	100
Soh Beng Keng	–	–	100	–	100

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

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Below $250,000					
Individual A	33	63	–	4	100
Individual B	73	22	–	5	100
Individual C	92	8	–	–	100
Individual D	34	66	–	–	100
Individual E	50	30	15	5	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	86	14	–	–	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.

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

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 regularly providing the Board with the necessary financial information for the discharge of its duties.

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

Principle 11: 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 two Independent Directors and one Non-Executive Director, 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*

* Tay Gim Sin, Leonard was re-designated as Independent Director on 17 Feb 2012.

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

Principle 11: Audit Committee (cont'd)

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.

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, the scope and result of the audit and the audit fees; and
- undertake such other functions and duties as requested by the Board and as required by statute or Listing Manual.

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

Principle 11: Audit Committee (cont'd)

The internal and external auditors have full access to the AC who has the expressed 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 Company confirms that it complies with Rule 712 of the Listing Manual. Save for one subsidiary in India ("Subsidiary"), the Company confirms that it complies with Rule 715 of the Listing Manual. In relation to the Subsidiary, the Company confirms that it complies with Rule 716 of the Listing Manual and the Board and the AC board are satisfied that the standard and effectiveness of the audit of the Company is not compromised.

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 and the internal auditors' primary line of reporting is to the AC. The Board shall consider expanding its internal audit resources as and when the need arises. For the financial year under review, the Board is of the opinion, with the concurrence of the AC, that the internal controls system, addressing the financial, operational and compliance risks faced by the Company, is adequate to safeguard the interests of the shareholders.

The internal auditors meet the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal audit function is adequately resourced and has appropriate standing within the Company.

corporate governance

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. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

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

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

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

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

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

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

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	1,220	–

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(19) 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.

corporate governance

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.

On 17 January 2012, the Company announced that the gross proceeds of S$5.53 million raised from the Right Issue had been fully utilized in accordance with the stated use and with the percentage allocated in the Offer Information Statement dated 30 November 2010 as follows:

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	5,530	–

report of the directors

31 December 2011

The directors are pleased to present their report to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2011 and the balance sheet of the Company as at 31 December 2011.

1 Directors

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

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

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

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

	Number of ordinary shares registered in the name of director		
	As at 1.1.2011	**As at 31.12.2011**	**As at 21.1.2012**
The Company - <u>ISDN Holdings Limited</u>			
Teo Cher Koon	153,890,250*	153,890,250*	153,890,250*
Kong Deyang	2,850,000	2,850,000	2,850,000
Tay Gim Sin, Leonard	396,000	396,000	396,000
The holding company - <u>Assetraise Holdings Limited</u>			
Teo Cher Koon	1	1	1

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

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

The Share Option Scheme is administered by Remuneration Committee appointed and authorized by the Board of Directors.

Options Granted

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

Options Exercised

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

Options Outstanding

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

6 Performance Share Plan

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

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

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

There was no performance share issued as at the date of this Report.

7 Audit Committee

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

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

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;

7 Audit Committee (cont'd)

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

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

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

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

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

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

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

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

(k) Undertake such other functions and duties as requested by the Board and as required by statute or Listing Manual.

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

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

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

8 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and 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 2012

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 38 to 116, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 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 2012

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 (collectively the "Group"), as set out on pages 38 to 116, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (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 2011 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 2012

consolidated statement of comprehensive income

For the Financial Year ended 31 December 2011

	Note	Group	
		2011	2010
		S$'000	S$'000
Revenue	4	**165,932**	163,578
Cost of sales		**(117,429)**	(115,574)
Gross profit		**48,503**	48,004
Other operating income	5	**4,196**	2,162
Distribution costs		**(14,741)**	(13,322)
Administrative expenses		**(20,262)**	(17,976)
Other operating expenses		**(2,188)**	(3,684)
Finance costs	6	**(1,152)**	(982)
Share of profit of associates		**728**	518
Profit before income tax	7	**15,084**	14,720
Income tax	9	**(4,008)**	(4,029)
Profit for the year		**11,076**	10,691
Other comprehensive income/(loss):			
Exchange differences on translation of foreign operations		**2,046**	(1,718)
Total comprehensive income for the year		**13,122**	8,973
Profit for the year attributable to:			
Equity holders of the Company		**8,423**	8,313
Non-controlling interests		**2,653**	2,378
		11,076	10,691
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**10,363**	7,076
Non-controlling interests		**2,759**	1,897
		13,122	8,973
		Singapore cents	
Earnings per share:	10		
Basic		**2.82**	3.30
Diluted		**2.82**	3.30

The accompanying notes form an integral part of the financial statements

consolidated balance sheet

As at 31 December 2011

	Note	Group 2011 S$'000	Group 2010 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	**27,896**	24,880
Investment properties	12	**633**	567
Intangible assets	13	**41**	232
Land use rights	14	**1,547**	1,502
Goodwill	15	**11,686**	11,686
Associates	17	**2,586**	1,927
Total non-current assets		**44,389**	40,794
Current Assets			
Assets held for sale	19	**–**	567
Inventories	20	**29,209**	25,819
Trade and other receivables	21	**36,704**	42,703
Cash and cash equivalents	22	**28,403**	28,955
Total current assets		**94,316**	98,044
Total Assets		**138,705**	138,838
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	**44,855**	44,855
Treasury shares	24	**(340)**	(340)
Reserves	25	**33,287**	24,387
		77,802	68,902
Non-controlling interests		**6,018**	5,563
Total Equity		**83,820**	74,465
Non-current liabilities			
Bank borrowings	26	**10,636**	8,155
Finance leases	27	**293**	99
Deferred tax liabilities	28	**30**	46
Total non-current liabilities		**10,959**	8,300
Current Liabilities			
Bank borrowings	26	**11,020**	16,785
Finance leases	27	**54**	39
Trade and other payables	29	**31,282**	37,173
Current tax liabilities		**1,570**	2,076
Total current liabilities		**43,926**	56,073
Total Liabilities		**54,885**	64,373
Total Liabilities and Equity		**138,705**	138,838

The accompanying notes form an integral part of the financial statements

balance sheet

As at 31 December 2011

	Note	Company	
		2011	**2010**
		S$'000	**S$'000**
ASSETS			
Non-current Assets			
Subsidiaries	16	**38,822**	34,550
Associates	17	**33**	33
Total non-current assets		**38,855**	34,583
Current Assets			
Trade and other receivables	21	**119**	85
Amount owing by subsidiaries	16	**4,968**	3,637
Dividend receivable		**4,050**	4,750
Cash and cash equivalents	22	**1,392**	5,649
Total current assets		**10,529**	14,121
Total Assets		**49,384**	48,704
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	**44,855**	44,855
Treasury shares	24	**(340)**	(340)
Retained earnings	25	**1,826**	1,518
Total Equity		**46,341**	46,033
Current Liabilities			
Trade and other payables	29	**3,043**	2,671
Total current liabilities		**3,043**	2,671
Total Liabilities		**3,043**	2,671
Total Liabilities and Equity		**49,384**	48,704

The accompanying notes form an integral part of the financial statements

consolidated statement of changes in equity

For the Financial year ended 31 December 2011

	← Attributable to equity holders of the Company →								
	Share capital S$'000	Treasury shares S$'000	Merger reserve S$'000	Exchange translation reserve S$'000	Other reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Group									
Balance at 1 January 2011	**44,855**	**(340)**	**(436)**	**(1,801)**	**1,745**	**24,879**	**68,902**	**5,563**	**74,465**
Total comprehensive income for the year	**–**	**–**	**–**	**1,940**	**–**	**8,423**	**10,363**	**2,759**	**13,122**
Capital contributed by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52**	**52**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**(15)**	**(21)**
Disposal of interests in subsidiary	**–**	**–**	**–**	**–**	**–**	**36**	**36**	**(36)**	**–**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,305)**	**(2,305)**
Payment of dividends (Note 30)	**–**	**–**	**–**	**–**	**–**	**(1,493)**	**(1,493)**	**–**	**(1,493)**
Transfer to other reserves	**–**	**–**	**–**	**–**	**164**	**(164)**	**–**	**–**	**–**
Balance at 31 December 2011	**44,855**	**(340)**	**(436)**	**139**	**1,909**	**31,675**	**77,802**	**6,018**	**83,820**
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

The accompanying notes form an integral part of the financial statements

consolidated cash flow statement

For the Financial year ended 31 December 2011

	2011 S$'000	2010 S$'000
Cash Flows from Operating Activities		
Profit before income tax	**15,084**	14,720
Adjustments for:		
Amortisation of intangible assets	**624**	1,053
Amortisation of land use rights	**34**	24
Bad trade receivables written off	**197**	112
Depreciation of property, plant and equipment	**1,839**	1,631
Depreciation of investment properties	**19**	17
Allowance for inventory obsolescence	**903**	406
Allowance for impairment of trade receivables	**100**	329
Gain on disposal of property, plant and equipment	**(103)**	(3)
Gain on disposal of assets held for sale	**(757)**	–
Gain on disposal of properties under development	**(731)**	–
Gain on exit of road and port facilities project	**(378)**	–
Gain on disposal of interests in subsidiaries	**–**	(67)
Property, plant and equipment written off	**7**	–
Inventories written off	**305**	599
Write back of allowance for inventory obsolescence	**(121)**	–
Write back of allowance for trade receivables	**(11)**	–
Write back of gain in stock count variance	**(117)**	–
Interest expense	**1,152**	982
Interest income	**(155)**	(111)
Share of profits of associates	**(728)**	(518)
Unrealised currency translation differences	**(655)**	(286)
Operating cash flow before working capital changes	**16,508**	18,888
Changes in working capital:		
Inventories	**(4,360)**	(7,608)
Trade and other receivables	**3,040**	(5,992)
Trade and other payables	**(6,138)**	9,487
Cash generated from operations	**9,050**	14,775
Interest paid	**(1,152)**	(982)
Interest received	**155**	111
Income tax paid	**(4,530)**	(2,471)
Net cash generated from operating activities	**3,523**	11,433

The accompanying notes form an integral part of the financial statements

consolidated cash flow statement

For the Financial year ended 31 December 2011

	2011 S$'000	2010 S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(3,486)**	(4,634)
Increase in intangible assets	**(417)**	(219)
Advances for construction facilities	**–**	(3,261)
Progress payments of properties under development	**(558)**	(204)
Proceeds from disposal of property, plant and equipment	**202**	102
Proceeds from disposal of assets held for sale	**1,025**	–
Proceeds from disposal of properties under development	**1,760**	–
Proceeds from exit of road and port facilities project	**3,639**	–
Consideration for acquisition of interests from non-controlling interests	**(21)**	(80)
Cash outflow on disposals of interests in subsidiaries (Note A)	**–**	(71)
Funding to investee company	**–**	(429)
Dividend from an associate	**38**	40
Net cash generated from/(used in) investing activities	**2,182**	(8,756)
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	**(1,493)**	–
Dividends to non-controlling interests	**(1,846)**	(197)
Investment in subsidiaries by non-controlling interests	**52**	50
Loans to associates	**(75)**	(282)
(Repayment to)/Amount owing to an associate	**(50)**	50
(Loan to)/Repayment from a joint venture	**(30)**	112
Loan from a joint venture	**–**	(49)
Amount owing to non-controlling interests	**113**	451
Release of restricted bank balances	**21**	–
Proceeds from bank loans	**7,745**	5,772
Rights issue proceeds (net of expenses)	**–**	5,388
Repayment of bank loans	**(6,010)**	(6,244)
(Repayment of)/Proceeds from short term loans (net)	**(4,303)**	2,882
(Repayment of)/Proceeds from trust receipts (net)	**(282)**	105
Repayment of finance leases	**(144)**	(16)
Net cash (used in)/generated from financing activities	**(6,302)**	8,022
Net (decrease)/increase in cash and cash equivalents	**(597)**	10,699
Cash and cash equivalents at beginning of year	**28,500**	18,174
Effect of currency translation on cash and cash equivalents	**500**	(373)
Cash and cash equivalents at end of year (Note 22)	**28,403**	28,500

The accompanying notes form an integral part of the financial statements

consolidated cash flow statement

For the Financial year ended 31 December 2011

Note A:

2011

As disclosed in Note 16(c), disposal of interests in subsidiaries during the current financial year did not result in loss of control, and accordingly, the transactions have been accounted for as equity transactions. The consideration received for the disposal of interests is less than S$1,000.

2010

The Group's effective equity 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 previous 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.

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

	2010
	S$'000
Property, plant and equipment	50
Goodwill arising from acquisition of JM Spore and JM Suzhou	74
Inventories	691
Trade and other receivables	1,394
Trade and other payables	(1,263)
Income tax liabilities	(33)
Bank borrowings	(216)
Cash and cash equivalents	291
Identifiable net assets	988
Derecognised of non-controlling interests	(310)
Identifiable net assets on disposal	678
Fair value of retained interest as associates	(445)
Gain on disposal of interests in subsidiaries	67
Disposal consideration	300
Less: Cash consideration receivable	(80)
Less: Cash and cash equivalents on disposal	(291)
Cash outflow on disposal of interests in subsidiaries	(71)

notes to financial statements

31 December 2011

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 2011 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

		Effective for accounting periods beginning on or after
FRS 1 (Amendment)	Presentation of Financial Statements*	1 January 2011
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

* Under the Improvements to FRS 2010

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

Except as discussed below, the adoption of the above revised or amended standards have not had any effect on the Group's financial statements for the financial year ended 31 December 2011.

Revised FRS 24 – *Related Party Disclosures*

The revised standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The amendment has not had any impact on the related party transactions disclosure reported in the Group's financial statements, as set out in Note 35.

Amendment to FRS 103 – *Business Combinations*

The amendment clarifies 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.

The amendment further clarifies that 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 in goodwill.

Changes to the Group's accounting policy has been made as required in accordance with the above amendments (see Note 3(a)(i)) but the amendments has not had any impact on the Group's financial statements as there were no business combinations with acquisition for the current financial year to account for these amendments.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are not yet effective

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

		Effective for accounting periods beginning on or after
FRS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 27 (Revised)	Separate Financial Statements	1 January 2013
FRS 28 (Revised)	Investments in Associates and Joint Ventures	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosures of Interests in Other Entities	1 January 2013

The adoption of the above new or revised standards is not expected to have a significant effect on the Group's financial statements on application. However, certain of these standards will require more extensive disclosures in the financial statements than those in the current standards.

(b) Critical Accounting Judgements and Estimates

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

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

2 Basis of Preparation (cont'd)

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

Judgements made in applying accounting policies

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

(i) Allowance for inventory obsolescence

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

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$782,000 (2010: S$406,000) (see Notes 5 and 7). In addition, certain inventories which became obsolete and unusable amounted to S$305,000 (2010: S$599,000) (Note 7) were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2011 was S$29,209,000 (2010: S$25,819,000) (Note 20).

(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 a net allowance for impairment loss on trade receivables of S$89,000 (2010: S$329,000) (see Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$197,000 (2010: S$112,000) (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 2011 was S$549,000 (2010: S$627,000) (Note 36(a)(iii)) and the carrying amount of the Group's trade receivables was S$30,129,000 (2010: S$31,681,000) (Note 21).

2 Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2011 was S$27,896,000 (2010: S$24,880,000) (Note 11). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these property, plant and equipment, which management assesses annually and if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such estimate has been changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will decrease/increase by approximately S$184,000 (2010: S$163,000).

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

Goodwill arising from acquisition of subsidiaries and joint ventures is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions could result in changes in the carrying amount of the goodwill. The carrying amount of the goodwill arising from acquisition of subsidiaries and joint ventures as at 31 December 2011 was S$11,686,000 (2010: S$11,686,000) (Note 15).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries and joint ventures assessed as at 31 December 2011 (2010: 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 2011 is increased by 1% (2010: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the goodwill.

2 Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty (cont'd)

(iii) Income taxes

The Group has exposures to income taxes in numerous jurisdictions. 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$4,008,000 (2010: S$4,029,000) for the financial year ended 31 December 2011. The carrying amounts of the Group's current income tax liabilities and deferred tax liabilities as at 31 December 2011 were S$1,570,000 (2010: S$2,076,000) and S$30,000 (2010: S$46,000) respectively.

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) Subsidiaries

Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains 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.

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

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Consolidation (cont'd)

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.

Acquisition of businesses

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition of businesses (cont'd)

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.

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.

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

(a) Group Accounting (cont'd)

(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.

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.

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

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

(ii) Associates (cont'd)

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.

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

(b) Functional and Foreign Currencies

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

Transactions and balances

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

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

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

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.

3 Summary of Significant Accounting Policies (cont'd)

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

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.

(c) Property, Plant and Equipment

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

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

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.

(d) Investment Properties

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

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

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

(e) Land Use Rights

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

3 Summary of Significant Accounting Policies (cont'd)

(f) Goodwill

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

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

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

(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.

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

(g) **Intangible Assets (cont'd)**

Research and development costs (cont'd)

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

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

(h) **Investments in Subsidiaries, Joint Ventures and Associates**

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

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

(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.

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.

3 Summary of Significant Accounting Policies (cont'd)

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

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

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

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

(j) Inventories

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

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

(p) Share Capital

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

(q) Treasury Shares

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

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

3 Summary of Significant Accounting Policies (cont'd)

(q) Treasury Shares (cont'd)

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

(r) Dividends to Company's Shareholders

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

(s) Financial Guarantees

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

Financial guarantees are 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.

(t) Revenue Recognition

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

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

Sale of goods

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

Interest income

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

Dividend income

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

3 Summary of Significant Accounting Policies (cont'd)

(u) Employee Benefits

Defined contribution plans

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

Employee leave entitlements

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

(v) Operating Leases

As lessor

Rental income arising from operating leases on investment properties is accounted for on a 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.

(w) Income Tax

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

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

3 Summary of Significant Accounting Policies (cont'd)

(w) Income Tax (cont'd)

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.

(x) Segment Reporting

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

4 Revenue

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

5 Other Operating Income

	Group	
	2011	**2010**
	S$'000	**S$'000**
Administrative income	**90**	107
Commission income	**233**	917
Gain on disposal of property, plant and equipment	**103**	3
Gain on disposal of assets held for sale (Note 19)	**757**	–
Gain on disposal of properties under development (Note 21(d))	**731**	–
Gain on exit of road and port facilities project (Note 21(c))	**378**	–
Gain on disposal of interests in subsidiaries	**–**	67
Finance income:		
– interest on bank deposits	**137**	99
– interest on loan to an associate	**18**	12
Miscellaneous income	**369**	114
Operating lease rental income:		
– investment properties	**53**	45
– sub-let of office/warehouse premises	**191**	84
Property management income	**131**	87
Technical service income	**756**	627
Write back of allowance of inventory obsolescence*	**121**	–
Write back of allowance of trade receivables	**11**	–
Write back of gain on stock count variance	**117**	–
	4,196	2,162

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

6 Finance Costs

	Group	
	2011	**2010**
	S$'000	**S$'000**
Interest expense on:		
– bank overdrafts	**11**	34
– bank loans	**1,103**	915
– trust receipts	**30**	26
– finance leases	**8**	7
	1,152	982

7 Profit before Income Tax

	Group 2011 S$'000	Group 2010 S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of intangible assets	**624**	1,053
Amortisation of land use rights	**34**	24
Audit fees		
– Company's auditors	**354**	273
– other auditors	**99**	69
Depreciation of property, plant and equipment		
– recognised in cost of sales	**282**	265
– recognised in distribution costs	**113**	89
– recognised in administrative expenses	**1,444**	1,277
	1,839	1,631
Depreciation of investment properties	**19**	17
Other operating expenses included:		
– bad trade receivables written off	**197**	112
– allowance for inventory obsolescence	**903**	406
– allowance for impairment of trade receivables	**100**	329
– property, plant and equipment written off	**7**	–
– inventories written off	**305**	599
– foreign exchange loss, net	**4**	1,161
Directors' fees	**100**	100
Operating lease rental expense	**1,051**	934

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2011 (2010: Nil).

8 Employee Benefits

	Group 2011 S$'000	Group 2010 S$'000
Directors' remuneration		
– salaries and related costs	**2,603**	2,351
– defined contribution plans	**28**	11
Key management personnel (other than directors)		
– salaries and related costs	**3,860**	3,400
– defined contribution plans	**325**	293
Other than directors and key management personnel		
– salaries and related costs	**12,331**	9,795
– defined contribution plans	**1,606**	1,761
	20,753	17,611

9 Income Tax

	Group	
	2011	2010
	S$'000	S$'000
Current income tax	**3,926**	3,896
Deferred taxation (Note 28)	**(1)**	(6)
	3,925	3,890
(Over)/Under provision in respect of prior years:		
– current income tax	**98**	139
– deferred taxation (Note 28)	**(15)**	–
	4,008	4,029

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	
	2011	2010
	S$'000	S$'000
Profit before income tax	**15,084**	14,720
Income tax calculated at applicable tax rates	**3,087**	3,196
Non-deductible expenses	**444**	677
Singapore statutory stepped income exemption	**(111)**	(106)
Deferred tax assets not recognised	**588**	304
Utilisation of deferred tax benefits previously not recognised	**(33)**	(148)
Share of results of associates	**(50)**	(33)
Under/(Over) provision in respect of prior years:		
– current income tax	**98**	139
– deferred tax	**(15)**	–
	4,008	4,029

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2010: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2010: 25%) and 16.5% (2010: 16.5%) respectively.

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

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

9 Income Tax (cont'd)

Unrecognised tax losses

As at 31 December 2011, the Group has unutilised tax losses of approximately S$8,244,000 (2010: S$4,975,000) 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(w). The deferred tax asset not recognised is estimated to be S$1,987,000 (2010: S$1,432,000).

Unrecognised temporary differences relating to investments in subsidiaries and joint ventures

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

As at 31 December 2011, no deferred tax liability (2010: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures in the PRC as:

- the Group has determined that 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$18,480,000 (2010: S$13,113,000). The deferred tax liability is estimated to be S$1,848,000 (2010: S$1,311,000).

10 Earnings Per Share

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

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

	Group	
	2011	**2010**
Profit for the year attributable to equity holders of the Company (S$'000)	**8,423**	8,313
Weighted average number of ordinary shares outstanding for basic earnings per share computation	**298,654,950**	251,682,886*
Basic earnings per share (Singapore cents)	**2.82**	3.30

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares as at 31 December 2011 and 2010.

* The Company had a Rights Issue during the previous 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 was 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 had been adjusted retroactively as if it had 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.

11 Property, Plant and Equipment

	Freehold building S$'000	Leasehold properties S$'000	Renovations S$'000	Motor vehicles S$'000	Plant and equipment S$'000	Furniture, fittings and office equipment S$'000	Construction in progress S$'000	Total S$'000
Group								
2011								
Cost								
Balance at 1 January 2011	144	21,939	722	1,645	2,670	3,952	647	31,719
Additions	–	1,686	300	456	838	559	–	3,839
Disposals	–	–	–	(385)	(103)	(170)	–	(658)
Written off	–	–	–	–	–	(7)	–	(7)
Transfer to investment properties (Note 12)	(140)	–	–	–	–	–	–	(140)
Translation adjustment	(4)	1,129	42	39	(34)	104	44	1,320
Balance at 31 December 2011	–	24,754	1,064	1,755	3,371	4,438	691	36,073
Accumulated depreciation								
Balance at 1 January 2011	54	1,684	366	864	1,020	2,851	–	6,839
Depreciation for the year	–	509	189	227	407	507	–	1,839
Disposals	–	–	–	(306)	(93)	(160)	–	(559)
Written off	–	–	–	–	–	–	–	–
Transfer to investment properties (Note 12)	(55)	–	–	–	–	–	–	(55)
Translation adjustment	1	34	20	(2)	22	38	–	113
Balance at 31 December 2011	–	2,227	575	783	1,356	3,236	–	8,177
Net book value								
Balance at 31 December 2011	–	22,527	489	972	2,015	1,202	691	27,896

11 Property, Plant and Equipment (cont'd)

	Freehold land S$'000	Freehold building S$'000	Leasehold properties S$'000	Renovations S$'000	Motor vehicles S$'000	Plant and equipment S$'000	Furniture, fittings and office equipment S$'000	Construction in progress S$'000	Total S$'000
Group									
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)

The Group's leasehold properties are set out below:

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

As at 31 December 2011, the net book value of the leasehold properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 26(d) and 26(f) was S$22,527,000 (2010: S$20,255,000).

During the financial year, the Group acquired certain property, plant and equipment by means of finance leases totalling S$353,000 (2010: Nil). Other property, plant and equipment were acquired by cash payments of S$3,486,000 (2010: S$4,634,000).

As at 31 December 2011, the net book value of property, plant and equipment of the Group held under finance leases was S$425,000 (2010: S$137,000).

12 Investment Properties

	Group	
	2011	**2010**
	S$'000	**S$'000**
Cost		
Balance at 1 January	**834**	834
Transferred from property, plant and equipment (Note 11)	**140**	–
Balance as at 31 December	**974**	834
Accumulated depreciation		
Balance at 1 January	**267**	250
Transferred from property, plant and equipment (Note 11)	**55**	–
Depreciation for the year	**19**	17
Balance at 31 December	**341**	267
Net book value		
Balance at 31 December	**633**	567

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$1 million (2010: S$731,000) 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**
Freehold building				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Freehold Building	Leased out to third party	None
Leasehold properties				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	1,000 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	1,800 sq. ft.	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities

12 Investment Properties (cont'd)

As at 31 December 2011, the net book value of the investment properties set out above (other than freehold building) are mortgaged to secure the Group's bank borrowings as disclosed in Note 26(d) was S$550,000 (2010: S$567,000).

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S$53,000 (2010: S$45,000); and direct operating expenses amounted to S$31,000 (2010: S$26,000).

13 Intangible Assets

	Group	
	2011	**2010**
	S$'000	**S$'000**
Cost		
Balance at 1 January	**1,832**	1,743
Additions for the year	**417**	219
Translation adjustment	**135**	(130)
Balance at 31 December	**2,384**	1,832
Accumulated amortisation		
Balance at 1 January	**1,600**	577
Amortisation for the year	**624**	1,053
Translation adjustment	**119**	(30)
Balance at 31 December	**2,343**	1,600
Net book value		
Balance at 31 December	**41**	232

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$376,000 (2010: S$805,000) were fully charged to profit or loss as part of the annual amortisation.

14 Land Use Rights

	Group 2011 S$'000	Group 2010 S$'000
Cost		
Balance at 1 January	**1,568**	1,631
Translation adjustment	**80**	(63)
Balance at 31 December	**1,648**	1,568
Accumulated amortisation		
Balance at 1 January	**66**	40
Amortisation for the year	**34**	24
Translation adjustment	**1**	2
Balance at 31 December	**101**	66
Net book value		
Balance at 31 December	**1,547**	1,502
Amount to be amortised:		
– not later than one year	**34**	35
– later than one year but not later than five years	**136**	140
– later than five years	**1,377**	1,327
	1,547	1,502

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

As at 31 December 2011, 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(f) was S$796,000 (2010: S$743,000).

15 Goodwill

	Group 2011 S$'000	Group 2010 S$'000
Balance at 1 January	**11,686**	11,760
Disposal of interests in subsidiaries	**–**	(74)
Balance at 31 December	**11,686**	11,686

Impairment testing of goodwill

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

	Group 2011 S$'000	Group 2010 S$'000
Engineering Solutions – Motion Control		
– Servo Dynamics (Thailand) Co., Ltd	**75**	75
– TDS Technology (S) Pte Ltd	**2,103**	2,103
	2,178	2,178
Other Specialised Engineering Solutions		
– Dirak Asia Pte Ltd	**9,508**	9,508
	11,686	11,686

The Group assessed the recoverable amount of goodwill based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 5% (2010: 5%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid entities operate. The pre-tax discount rates used ranged from 5% to 8% and 5% (2010: 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.

Based on management's review of the recoverable amounts of the CGUs, no impairment on goodwill was required during the financial year ended 31 December 2011 (2010: Nil).

16 Subsidiaries

	Company 2011 S$'000	Company 2010 S$'000
Non-current assets		
Equity shares, at cost	**22,849**	22,849
Loans to subsidiaries	**15,973**	11,701
	38,822	34,550
Current assets		
Amount owing by subsidiaries	**4,968**	3,637

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 2011 S$'000	Cost of investment by the Company 2010 S$'000	Effective equity interest held by the Group 2011 %	Effective equity interest held by the Group 2010 %	Principal activities
Held by the Company						
Motion Control Group Pte Ltd(1)	Singapore	**18,902**	18,902	**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

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment by the Company		Effective equity interest held by the Group		Principal activities
		2011 S$'000	2010 S$'000	2011 %	2010 %	
Held by the Company (cont'd)						
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)	Singapore	*	*	**100**	100	Provision of technical consultancy, training services, and management services.
		22,849	22,849			
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	Trading electric appliances, including researching and producing the electric instruments of original machine
Servo Engineering (M) Sdn Bhd(3)	Malaysia			**90**	90	Engaging in the importing, exporting, purchasing, selling, distributing, servicing, repairing and otherwise dealing in automation products, amplifiers, gear boxes, electric motors and equipment and any parts or accessories used in connection therewith

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2011 %	**2010** %	
Held by Motion Control Group Pte Ltd (cont'd)				
Servo Dynamics (H.K.) Limited(3)	Hong Kong	**100**	100	Trading in electronics products
Eisele Asia Co., Ltd(2)(5)	People's Republic of China	**50**	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd(3)	Hong Kong	**51**	51	Investment holding and provision of engineering solutions
USAS Motion Co., Ltd(3)	Hong Kong	**95**	95	Investment holding and provision of engineering solutions and supply special purpose motors
Servo Dynamics Sdn Bhd(3)	Malaysia	**100**	100	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd(2)	People's Republic of China	**100**	100	Land investment
IDI (INA) Laser Services Pvt Ltd(6)	India	**53.33**	53.33	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd(2)	People's Republic of China	**51**	51	Provision of other engineering solutions to packaging, textile and plastic industries in China
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
JAPV Mechanical Technology (Wujiang) Co. Ltd (f.k.a 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

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2011 %	Effective equity interest held by the Group 2010 %	Principal activities
Held by Motion Control Group Pte Ltd (cont'd)				
DBASIX Singapore Pte Ltd[(1)]	Singapore	**51.92**	51.92	Investment holding
TDS Technology (S) Pte Ltd[(1)]	Singapore	**61.2**	61.2	Wholesalers of electrical and electronic components and wiring accessories
ISDN 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
A Tracks Pte Ltd (f.k.a SD Offshore Pte Ltd)[(1)(4)]	Singapore	**70**	100	Manufacture and repair of electric motors, semiconductor assembly and testing equipment
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

16 **Subsidiaries (cont'd)**

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2011 %	2010 %	Principal activities
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	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 IGB (H.K.) Co., Ltd				
SejinIGB (Suzhou) Co., Ltd(2)	People's Republic of China	**51**	51	Manufacturing and provision of engineering solutions

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2011 %	2010 %	Principal activities
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd(2)	People's Republic of China	**51.92**	51.92	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd(3)(8)	Malaysia	**51.92**	46.73	Sale of aluminum profiles, actuators and related components
Hefei Hongchengsheng Machinery & Equipment Co., Ltd(2)(7)	People's Republic of China	**31.15**	–	Assemble and sale of machinery, equipment, hardware and parts and related services
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd(1)(4)	Singapore	**39.8**	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
PT TDS Technology(2)(7)	Indonesia	**36.72**	–	Trading and distribution of advanced industrial control and factory automation products

16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2011 %	2010 %	Principal activities
Held by ISDN Investments Pte Ltd				
Agri Source Pte Ltd (f.k.a Ell-Gro Hydroponics Pte Ltd)(1)	Singapore	**100**	100	Hydroponics and high tech farming
RLM Pte Ltd(1)(5)	Singapore	**50**	50	Providing resource and logistics management and services relating to mining and natural resources business. Providing financing for resource and logistics management and services relating to mining and natural resources business
Held by Agri Source Pte Ltd				
Agri Source Farms Sdn Bhd (f.k.a Ell-Gro Farms Sdn Bhd)(3)	Malaysia	**100**	100	Hydroponics and high tech farming
Agri Source Suzhou Co. Ltd (f.k.a Ell-Gro Farms Suzhou Co., Ltd)(2)	People's Republic of China	**100**	100	Hydroponics and high tech farming

* Less than $1,000
(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) 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 (see details below)
(8) Acquisition of interest from non-controlling interest (see details below)

16 Subsidiaries (cont'd)

(a) *Incorporation of subsidiaries*

(i) During the financial year, TDS Technology Pte Ltd ("TDS Technology"), a 61.2% subsidiary of the Group, incorporated PT TDS Technology ("PT TDS") in Indonesia with an initial share capital of US$100,000 (equivalent to S$130,000), of which TDS Technology holds a 60% equity interest in PT TDS. Therefore, the Group's effective equity interest held in PT TDS is 36.72%.

(ii) During the financial year, Shanghai DBASIX M&E Equipment Co., Ltd ("DBASIX Shanghai"), a 51.92% subsidiary of the Group, incorporated Hefei Hongchengsheng Machinery & Equipment Co., Ltd ("Hefei Hongchengsheng") in the People's Republic of China with an initial share capital of RMB60,000 (equivalent to S$12,000), of which DBASIX Shanghai holds a 60% equity interest in Hefei. Therefore, the Group's effective equity interest held in Hefei Hongchengsheng is 31.15%.

(b) *Increase in investment in subsidiary*

During the financial year, Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary of the Company, increased its investment in A Tracks Pte Ltd ("ATPL"), a wholly owned subsidiary of MCG, through a capital injection by increasing ATPL's issued and paid up capital from S$10 to S$100. The purpose of the capital injection by MCG was to facilitate the divestment of part of its equity interest in ATPL as described further below.

(c) *Disposal of interests in subsidiaries*

(i) Subsequent to the addition capital injection by MCG in ATPL as disclosed above, MCG transferred 31 ordinary shares (31%) in the share capital of ATPL to

- Two individuals who hold 20 (20%) and 10 (10%) ordinary shares respectively, and
- Precision Motion Control Pte Ltd, a wholly owned subsidiary of MCG, which hold 1 (1%) ordinary share,

for an aggregate cash consideration of S$31. Following the divestment, MCG continues to hold 69 ordinary shares, or 69% equity interest in ATPL, and as a result the Group's effective equity interest in ATPL was reduced from 100% to 70%.

(ii) During the financial year, TDS Technology transferred 20% of its equity interest in ADL Control (S) Pte Ltd ("ADL") to three individuals for a consideration of S$3. Following the divestment, TDS Technology continues to hold 65% equity interest in ADL, and as a result the Group's effective equity interest in ADL was reduced from 52% to 39.8%.

16 Subsidiaries (cont'd)

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

The above transactions did not result in loss of control, and accordingly, the disposal of interests in subsidiaries has been accounted as equity transactions and the effect of the change of the Group's effective interests on the equity attributable to equity holders of the Company is as follows:

	2011 S$'000
Consideration received for disposal of interests	*
Decrease in equity attributable to non-controlling interests	(36)
Increase in equity attributable to equity holders of the Company	36

* Less than S$1,000

(d) Transactions with non-controlling interest

During the financial year, DBASIX Singapore Pte Ltd ("DBASIX Singapore"), a 51.92% subsidiary of the Group, acquired the remaining 10% of the issued and paid up capital of DBASIX Malaysia Sdn Bhd ("DBASIX Malaysia") from the minority shareholder for a consideration of MYR50,000 (equivalent to S$21,000). Following the acquisition, DBASIX Malaysia became a wholly owned subsidiary of DBASIX Singapore and as a result the Group's effective equity interest in DBASIX Malaysia was increased from 46.73% to 51.92%.

The above transaction did not result in loss of control, and accordingly, the acquisition of non-controlling interest in subsidiary has been accounted as an equity transaction and the effect of the change of the Group's effective interest on the equity attributable to equity holders of the Company is as follows:

	2011 S$'000
Consideration paid for acquisition of interest	21
Decrease in equity attributable to non-controlling interests	(15)
Decrease in equity attributable to equity holders of the Company	(6)

17 Associates

	Group		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Equity shares, at cost	**1,688**	1,688	**–**	–
Share of post-acquisition profits	**1,128**	400	**–**	–
Share of dividends paid	**(78)**	(40)	**–**	–
Share of pre-acquisition losses on acquisition	**(142)**	(142)	**–**	–
Translation adjustment	**(131)**	(100)	**–**	–
	2,465	1,806	**–**	–
Loans to associates	**121**	121	**33**	33
	2,586	1,927	**33**	33

As at 31 December 2011, investment in associates includes goodwill of S$125,000 (2010: S$125,000).

In May 2011, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) interim dividend of S$0.23 per ordinary share in respect of the financial year ended 31 December 2011. In May 2010, JM Vistec Pte Ltd declared and paid a 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 in cash.

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

	Group	
	2011	2010
	S$'000	S$'000
Assets and Liabilities:		
– total assets	**14,322**	10,484
– total liabilities	**8,859**	7,157
Results:		
– revenue	**30,034**	20,637
– profit for the year	**1,511**	963

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
		2011 S$'000	2010 S$'000	2011 %	2010 %	
Held by the Company						
W2Energy Pte Ltd[(2)]	Singapore	*	*	**35**	35	Dormant
Held by Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd[(2)]	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[(3)]	Malaysia	**25**	25	**50**	50	Carrying on all kinds of automation business, engineering works, trading import export design and servicing of industrial automation parts and all related fields
Precision Motion Control Phils. Inc.[(4)]	Philippines	**9**	9	**40**	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd[(5)]	Singapore	**700**	700	**33.33**	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd[(6)]	Singapore	**175**	175	**37.5**	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2011 **S$'000**	**2010** **S$'000**	**2011** **%**	**2010** **%**	
Held by Motion Control Group Pte Ltd (cont'd)						
JM Vistec System Pte Ltd[(1)]	Singapore	**445**	445	**40**	40	Trading and supplying of vision related products and industrial automation solutions
Schneeberger Linear Technology Pte Ltd[(7)]	Singapore	**50**	50	**50**	50	Marketing, sale, customisation, application engineering, technical support and after sale services for Schneeberger brand of motion control products
Held by TDS Technology (S) Pte Ltd						
TDS Technology (Thailand) Co., Ltd[(3)]	Thailand	**62**	62	**30**	30	Trading of electrical and electronic equipment
		1,688	1,688			
Held by JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd[(2)]	People's Republic of China	**–**	–	**40**	40	Trading and supplying of vision related products and industrial automation solutions
JM Vision Technologies Co., Ltd[(2)]	Republic of China (Taiwan)	**–**	–	**40**	40	Trading and supplying of vision related products and industrial automation solutions

* Less than $1,000
(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by SGV & Co
(5) Audited by Ong Teh & Co
(6) Audited by Ecovis Trustnet Alliance LLP
(7) Audited by Subraco LLP

18 Joint Ventures

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

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2011 %	**2010** %	
Held by Motion Control Group Pte Ltd				
Dirak Asia Pte Ltd [1]	Singapore	**49**	49	Sale of industrial locks, hinges and enclosure products
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd[1]	People's Republic of China	**49**	49	Manufacturing and sale of industrial locks, hinges and enclosure products
Suzhou D Snap Technologies Co., Ltd[1]	People's Republic of China	**49**	49	Manufacturing and sales of industrial locks, hinges and enclosure products and applications
Taiwan Dirak Co., Ltd[1]	Republic of China (Taiwan)	**29.89**	29.89	Sale of industrial locks, hinges and enclosure products
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd[1]	People's Republic of China	**31.85**	31.85	Sale of industrial locks, hinges and enclosure products

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

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 consolidated statement of comprehensive income using the line-by-line format of proportionate consolidation:

	Group	
	2011	**2010**
	S$'000	**S$'000**
Assets and Liabilities:		
Current assets	**6,645**	5,529
Non-current assets	**854**	740
Total assets	**7,499**	6,269
Current liabilities	**(2,455)**	(1,897)
Non-current liabilities	**(7)**	–
Total liabilities	**(2,462)**	(1,897)
Income and Expenses:		
Income	**8,298**	7,536
Expenses	**(7,380)**	(6,903)

19 Asset Held for Sale

	Group	
	2011	**2010**
	S$'000	**S$'000**
Transferred from property, plant and equipment (Note 11)	**–**	567

The Group's assets held for sale was as 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 previous financial year, the Group had entered into a sale and purchase agreement with a third party to sell the freehold land for a consideration of approximately S$1.3 million (equivalent to THB31.33 million). The sale of the freehold land was completed during the current financial year and consequently a net gain on disposal of assets held for sale amounted to S$757,000 was recognised in profit or loss.

As at 31 December 2010, the freehold land held for sale was mortgaged to secure the Group's bank borrowings as disclosed in Note 26(c).

20 Inventories

	Group	
	2011	2010
	S$'000	S$'000
Components parts	**10,343**	7,779
Finished goods	**18,008**	16,740
Work-in-progress	**472**	235
Goods-in-transit (finished goods)	**386**	1,065
	29,209	25,819
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	**117,301**	115,309

21 Trade and Other Receivables

	Group		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Trade receivables, net of impairment:				
– note receivables (b)	**3,658**	1,195	**–**	–
– third parties	**24,734**	28,269	**–**	–
– associates	**1,143**	1,435	**–**	–
– joint ventures	**–**	23	**–**	–
– related parties	**594**	759	**–**	–
	30,129	31,681	**–**	–
Other receivables:				
Advances for construction of facilities (c)	**–**	3,261	**–**	–
Progress payments for properties under development (d)	**–**	471	**–**	–
Funding to investee company (e)	**429**	429	**–**	–
Advances paid to				
– suppliers	**2,558**	2,929	**–**	–
– associates (f)	**420**	245	**31**	28
– joint ventures (f)	**105**	44	**49**	28
– related parties (f)	**20**	28	**–**	–
Deposits	**184**	157	**–**	–
Loans to associates (g)	**325**	250	**–**	–
Loan to a joint venture (h)	**145**	115	**–**	–
Amount owing from a non-controlling interest (i)	**52**	50	**–**	–
Tax recoverable	**25**	36	**25**	25
Sundry debtors	**1,824**	2,448	**4**	4
	6,087	10,463	**109**	85
Prepayments	**488**	559	**10**	–
	36,704	42,703	**119**	85

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 previous financial year, the Group through its 50% owned subsidiary, RLM Pte Ltd ("RLM"), had 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, RLM had advanced to a third party contracted for the construction of the facilities of an amount of US$2.5 million (equivalent to approximately S$3.3 million).

During the current financial year, RLM entered into a termination agreement with the third parties to exit the road and port facilities project by terminating the commitment agreement and divestment of the rights to manage and operate the road and port facilities. The sale consideration for the exit was S$3.6 million and consequently a net gain on exit of road and port facilities project amounted to S$378,000 was recognised in profit or loss.

(d) During the previous financial year, the progress payments for properties under development relates to the acquisition of commercial properties for office use for a total consideration of approximately S$1.03 million. During the current financial year, the Group sold the options of the properties under development to third parties for a total consideration of S$1.76 million and consequently a net gain on disposal of properties under development amounted to S$731,000 was recognised in profit or loss.

(e) The funding amount of US$330,000 (equivalent to S$429,000) was provided by the Group's wholly owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investment") to PT Putra Perkasa Indah ("PT PPI"), a company incorporated in Indonesia, under an Investment Agreement in which ISDN Investment proposed to acquire 51% equity interests of PT PPI, for its mining business in Indonesia. The funding is secured by personal guarantees and shares pledged by the existing shareholders of PT PPI and the amount is reimbursable on demand with 10% guaranteed return per annum.

Further, pursuant to an Assignment and Assumption Agreement dated 13 April 2011, with the consent of ISDN Investment, PT PPI's existing shareholders had signified an intention to transfer to PT SDM Bahagia Sejahtera ("PT SDM"), a company incorporated in Indonesia, part of ISDN Investments' right to acquire the said 51% equity interests of PT PPI. However, the percentage of the equity interests of PT PPI to be acquired by PT SDM has not been determined, but ISDN Investments has no intention, in the event that it decides to acquire a stake in PT PPI, to acquire more than 50% of the equity interests of PT PPI and that PT PPI will not become a subsidiary of the Group.

PT PPI is currently in the process of applying to upgrade its Mining Business License, IUP Eksplorasi, which covers general survey, exploration and feasibility study, into IUP Operasi Produksi, which covers construction works, mines, processing and refining/smelting, as well as transportation and sales.

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

21 Trade and Other Receivables (cont'd)

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

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

(i) 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	
	2011	**2010**	**2011**	**2010**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	**27,736**	28,942	**1,392**	5,649
Fixed deposits	**667**	13	**–**	–
	28,403	28,955	**1,392**	5,649
Effective interest rate per annum	**0.05%**	0.05%	**–**	–

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	
	2011	**2010**
	S$'000	**S$'000**
Cash and bank balances	**27,736**	28,942
Fixed deposits	**667**	13
Less: Bank overdrafts (Note 26)	**–**	(434)
	28,403	28,521
Less: Restricted bank balances	**–**	(21)
	28,403	28,500

23 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2011	2010	2011 S$'000	2010 S$'000
Group and Company				
Balance at 1 January	**301,319,950**	201,768,300	**44,855**	34,542
Issue of Rights Shares (net of expenses)	**–**	99,551,650	**–**	10,313
Balance at 31 December	**301,319,950**	301,319,950	**44,855**	44,855

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

Rights Issue

During the previous financial year, the Company had 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 61.8% to the 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 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	
	2011	2010	2011 S$'000	2010 S$'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 financial year ended 31 December 2009, the Company had 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	
	2011	**2010**	**2011**	**2010**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Merger reserve (a)	**(436)**	(436)	**–**	–
Exchange translation reserve (b)	**139**	(1,801)	**–**	–
Other reserves (c)	**1,909**	1,745	**–**	–
Retained earnings	**31,675**	24,879	**1,826**	1,518
	33,287	24,387	**1,826**	1,518

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					
		2011			2010		
	Note	Unsecured S$'000	Secured S$'000	Total S$'000	Unsecured S$'000	Secured S$'000	Total S$'000
Bank loans #1	(a)	**167**	**–**	**167**	1,167	–	1,167
Bank loans #2	(b)	**1,291**	**–**	**1,291**	1,799	–	1,799
Bank loans #3	(c)	**–**	**–**	**–**	–	5	5
Bank loan #4	(d)	**–**	**4,167**	**4,167**	–	6,667	6,667
Bank loan #5	(d)	**–**	**4,583**	**4,583**	–	–	–
Bank loan #6	(d)	**–**	**484**	**484**	–	693	693
Bank loan #7	(e)	**528**	**–**	**528**	1,203	–	1,203
Bank loan #8	(f)	**–**	**5,016**	**5,016**	–	3,123	3,123
Bank loan #9	(g)	**107**	**–**	**107**	159	–	159
Bank loan #10	(g)	**208**	**–**	**208**	–	–	–
		2,301	**14,250**	**16,551**	4,328	10,488	14,816
Short-term loan #1	(h)	**–**	**–**	**–**	1,952	–	1,952
Short-term loans #2	(i)	**4,419**	**–**	**4,419**	3,510	–	3,510
Short-term loans #3	(j)	**–**	**–**	**–**	3,260	–	3,260
		4,419	**–**	**4,419**	8,722	–	8,722
Trust receipts #1	(k)	**–**	**–**	**–**	–	24	24
Trust receipts #2	(l)	**88**	**–**	**88**	635	–	635
Trust receipts #3	(m)	**598**	**–**	**598**	309	–	309
		686	**–**	**686**	944	24	968
Bank overdrafts #1	(n)	**–**	**–**	**–**	434	–	434
		–	**–**	**–**	434	–	434
Total borrowings		**7,406**	**14,250**	**21,656**	14,428	10,512	24,940

	Group					
	2011			2010		
	Unsecured S$'000	Secured S$'000	Total S$'000	Unsecured S$'000	Secured S$'000	Total S$'000
Non-current liabilities						
Repayable later than one year and not later than five years	**756**	**9,880**	**10,636**	1,993	6,162	8,155
Current liabilities						
Repayable not later than one year	**6,650**	**4,370**	**11,020**	12,435	4,350	16,785
	7,406	**14,250**	**21,656**	14,428	10,512	24,940

26 Bank Borrowings (cont'd)

(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% (2010: 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% (2010: 5%) per annum.

(c) Bank loans #3 granted to a subsidiary pertaining to a working capital loan. The loan was repayable in 60 instalments and was fully repaid during the financial year. The loan was secured on the freehold land of the subsidiary and personal guarantees provided by two directors of the subsidiary. The freehold land had been sold during the financial year (see Note 19). Interest was charged at minimum loan rate per annum.

(d) Bank loan #4, bank loan #5 and bank loan #6 are secured by a legal mortgage over the leasehold properties of a subsidiary, investment properties of three subsidiaries and corporate guarantees provided by the Company.

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

Bank loan #5 is a 3-year term loan repaid over 11 fixed quarterly principal instalment with its first instalment due in November 2011. Each instalment payable is S$416,667. Interest is charged at cost of funds 2.20% per annum over the applicable 3 months SWAP Offer Rate (SOR) or 2.20% per annum over the applicable 3-month Cost of Funds (COF), whichever is the higher or at such other rates as the bank may stipulate from time to time at its absolute discretion.

Bank loan #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 0.75% (2010: 0.05%) over the commercial financing rate per annum.

(e) Bank loan #7 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% (2010: 5%) per annum.

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

26 **Bank Borrowings (cont'd)**

(f) During the financial year, the repayment amount was revised and the outstanding drawn down amount of RMB24.08 million (equivalent to S$5.02 million) (2010: RMB16 million (equivalent to S$3.12 million)) as at 31 December 2011 will be repaid in five half-yearly instalment of RMB1.96 million (equivalent to S$408,278) each with its last instalment of RMB14.28 million (equivalent to S$2.97 million). This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and another subsidiary of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 115% (2010: 115%) of the People's Bank of China's base rate per annum.

(g) Bank loan #9 and bank loan #10 granted to a joint venture are secured by corporate guarantees provided by the Company.

Bank loan #9 is repayable in 48 instalments commencing November 2009. Interest is charged at 5.5% (2010: 5.5%) per annum.

Bank loan #10 is repayable in 36 instalments commencing July 2011. Interest is charged at 4.25% (2010: 4.25%) per annum.

(h) Short-term loan #1 granted to a subsidiary was secured by corporate guarantee provided by a subsidiary of the Group. Interest was charged at a range of rate between 3.35% and 4.12% per annum. This short-term loan was fully repaid during the financial year.

(i) Short-term loans #2 granted to subsidiaries are secured by corporate guarantees provided by the Company. Interests are charged at a range of rate between 4.59% and 7.32% (2010: 3.34% to 6.12%) per annum.

(j) Short-term loan #3 granted to a subsidiary was repayable in full by 31 May 2011. 50% of the loan was 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 was charged at SIBOR +2.5% per annum. This short-term loan was fully repaid during the financial year.

(k) The facility for trust receipts #1 of a subsidiary, which was secured on the freehold land (see (c) above) of the subsidiary and personal guarantees by two directors of the subsidiary, was fully repaid during the financial year. Interest was charged at a range of rate between 6.37% and 8% (2010: 4% to 8%) per annum.

(l) 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% (2010: 1.5%/1.75%) per annum.

(m) The facility for trust receipts #3 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.57% to 5.00% (2010: 3.68% to 3.90%) per annum.

(n) Bank overdrafts #1 granted to a subsidiary were secured by corporate guarantee provided by the Company with interest charged at prime lending rate per annum.

The weighted average effective interest rate of the Group's bank borrowings is 4.75% (2010: 4.94%) per annum.

27 Finance Leases

	Group 2011 S$'000	Group 2010 S$'000
Minimum lease payments payable:		
– due not later than one year	**61**	48
– due later than one year and not later than five years	**227**	117
– due later than five years	**103**	–
	391	165
Finance charges allocated to future years	**(44)**	(27)
Present value of minimum lease payments	**347**	138
Non-current liabilities		
Due later than one year and not later than five years	**293**	99
Current liabilities		
Due not later than one year	**54**	39
	347	138

The weighted average effective interest rate of the Group's finance leases is 4.72% (2010: 5.18%) per annum.

28 Deferred Tax Liabilities

	Group 2011 S$'000	Group 2010 S$'000
Deferred tax liabilities		
– to be settled within one year	**30**	46
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	**46**	59
Credited to profit or loss (Note 9)		
– current year	**(1)**	(6)
– over provision in respect of prior year	**(15)**	–
Translation adjustment	**–**	(7)
Balance at 31 December	**30**	46

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	
	2011	2010	**2011**	2010
	S$'000	S$'000	**S$'000**	S$'000
Trade payables:				
– note payables (b)	**81**	586	**–**	–
– third parties	**12,026**	17,342	**–**	–
– associates	**114**	115	**–**	–
– joint ventures	**3**	1	**–**	–
– related parties	**2,659**	2,078	**–**	–
	14,883	20,122	**–**	–
Advances received from:				
– customers	**5,236**	6,437	**–**	–
– subsidiaries (c)	**–**	–	**981**	663
Accrued operating expenses	**7,669**	6,546	**1,969**	1,876
Amount owing to directors of subsidiaries (d)	**66**	131	**–**	–
Amount owing to non-controlling interests (d)	**689**	576	**–**	–
Amount owing to an associate (d)	**–**	50	**–**	–
Loan from a joint venture (e)	**56**	56	**–**	–
Other payables (f)	**2,683**	3,255	**93**	132
	31,282	37,173	**3,043**	2,671

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

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

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

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

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

(f) Included in other payables was an amount of S$1,868,000 (2010: S$1,409,000) being dividend payable to minority shareholders.

30 Dividends

	Group and Company	
	2011	**2010**
	S$'000	**S$'000**
Tax-exempt (one-tier) final dividend of Singapore 0.5 cents per share (2010: Nil) paid in respect of the previous financial year	**1,493**	–

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 the Company's shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2012, subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2010: Nil).

31 Segment Information

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

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

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

31 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue												
External sales	129,356	125,022	31,307	31,666	5,247	6,890	22	–	–	–	165,932	163,578
Inter-segment sales	639	669	2,369	1,636	66	72	–	–	(3,074)	(2,377)	–	–
	129,995	125,691	33,676	33,302	5,313	6,962	22	–	(3,074)	(2,377)	165,932	163,578
Results												
Segment results	14,596	12,833	1,460	1,995	207	608	(624)	–	–	–	15,639	15,436
Share of profit of associates	728	518	–	–	–	–	–	–	–	–	728	518
Corporate expenses											(530)	(520)
Rental income											244	157
Interest income											155	111
Finance costs											(1,152)	(982)
Profit before income tax											15,084	14,720
Income tax											(4,008)	(4,029)
Profit for the year											11,076	10,691
Assets												
Segment assets	85,210	77,507	14,379	18,033	1,867	2,031	2,074	–	(8,133)	(1,868)	95,397	95,703
Goodwill	2,178	2,178	9,508	9,508	–	–	–	–	–	–	11,686	11,686
Associates	2,586	1,927	–	–	–	–	–	–	–	–	2,586	1,927
Cash and cash equivalents											28,403	28,955
Investment properties											633	567
Consolidated total assets											138,705	138,838
Liabilities												
Segment liabilities	34,693	28,085	3,177	9,832	464	457	273	–	(8,133)	(1,868)	30,474	36,506
Bank borrowings and finance leases											22,003	25,078
Income tax liabilities											1,600	2,122
Others unallocated corporate liabilities											808	667
Consolidated total liabilities											54,885	64,373

31 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Other information												
Capital expenditure on												
– Property, plant and equipment	**2,690**	3,601	**703**	1,033	**5**	–	**441**	–	**–**	–	**3,839**	4,634
– Intangible assets	**–**	–	**417**	219	**–**	–	**–**	–	**–**	–	**417**	219
– Progress payments for properties under development	**558**	204	**–**	–	**–**	–	**–**	–	**–**	–	**558**	204
Depreciation of properties, plant and equipment	**1,230**	1,455	**536**	143	**22**	33	**51**	–	**–**	–	**1,839**	1,631
Depreciation of investment properties	**17**	15	**–**	–	**2**	2	**–**	–	**–**	–	**19**	17
Other non-cash expenses												
– amortisation of intangible assets	**–**	576	**624**	477	**–**	–	**–**	–	**–**	–	**624**	1,053
– amortisation of land use rights	**34**	24	**–**	–	**–**	–	**–**	–	**–**	–	**34**	24
– bad trade receivables written off	**113**	5	**84**	107	**–**	–	**–**	–	**–**	–	**197**	112
– allowance for inventory obsolescence	**855**	361	**74**	32	**(26)**	13	**–**	–	**–**	–	**903**	406
– allowance for impairment of trade receivables	**47**	246	**53**	83	**–**	–	**–**	–	**–**	–	**100**	329
– property, plant and equipment written off	**–**	–	**7**	–	**–**	–	**–**	–	**–**	–	**7**	–
– inventories written off	**171**	101	**91**	498	**43**	–	**–**	–	**–**	–	**305**	599
– write back of allowance of trade receivables	**(11)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(11)**	–
– write back of allowance of inventory obsolescence	**–**	–	**(121)**	–	**–**	–	**–**	–	**–**	–	**(121)**	–
– write back of gain on stock count variance	**–**	–	**(117)**	–	**–**	–	**–**	–	**–**	–	**(117)**	–

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	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Singapore	**33,770**	37,423	**17,322**	16,938
The People's Republic of China	**117,082**	100,783	**24,382**	21,237
Malaysia	**7,216**	17,711	**190**	212
Others	**7,864**	7,661	**2,495**	2,407
	165,932	163,578	**44,389**	40,794

(c) Information about Major Customers

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

32 Operating Lease Commitments

Where the Group is a lessor

The Group leases out investment properties and sub-let of office/warehouse premises under non-cancellable operating leases. These leases have varying terms and renewal rights.

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

	Group	
	2011	2010
	S$'000	S$'000
Future minimum lease payment receivable:		
– not later than one year	**373**	271
– later than one year and not later than five years	**463**	383
	836	654

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2010: 1 to 3 years).

32 Operating Lease Commitments (cont'd)

Where the Group is a lessee

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

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

	Group	
	2011	**2010**
	S$'000	**S$'000**
Future minimum lease payment payable:		
– not later than one year	**742**	523
– later than one year and not later than five years	**498**	259
	1,240	782

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2010: 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	
	2011	**2010**
	S$'000	**S$'000**
Capital commitment in respect of construction in progress properties under development	–	1,719

34 Corporate Guarantees and Letters of Credit

	Group		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	**–**	–	**21,341**	21,170
Corporate guarantees provided to banks in connection with banking facilities granted to a joint venture	**315**	324	**315**	324
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	**–**	976	**–**	976
	315	1,300	**21,656**	22,470
Letters of credit	**871**	1,530	**–**	–

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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	
	2011	**2010**
	S$'000	**S$'000**
Sales to associates	**(1,551)**	(1,556)
Sales to related parties	**(1,560)**	(2,004)
Sales to joint ventures	**(7)**	(104)
Purchases from associates	**515**	639
Purchases from related parties	**18,003**	19,604
Purchases from a joint venture	**5**	4
Administrative income charged to associates	**(57)**	(79)
Administrative income charged to a joint venture	**(59)**	(33)
ERP maintenance costs charged to joint ventures	**(5)**	(18)
Rental expenses paid to related parties	**–**	17
Rental charged to associates	**(4)**	(4)
Rental charged to a joint venture	**(38)**	(36)
Interest charged to associates	**(36)**	(18)
Interest charged by a related party	**22**	–
Service fee charged to associates	**(130)**	–
Other expenses charged by related parties	**54**	81
Other expenses paid to a joint venture	**4**	3
Other income charged to associates	**(23)**	(18)
Other income charged to a related party	**(6)**	(30)
Other income charged to a joint venture	**(119)**	(98)

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

36 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

36 Financial Instruments (cont'd)

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

Foreign currency risk

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

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

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

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

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
2011				
Financial assets				
Trade and other receivables	17,369	4,969	1,170	737
Cash and cash equivalents	12,803	5,088	899	1,859
	30,172	10,057	2,069	2,596
Financial liabilities				
Bank borrowings	6,183	3,252	–	–
Trade and other payables	11,424	3,267	2,249	970
	17,607	6,519	2,249	970
Net financial assets/ (liabilities)	12,565	3,538	(180)	1,626
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(12,565)	–	–	–
Currency exposure	–	3,538	(180)	1,626

36 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
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/ (liabilities)	9,455	4,189	415	1,679
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(9,455)	–	–	–
Currency exposure	–	4,189	415	1,679

If the following currencies strengthen by 5% (2010: 5%) against S$ at the balance sheet date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group 2011 Increase/(Decrease) Profit before tax S$'000	Group 2010 Increase/(Decrease) Profit before tax S$'000
RMB	**–**	–
USD	**177**	209
CHF	**(9)**	21
Euro	**81**	84

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

36 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% (2010: 0.5%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S$62,000, S$31,000 and S$16,000 respectively (2010: S$71,000, S$28,000 and S$24,000) as a result of higher/lower interest expense on these bank borrowings.

Credit risk

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

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

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

36 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	
	2011	**2010**
	S$'000	**S$'000**
By geographical areas		
Singapore	**6,882**	10,120
The People's Republic of China	**19,218**	15,706
Malaysia	**1,972**	2,644
Others	**2,057**	3,211
	30,129	31,681

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

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

As at 31 December 2011, trade and other receivables which are neither past due nor impaired amounted to S$25,416,000 (2010: S$29,355,000).

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

There is no other class of the Group's financial assets that is past due but not impaired except for trade receivables as set out below. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2011	**2010**
	S$'000	**S$'000**
Trade receivables past due:		
– not more than 3 months	**4,306**	3,257
– 3 to 6 months	**1,792**	1,382
– over 6 months	**2,093**	1,479
	8,191	6,118

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

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

Credit risk (cont'd)

(iii) Financial assets that are past due and impaired

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

	Group	
	2011	**2010**
	S$'000	**S$'000**
Trade receivables	**549**	627
Less: Allowance for impairment	**(549)**	(627)
	–	–

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

	Group	
	2011	**2010**
	S$'000	**S$'000**
Balance at 1 January	**627**	317
Allowance for the year	**100**	329
Amount written off	**(167)**	(19)
Write back of allowance for the year	**(11)**	–
Balance at 31 December	**549**	627

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.

36 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 S$'000	Contractual cash flows S$'000	Within one year S$'000	Within two to five years S$'000	Over five years S$'000
Group					
2011					
Bank borrowings	**21,656**	**24,225**	**13,168**	**11,057**	**–**
Finance leases	**347**	**391**	**61**	**227**	**103**
Trade and other payables	**26,046**	**26,046**	**26,046**	**–**	**–**
	48,049	**50,662**	**39,275**	**11,284**	**103**
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	–

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

	Within one year S$'000	Within two to five years S$'000	Total S$'000
Company			
2011			
Financial guarantee contracts	**20,130**	**26,614**	**46,744**
2010			
Financial guarantee contracts	22,930	22,685	45,615

36 **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$0.9 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.

(iii) S$25.47 of million other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc).

(iv) S$16.88 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2011 amounted to approximately S$24.72 million (2010: S$25.78 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$9,831,000 (2010: S$7,640,000), as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

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

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.

37 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2011 and 2010.

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 2011 and 2010.

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	
	2011	**2010**
	S$'000	**S$'000**
Net debt	**24,882**	33,296
Total equity	**77,966**	68,902
Net debt-to-equity ratio	**32%**	48%

38 Subsequent Events

(a) Change of corporate name

Subsequent to the financial year end, the Group's wholly owned subsidiaries, Ell-Gro Hydroponics Pte Ltd, Ell-Gro Farms Sdn Bhd, Ell-Gro Farms Suzhou Co., Ltd and JAP Wire & Rebar Machinery Inc. changed their corporate names to Agri Source Pte Ltd ("Agri Source"), Agri Source Farms Sdn Bhd, Agri Source Suzhou Co. Ltd and JAPV Mechanical Technology (Wujiang) Co. Ltd, respectively.

(b) Incorporation of a subsidiary

Subsequent to the financial year end, Agri Source incorporated Dietionary Farm Holding Pte Ltd ("DFH") in Singapore, with an issued and paid-up capital of S$2, of which Agri Source holds a 51% equity interest in DFH. Therefore, the Group's effective equity interest held in DFH is 51%. DFH is in the hydroponics business, including the setting up of hydroponics farms.

(c) Changes of interest in a subsidiary

Subsequent to the financial year end, one of the shareholders of ADL Control (S) Pte Ltd ("ADL") transferred his 10% shareholdings in the share capital of ADL to TDS Technology Pte Ltd ("TDS Technology") for a consideration of S$1. Following the transfer, TDS Technology holds 75% equity interest in ADL and as a result the Group's effective interest in ADL is increased from 39.8% to 45.9%.

38 Subsequent Events (cont'd)

(d) Proposed transactions

On 17 February 2012, the shareholders of the Company had approved the following proposed transactions by the Group:

(i) The authorization and ratification of the options relating to the divestment of properties;

(ii) The diversification into the business of hydroponics farming;

(iii) The diversification into the mining-related business; and

(iv) The ISDN Performance Share Plan.

The details of the above proposed transactions are set out in the Company's Circular dated 2 February 2012.

shareholders' information

As at 16 March 2012

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 16 March 2012.

	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 16 March 2012, approximately 38.60% 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 16 March 2012

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	16	2.36	1,073	0.00
1,000 – 10,000	210	30.97	1,024,700	0.34
10,001 – 1,000,000	426	62.83	45,118,213	15.11
1,000,001 AND ABOVE	26	3.84	252,510,964	84.55
TOTAL	**678**	**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	9,205,311	3.08
4	CITIBANK NOMINEES SINGAPORE PTE LTD	7,788,500	2.61
5	DBSN SERVICES PTE LTD	7,567,200	2.53
6	CHENG CHIH LI @ THIE TJIE LIEP	5,500,000	1.84
7	MAYBANK KIM ENG SECURITIES PTE LTD	5,359,504	1.79
8	CIMB SECURITIES (SINGAPORE) PTE LTD	4,116,000	1.38
9	CHOW KA MAN	4,005,000	1.34
10	KONG DEYANG	2,850,000	0.95
11	POET INVESTMENT HOLDINGS PTE LTD	2,553,000	0.85
12	OCBC SECURITIES PRIVATE LTD	2,271,000	0.76
13	LEE SOONG KWANG	2,127,630	0.71
14	HSBC (SINGAPORE) NOMINEES PTE LTD	2,007,400	0.67
15	TAN HAI PENG MICHEAL	2,000,000	0.67
16	KOK TIU SING	1,821,000	0.61
17	LAU CHOON GUAN	1,611,000	0.54
18	PHILLIP SECURITIES PTE LTD	1,542,669	0.52
19	ALVIN LIM HWEE HONG	1,450,000	0.49
20	QUAH PENG WAH	1,425,000	0.48
	TOTAL	**245,340,464**	**82.14**

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "**Company**") will be held at 105 Tampines Road, #06-06 Wing Tai Industrial Centre, Singapore 535127 on Monday, 30 April 2012 at 1.00 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 2011 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 2011. **(Resolution 2)**

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

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

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

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

4. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2012 (2011: S$100,000). **(Resolution 5)**

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

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

provided that:

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

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

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

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

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

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

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

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

"That the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the ISDN Holdings Share Option Scheme and the ISDN Performance Share Plan

notice of annual general meeting

(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, 13 April 2012

Explanatory Notes:

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

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

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

Notes:

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

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

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

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

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PROXY FORM

(Please see notes overleaf before completing this Form)

ISDN HOLDINGS LIMITED

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

IMPORTANT

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

I/We ______________________________ (name) of ______________________________

(address) ______________________________

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

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

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 105 Tampines Road, #06-06 Wing Tai Industrial Centre, Singapore 535127 on Monday, 30 April 2012 at 1.00 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 2011		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr. Soh Beng Keng as Director of the Company		
4.	Re-election of Mr. Tay Gim Sin, Leonard as Director of the Company		
5.	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2012		
6.	Re-appointment of Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue new shares		
8.	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Plan		

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

Dated this __________ day of ____________ 2012

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

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

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

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

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

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

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

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

General:

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

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

ISDN Holdings LIMITED

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