ISDNHoldings LIMITED

POWER IN DIVERSITY

ANNUAL REPORT 2015

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/ COMPANY HISTORY

MISSION /

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

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 prototyping, 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.

/ 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

AUDITORS
Moore Stephens LLP
10 Anson Road
#29-15, International Plaza
Singapore 079903
Partner-in-charge:
Lao Mei Leng
Date of appointment: 30 April 2012
Number of Years in-charge: 4

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

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

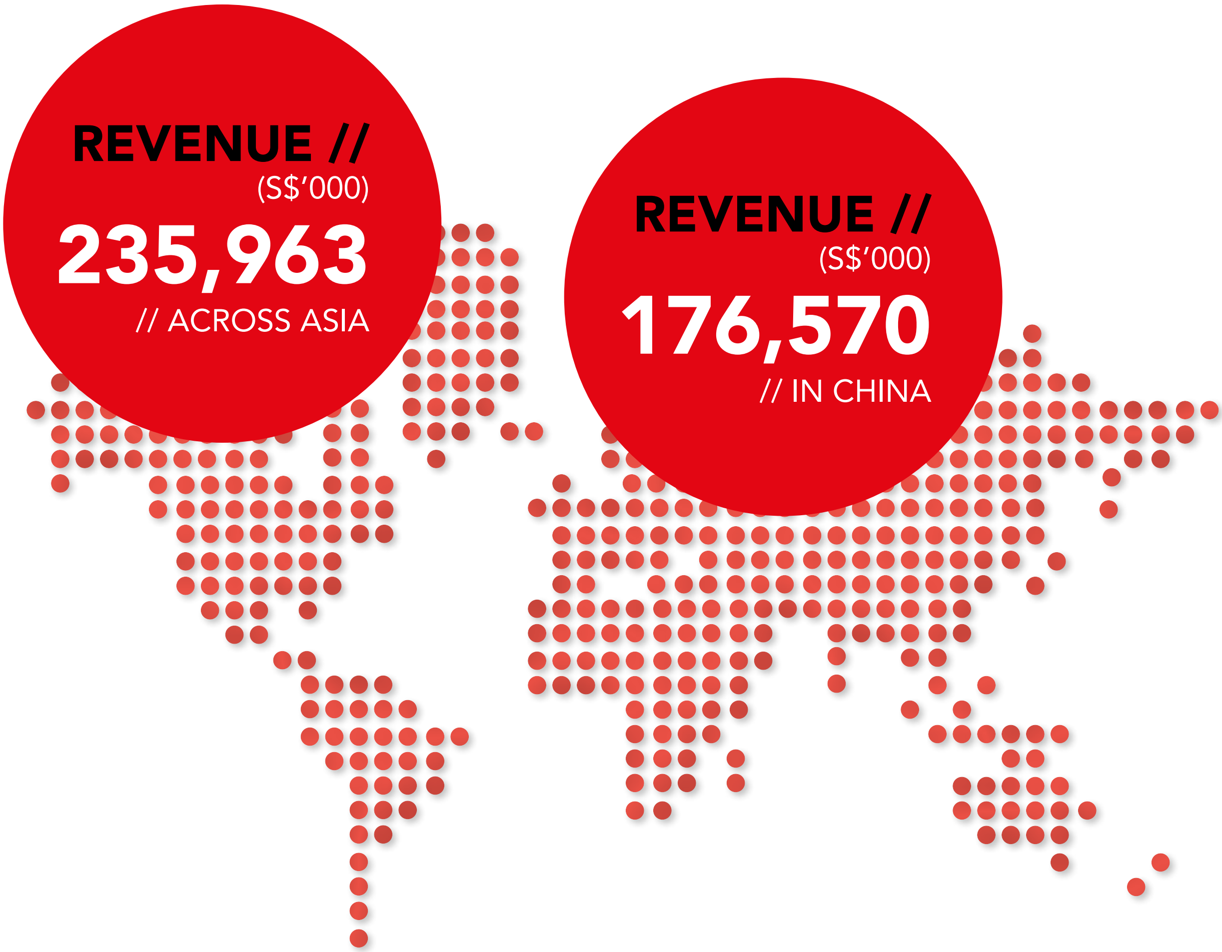
DBS Bank Limited
Main Branch
Marina Bay Financial Centre Tower
12 Marina Boulevard
Singapore 018982

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

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

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

/ FINANCIAL HIGHLIGHTS /



	2015	2014	2013
Revenue (S$'000)	**235,963**	230,518	173,747
Profit for the year attributable to Equity holders of the Company (S$'000)	**8,721**	7,457	4,754
Basic earnings per share (S$ cents)	**2.46**	2.07	1.39
Net assets value per share (S$ cents)	**39.27**	36.09	34.72
Cash and cash equivalents (S$'000)	**39,096**	37,493	41,554

/ PRESIDENT'S MESSAGE / ////////////////////

NET ASSET VALUE ///
PER SHARE ROSE BY
8.8%
// FROM S$0.36 TO S$0.39

/ TEO CHER KOON /////
ISDN HOLDINGS LIMITED
Managing Director & President

/ STEADY GROWTH UNDERPINNED BY CORE MOTION CONTROL BUSINESS / ///

/ DEAR SHAREHOLDERS ////

I am pleased to inform that ISDN ended 2015 on a positive note, registering growth for both top and bottom lines. This was achieved despite uncertainty hovering over the global economy and lacklustre business climate in China. Group revenue rose by 2.4%, from $230.5 million to $236.0 million, contributing to net earnings growth of 12.3% from $10.6 million to $11.9 million. Stronger overall demand for Motion Control products, particularly in the first half of the year, had driven both sales and profitability.

ENHANCING SHAREHOLDER RETURNS

Earnings per share rose by 18.8% from 2.07 cents to 2.46 cents, lifted by higher earnings as well as slightly reduced weighted average number of ordinary shares in issue – from 360 million shares to 355 million shares - due to a share buyback by the Group in the later part of FY2014. The share buyback exercise demonstrates the confidence the Group attaches to ISDN's future prospects and sound business fundamentals.

To reward our esteemed shareholders, the Board of Directors, has proposed first and final dividends of 0.4 cents per share, maintaining the amount of dividends per share paid out last year. Our aim is to align the level of dividend pay-out to that of the Group's annual performance. Other factors such as the state of the macro business outlook as well as future capital expenditure will also be taken into consideration in determining the degree of dividends disbursement.

Our key objective is to enhance our shareholders' returns while pursuing a measured cost management regime and a prudent business approach.

STEADY GROWTH UNDERPINNED BY CORE MOTION CONTROL BUSINESS

On the balance sheet front, the Group continued to maintain a relatively healthy cash position. Cash and cash equivalents and fixed deposits stood at $39.1 million, up from $37.5 million a year earlier. Contributing to these cash reserves is net cash generated from operating activities that rebounded from cash outflow of $0.9 million to cash inflow of $6.4 million. Net asset value per share rose by 8.8% from 36.09 cents to 39.27 cents. Based on a share price of $0.20 (as at 14 March 2016), this translates to a Price to Book ratio of 0.5 times. We are constantly working towards improving investors' perception of the counter through constant engagement with the investment community, including analyst and fund managers as well as the investing public at large.

Our value proposition to our investors is of a steady-growth company underpinned by our core business of Motion Control that generates a creditable stream of income for the Group. The company has continually stayed in the black since its listing more than 10 years ago and has consistently maintained gross profit margins within its traditional target band of between 26% and 30%. Flanking this foundation base are two new shoots of future growth drivers: energy and resources.

/ PRESIDENT'S MESSAGE

FUTURE GROWTH DRIVERS

In the energy sphere, ISDN has amassed a cluster of hydropower projects in the Indonesian archipelago, specifically in Sumatra and Sulawesi through its subsidiary, Aenergy Holdings Company Limited. Its maiden project in North Sumatra, the Sisira 4.6 MW mini hydropower project has broken ground and is now in the construction phase. We are watching its rate of progress closely and is committing the requisite amount of resources to ensure its successful launch which will be viewed as an important yardstick of the Group's ability to execute according to specifications and timeline, which typically takes about 24 months to complete. ISDN will make the necessary project updates to our shareholders via the Singapore Exchange as they come on line.

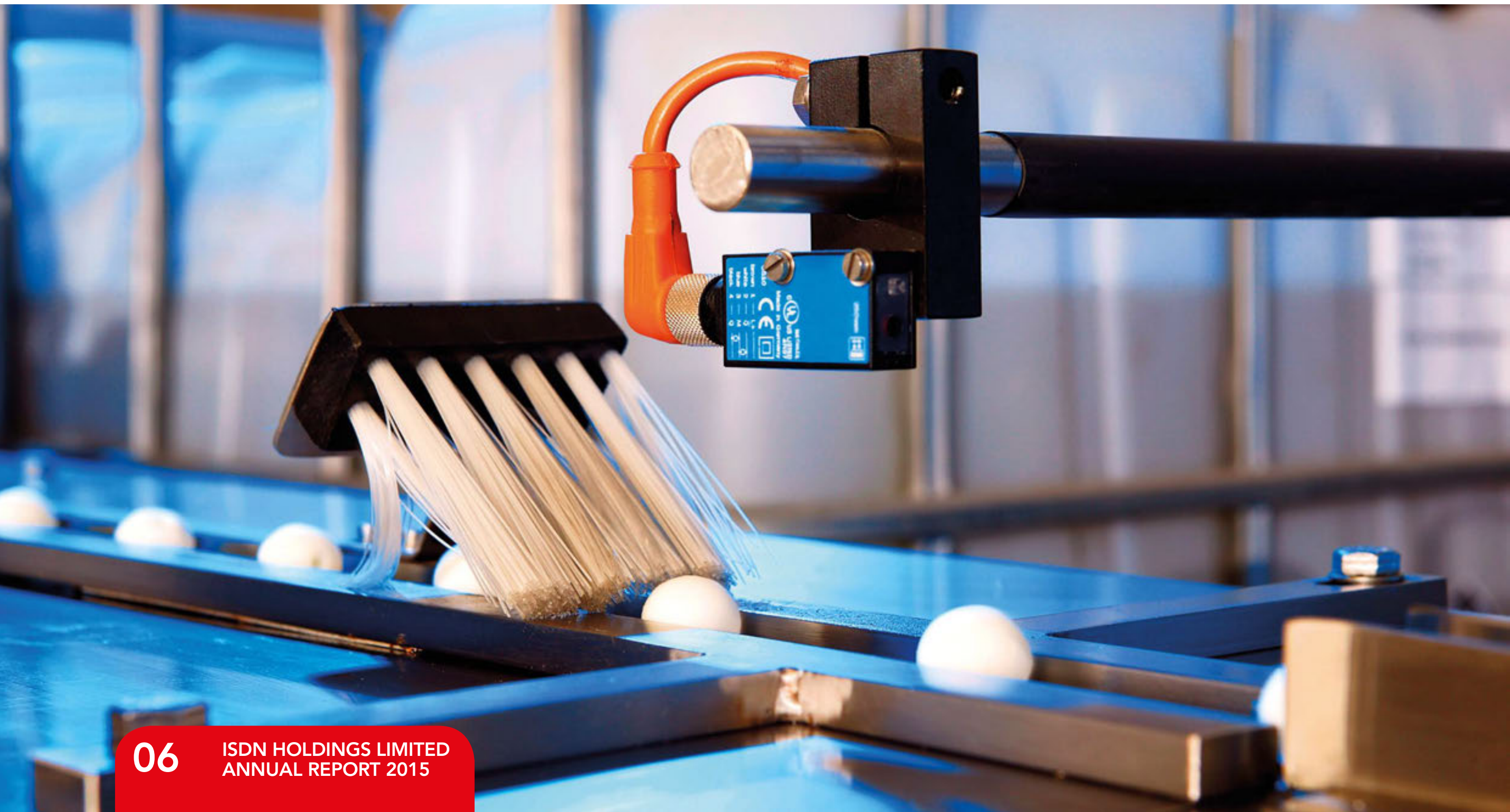
Also in Indonesia, ISDN has announced plans to co-develop and manage an industrial complex in Sulawesi with the establishment of PT ISDN Bantaeng Corporation. This undertaking has received the endorsement of the Indonesian Government as it seeks to develop the country as a leading resources and commodity producer. We see immense business opportunities in Southeast Asia as the ASEAN member countries develop its own respective economies and tap into their young and increasingly better educated demographic. A case in point is Vietnam, which is fast growing to be a significant contributor to our Group revenue, generating sales for our engineering-related products and services.

Together with our future growth drivers in hydropower and resources and new market segments such as Vietnam and Indonesia, I expect these to augment our core business in Motion Control to create a balanced portfolio that will yield returns in both the mid and long terms. China will continue to be our main market for now, and we expect to continue leveraging on the mainland's industrialization drive, notwithstanding its current setback.

Finally, let me take this opportunity to express my appreciation to our Board of Directors, as well as our key stakeholders including our management and staff for their dedication and commitment in striving ahead during these challenging times. Allow me to also record my heartfelt thanks to our customers, suppliers and business partners for their unending loyal support.

Teo Cher Koon
Managing Director & President

ISDNHoldings LIMITED



/ CORPORATE PROFILE / ////////////////////////

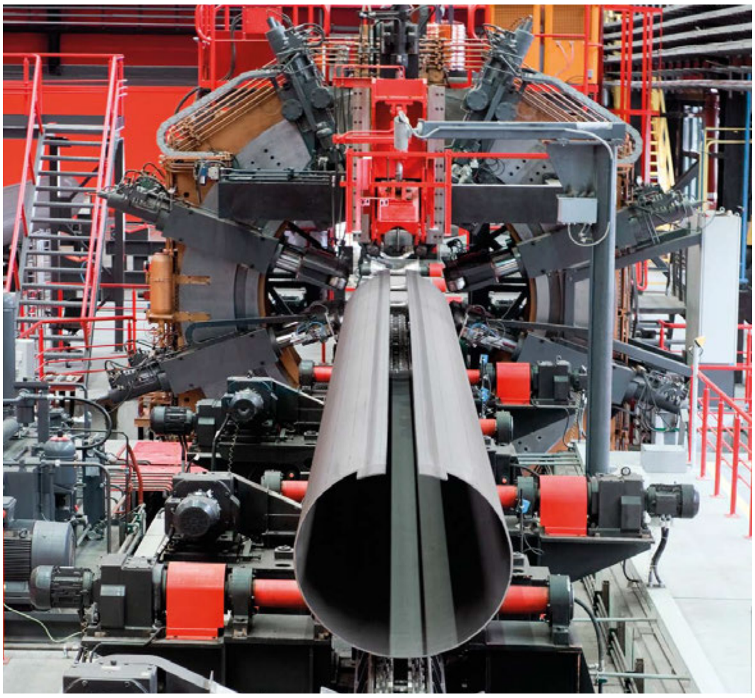
/ We provide the full spectrum of engineering services from conceptualization, design and development to prototyping, production, sales and marketing and after sales engineering support

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

With offices spanning key Asian growth markets, ISDN's business interests now include, in addition to engineering and the energy sectors. These two 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 Southeast 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.

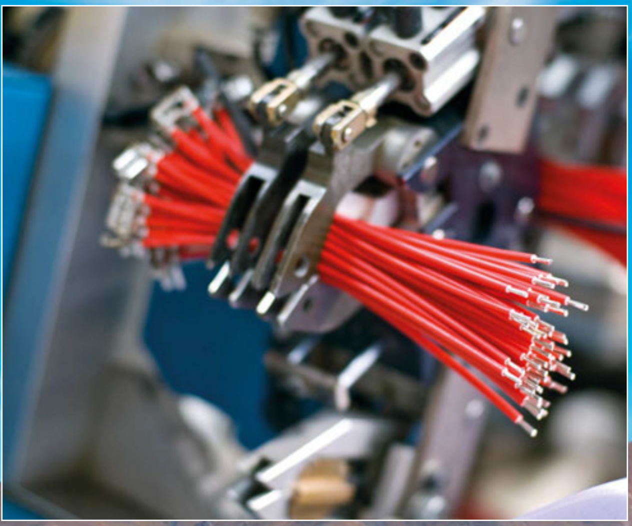


/ OTHER SPECIALISED ENGINEERING SOLUTIONS /////

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.

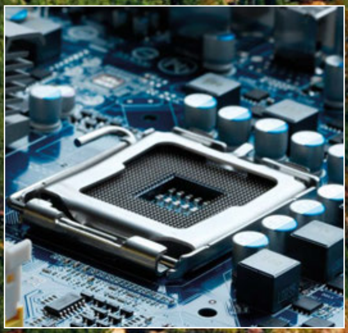
/ ENERGY /////

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



/ 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.



/ 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.

/ OPERATIONS REVIEW

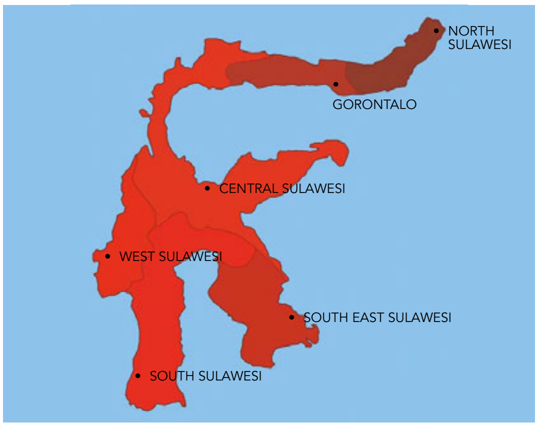
MOTION CONTROL SEGMENT HOLDING FORT

Motion Control continued to be the Group's main revenue driver, accounting for 78.0% of Group sales. The segment grew by 6.5%, from $172.9 million to $184.1 million buoyed by stronger demand from customers that hail from various industries including food & beverage, medical and smartphone machine builders. The diversity of ISDN's customer portfolio has been a cornerstone of the company's strength and has been instrumental in mitigating some of the external risks brought about by the tepid global market sentiments in the latter half of FY2015. Industry segments such as medical, aerospace and transportation are niche in nature, thus, besides yielding relatively higher margins, are also more resilient to economic cyclicality.

Other Specialised Engineering Solutions, was the second largest revenue contributor with $46.1 million revenue equivalent to 19.5% of Group sales. However, softer demand from customers led to a 11.3% slide from last year's sales of $52.0 million. Industrial Computing, the third of ISDN's engineering-related services arm, raked in $5.1 million – accounting for 2.1% of total sales – a marginal decline of 9.5%, also due to weaker customer orders, in line with the overall tentative business sentiments.

Across geographical markets, China still held supreme as the Group's dominant revenue contributor. It continues to account for the bulk of overall sales at 74.8% equivalent to $176.6 million, nearly levelling last year's sales of $176.7 million. This was achieved despite the slowing down of the Chinese economy after a period of break-neck growth. With nearly three quarters of ISDN's revenue originating from the mainland, it is inevitable that the Group's near-term future outlook will be impacted by this southward trajectory in China's business landscape. Thankfully for the Group, new geographical segments in Southeast Asia have grown to add a new dimension to ISDN's revenue composition.

Sales from this nascent market that includes Thailand and Vietnam, captured under the "Others" category, grew substantially by 79.2%, from $10.4 million to $18.6 million. Sales from Singapore and Malaysia, the Group's second and third largest revenue earners, however, fell prey to weaker demand from the semi-conductor sector. Despite this challenge, Singapore managed to maintain sales with $35.0 million revenue, almost equalling FY2014's sales of $35.5 million but Malaysia's sales reduced by 26.9% from $7.9 million to $5.8 million.



Sulawesi, Indonesia

INDONESIA RISING

Indonesia, on the other hand, has seen a hive of activity for the Group's hydropower business. The second half of FY2015 saw ISDN making two announcements relating to ISDN's two planned hydropower projects in Sulawesi. On 3 July 2015, ISDN joined forces with the Indonesia District Government to develop a 9.7 megawatt (MW) mini-hydropower plant (MHPP) in South Sulawesi. Called the "Datara" MHPP, the plant is able to produce 57 GWh of electricity annually and would take 18 to 24 months to complete. The Gowa District Government will own 20% of the joint venture entity while ISDN through its Indonesian subsidiary, PT SDM, will own 49%. The remaining 31% will be owned by a local business partner, PT Bukit Lau.

PT SDM will offer support in the form of financing and developing the infrastructure of the Datara MHPP while the Gowa Government will assist in the necessary land acquisition as well as the obtainment of the requisite relevant permits and approvals such as the in-principle approval as well as the location and environmental clearance permits. Costing approximately USD 20 million to build, the plant construction will be funded by a combination of debt and equity financing.

Less than two weeks later, on 15 July 2015, ISDN received the in-principle approval to develop a 20 MW hydropower plant along the Rawa River in the Sigi Regency, Central Sulawesi. The Rawa River hydropower facility will be a boon to both residents and industries in the Sigi District which has an estimated population of 231,000 (based on 2014 population estimate). ISDN, through its investment vehicle, ISDN Investments Pte Ltd, will provide the financing and infrastructure development of the Rawa River hydropower project.

The Rawa River hydropower plant is expected to take 40 months to complete and is estimated to cost USD 40 million to build; it will be funded by a combination of debt and equity financing.

BANTAENG INDUSTRIAL COMPLEX IN SOUTH SULAWESI

Leveraging on the footprint it has carved in the Indonesian archipelago, ISDN went on to establish PT ISDN Bantaeng Corporation (PTIBC) together with two Indonesian companies – PT Centuri Indonesia Sekawan and Perusda Bajiminasa Kabupaten Bantaeng – for the purpose of entering into the business of development and management of an industrial complex in South Sulawesi, Indonesia. ISDN holds 85% of the legal shareholding interest in PTIBC. The Bantaeng Bupati Regency has appointed PTIBC as the exclusive manager and developer of the Bantaeng Industrial Park. Perusda Bajiminasa is a state-owned entity under the Bantaeng Regency while PT Centuri Indonesia Sekawan is a company with interests in resource mining, property development and construction. The Bantaeng Industrial Park has the backing and endorsement of the Indonesian central and local government and is being positioned as a key smelting hub for the commodities trade, particularly nickel. 3,000 hectares of industrial land has been earmarked for this development.

After more than a decade in China, ISDN is now reaping the harvest of the seeds it has planted in the Chinese hinterland as it brings the business network comprising strategic investors and leading industry players in the Far East to Southeast Asia, where the energy sector, particularly in Indonesia, with its immense potential, beckons. Singapore will remain as ISDN's epicentre, as the Group navigates the twin engines of growth in the form of its core motion control business and evolving energy ventures in the Asia-Pacific.

/ BOARD OF DIRECTORS

LIM SIANG KAI

CHAIRMAN AND INDEPENDENT DIRECTOR

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

TEO CHER KOON

MANAGING DIRECTOR AND PRESIDENT

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

TAY GIM SIN, LEONARD

INDEPENDENT DIRECTOR

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

KONG DEYANG

EXECUTIVE DIRECTOR AND SENIOR VICE PRESIDENT - PRC OPERATIONS

Mr Kong is in charge of all aspects of our business operations in the PRC, from charting and developing growth policies for our PRC businesses to managing the day-to-day operations of our subsidiaries in China. Mr Kong began his career in a PRC government linked company involved in nuclear research and development ("R&D") as supervisor and was later promoted to senior R&D engineer for high-speed cameras in 1982. From 1994 to 1995, he became a sales manager in the same company for CNC computerised quilting machines. From 1995 to 2001 he was the Vice General Manager for our subsidiary, Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") and since 2001, he is the Managing Director for our subsidiaries, Servo Dynamics Co., Ltd, Suzhou Servo Dynamics Co., Ltd and Maxon Suzhou. Mr. Kong graduated from the Beijing Technical University in 1982 with a Degree in Applied Physics and was awarded the "Young and Middle-aged Stateranking 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 Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

/ KEY EXECUTIVES / //////////////////////////////////////

/ LAU CHOON GUAN / ///
VICE PRESIDENT – SALES (MOTION CONTROL)

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

/ SIM LEONG SEANG / ///
VICE PRESIDENT – TECHNICAL SUPPORT (MOTION CONTROL)

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

/ 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 Eletronic Engineering from Ngee Ann Polytechnic Singapore in 1988 and a Degree of Bachelor of Science with Second Class Honours (Upper) in Information and Communications Technology from SIM University in 2010.

/ WONG TAT YANG / ///
CHIEF FINANCIAL OFFICER

Mr Wong is responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters. He has more than 20 years of working experience in corporate accounting and finance management, including the last several years as Chief Financial Officer of SGX-ST public-listed companies. Mr Wong graduated from the National University of Singapore with a Bachelor of Accountancy Degree and he is a Fellow member of the Institute of Singapore Chartered Accountants.

/ 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.

/ 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 Scientic Engineering Ltd. Mr Chow obtained his Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic in 1994.

/ GROUP STRUCTURE / ////////////////////////////

ENERGY ///

ENGINEERING ///

/ ENGINEERING SOLUTIONS MOTION CONTROL //

/ OTHER SPECIALISED ENGINEERING SOLUTIONS //

/ INDUSTRIAL COMPUTING //

RESOURCE MINING & TRADING ///

/ SOURCE: REUTERS /

FINANCIALS

PRICE TO EARNINGS (TTM)

Company	9.15
Industry	33.33

27% of industry average

DIVIDEND YIELD

Company	1.78
Industry	1.28

139% of industry average

PRICE TO SALES (TTM)

Company	0.34
Industry	4.47

8% of industry average

TOTAL DEBT TO EQUITY (MRQ)

Company	12.35
Industry	19.18

64% of industry average

PRICE TO BOOK (MRQ)

Company	0.67
Industry	2.46

27% of industry average

RETURN ON INVESTMENT (TTM)

Company	10.20
Industry	11.25

91% of industry average

PRICE TO CASH FLOW (TTM)

Company	5.78
Industry	14.07

41% of industry average

RETURN ON EQUITY (TTM)

Company	7.52
Industry	13.25

57% of industry average

Share price as at 31 March 2016

/ DIRECTORSHIP /

LIM SIANG KAI
Group companies
ISDN Holdings Limited

Other companies
Blue Sky Power Holdings Limited
Joyas International Holdings Limited
Natural Cool Holdings Limited

TEO CHER KOON
Group companies
ISDN Holdings Limited
Agri Source Farms Sdn Bhd
Agri Source Farms Suzhou Co., Ltd
Agri Source Pte. Ltd.
C True Version Pte Ltd
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dietionary Farm Holdings Pte Ltd
Dietionary Farm Sdn Bhd
Dirak Asia Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
ISDN Bantaeng Pte. Ltd
ISDN Investments Pte Ltd
ISDN Myanmar Energy Pte. Ltd.
ISDN Myanmar Infrastructure Investment Pte Ltd
ISDN Myanmar Power Pte. Ltd.
ISDN Resource Pte. Ltd.
Jin Zhao Yu Pte. Ltd.
JM Vision Technologies Co. Ltd
JM Vistec System Pte Ltd
Leaptron Engineering Pte Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
Precision Motion Control Phils. Inc.
Prestech Industrial Automation Pte Ltd
SEJINIGB (China) Co., Ltd
Servo Dynamics (H.K.) Limited
Servo Dynamics (Thailand) Co., Limited
Servo Dynamics Co., Ltd
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Servo-Matic Technology (M) Sdn Bhd
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
Beijing Beicheng Xinkong Ci Fu Technology Co., Ltd
Beijing Junyizhicheng Technology Developing Co., Ltd
Chongqing Junzhi Automatic Instrument Control Co., Ltd
Control Co., Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
ISDN Enterprise Management 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 PDC Co., Ltd
Weiyi M&E Equipment (Shanghai) Co., Ltd

SOH BENG KENG
Group companies
ISDN Holdings Limited

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

TAY GIM SIN, LEONARD
Group companies
ISDN Holdings Limited

Other companies
Encapture Pte Ltd
Oceanic Crusader Pte Ltd
Swiber Corporate Services Pte Ltd
Swiber Holdings Limited
Swiber Offshore Pte Ltd
Swiber Offshore Marine Pte Ltd

/ CORPORATE GOVERNANCE /

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

The Monetary Authority of Singapore ("**MAS**") issued the revised Code of Corporate Governance on 2 May 2012 (the "**2012 Code**") and the 2012 Code takes effect for annual reports relating to financial years commencing from 1 November 2012. The Listing Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") require listed companies to disclose their corporate governance practices and give explanations for deviations from the 2012 Code in their Annual Reports.

This report outlines ISDN's corporate governance framework in place throughout the financial year ended 31 December 2015 ("**FY2015**") with specific references made to each of the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the SGX-ST) in January 2015 (the "**Guide**"). The Company had complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations will be provided in the relevant sections below where there are deviations from the Code and/or the Guide.

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

The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	57	28/12/2004	N/A	Managing Director
Kong Deyang	55	26/09/2005	27/04/2015	Executive Director
Lim Siang Kai	60	26/09/2005	27/04/2015	Independent Director
Tay Gim Sin, Leonard	47	26/09/2005	25/04/2014	Independent Director
Soh Beng Keng	62	26/09/2005	25/04/2014	Independent Director

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

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. Upon appointment, new Directors will also be provided with formal letters, setting out their duties and obligations. Incoming and newly appointed directors would be given guidance and orientation (which may include management presentations) to allow the such Directors to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Company takes responsibility for the arranging and funding of such training.

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

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

The attendance of the Directors at meetings of the Board and Board Committees for FY 2015 is as follows:

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

N/A- Not applicable

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

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

During the financial year under review (i.e. FY2015), the Board of the Company comprised two (2) Executive Directors and three (3) Independent Directors, namely:

Executive Directors
Teo Cher Koon
Kong Deyang

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

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 "Board of Directors" section of the Annual Report. The Board has complied with the requirements of the Code that at least one third of the Board comprises independent directors. The Independent Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

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. Collectively, they have competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. The Board would also consider the above factors in identifying potential director nominees, including from a diversity perspective, so as to work towards achieving an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.

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

In particular, the NC has recommended to the Board that Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard be nominated for re-election at the forthcoming Annual General Meeting ("**AGM**"). If they are re-elected by shareholders, Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard will enter into their twelfth year of service on the Board. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board. The Board is of the view that Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management. After considering the view of the NC and the performances of Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard in discharging their duties, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.

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

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

The composition of the Board is also reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The NC considers the Board's present size adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

The 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 have met regularly without Management being present.

Principle 3: Chairman and Chief Executive Officer

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

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

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company'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 Company's guidelines on corporate governance;
- facilitates the effective contribution of Independent Directors in particular;
- encourages constructive relations between Executive Directors and Independent Directors;
- acts on the results of the performance evaluation;
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC; and
- promote high standards of corporate governance.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of Company'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. Mr 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 Managing Director and President, Mr Teo Cher Koon. He is assisted by an experienced and qualified team of executive officers of the Group.

1 **Board Matters (cont'd)**
Principle 4: Board Membership

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

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

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

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

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

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

Regulation 107 of the Company's Constitution 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. The Board does not prescribe a fixed number of listed company board representations for each Director because the main consideration in a Director's effectiveness is his performance as a Director of the Company, and not the number of board representations he has. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties, notwithstanding their multiple board representations in other listed companies.

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

Principle 5: Board Performance

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

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

The criteria used to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution of each Director to the effectiveness of the Board are as follows:

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

A Board evaluation is conducted annually whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of Board performance. These areas include Board composition, information, process and accountability and the overall effectiveness of the Board. Factors considered include the suitability of the size of the Board for effective debate and decision-making, competency mix of Directors and regularity of meetings. The results of these checklists were considered by the NC. The NC Chairman acts on the results of the performance evaluation, and in consultation with the NC, will propose to the Board, where appropriate, for new members to be appointed to the Board or to seek the resignation of Directors.

The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory. No external facilitator was used in the evaluation process.

1 Board Matters (cont'd)
Principle 6: Access to Information

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

The Board is provided with complete, 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. Information provided to the Board includes background information relating to the matters to be discussed by the Board. Directors would also receive relevant information on material events and transactions as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group, and may request from the Management such other additional information as may be necessary to be provided. Presently, the Management also presents to the AC the quarterly and full-year financial results and the AC reports on the results to the Board for review and approval before releasing the results.

The Board has separate and independent access to the Company'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 Constitution of the Company, 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 the Company's expense.

2 Remuneration Matters
Principle 7: Procedures for Developing Remuneration Policies

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

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

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

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.

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

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

Primary functions to be performed by RC:

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme and ISDN Performance Share Scheme (the "**Schemes**") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme;
- reviews the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; 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.

In setting the remuneration packages, the Company considers the remuneration and employment conditions within the industry. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. The expenses arising from external professional advice (if any) shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2015.

Share Option Scheme & Performance Share Plan

The Company has the ISDN Performance Share Scheme (the "**ISDNPSS**"). The scheme was approved and adopted by shareholders on 17 February 2012. The purpose of the ISDNPSS is to reward, retain and motivate employees, directors, controlling shareholders and their associate to perform excellently and to participate in the equity of the Company. The ISDNPSS allows the Company to award fully paid shares to deserving participants.

There was no performance share granted to any person pursuant to the ISDNPSS in FY2015.

The ISDN Holdings Share Option Scheme (the "**ESOS**") lapsed on 27 September 2015. The ESOS was not utilised in FY2015. The Company is proposing to adopt a new employee share option scheme which is subject to shareholders' approval at an extraordinary general meeting to be convened.

Principle 8: Level and Mix of Remuneration

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

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

The Independent Directors receive directors' fees, in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Company recognises the need to pay competitive fees to attract, motivate and retain directors without being excessive to the extent that their independence might be compromised. The directors' fees are recommended by the Board for approval at the AGM.

2 **Remuneration Matters (cont'd)**
Principle 8: Level and Mix of Remuneration (cont'd)

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 remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance.

The Company may consider the use of contractual provisions to reclaim incentive components of the remuneration of Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss, at the appropriate time.

Principle 9: Disclosure on Remuneration

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

(a) Details of remuneration and fees paid to the directors for the financial year ended 31 December 2015 are set out below:

	Number of Directors	
	2015	2014
S$500,000 and above	2	2
S$250,000 to S$499,999	-	-
Below S$250,000	3	3
Total	5	5

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

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

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	**%**	**%**	**%**	**%**
Teo Cher Koon	21	78	-	1	100
Kong Deyang	11	86	-	3	100
Tay Gim Sin Leonard	-	-	100	-	100
Lim Siang Kai	-	-	100	-	100
Soh Beng Keng	-	-	100	-	100

2 **Remuneration Matters (cont'd)**
Principle 9: Disclosure on Remuneration (cont'd)

(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
	%	%	%	%	%
S$250,000 to S$499,999					
Individual A	45	55	-	-	100
Below $250,000					
Individual B	93	3	-	4	100
Individual C	70	-	25	5	100
Individual D	73	5	18	4	100
Individual E	86	14	-	-	100

Due to the highly competitive conditions in the industry in which the Company operates, the Company has refrained from setting out the names of its key executives due to the commercially sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors.

The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors) was S$1,053,000 in FY2015.

(c) The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a director and whose remuneration exceeds S$50,000 for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin	80	20	-	-	100

Thang Yee Chin is a director of seven subsidiaries of the Company and oversees the administrative and accounting functions in these companies. She is the spouse of the Company's Managing Director and President, Mr Teo Cher Koon. Her remuneration was in the band of between S$250,000 and S$300,000 for the financial year under review.

The Company has in place the ISDN Performance Share Scheme, which is administered by the RC. The RC reviews whether Executive Directors and management of the Company should be eligible under such long-term incentive scheme based on factors such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service, potential for future development and his or her contribution to the success and development of the Group. The RC considers the costs and benefits of such long-term incentive scheme. Details of the ISDNPSS were set out in the Company's circular to shareholders dated 2 February 2012. There was no performance share granted to any person pursuant to the ISDNPSS in FY2015.

2 Remuneration Matters (cont'd)
Principle 9: Disclosure on Remuneration (cont'd)

The compensation structure is directly linked to corporate and individual performances, both in terms of financial, non-financial performance and the creation of shareholder wealth. There is a fixed component of remuneration and a variable component which is directly linked to a director or management personnel's performance and contribution in that financial year.

The Directors and senior management met their respective performance conditions for FY2015 relating to their remuneration packages.

3 Accountability and Audit
Principle 10: Accountability

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

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

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

3 **Accountability and Audit (cont'd)**
Principle 11: Risk Management and Internal Controls (cont'd)

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

The Board has also received assurance from the Group Managing Director and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(b) that the Group's risk management systems and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by Management, the AC and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2015.

Principle 12: Audit Committee

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

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

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

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management controls at least once annually, to safeguard the Company'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.

3 **Accountability and Audit (cont'd)**
Principle 12: Audit Committee (cont'd)

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

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for the financial year ended 31 December 2015 is disclosed under Note 7 of the Notes to the Financial Statements. There were no non-audit fees paid / payable to the Company's auditors during FY2015.

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2015 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

The Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of Moore Stephens LLP as its external auditors, save for the subsidiaries as set out under Note for Subsidiaries of the Notes to the Financial Subsidiaries (collectively, the "**Relevant Subsidiaries**").

In relation to the Relevant Subsidiaries, as required by Rule 716 of the Listing Manual, the Board wishes to confirm that the Board and the Audit Committee of the Company are satisfied that the appointment of different auditors for the Relevant Subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

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

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

3 **Accountability and Audit (cont'd)**
Principle 12: Audit Committee (cont'd)

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

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

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

The Directors of the AC sit on multiple boards and hence, have the necessary accounting and financial expertise to deal with the matters that come before them. They will attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary.

The Company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC.

Principle 13: Internal Audit

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

The Board is cognizant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. For FY2015, the Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("**WCA**"). WCA conducted an internal audit in FY2015 and reports directly to the AC. At the same time, the Company has continued with the practice whereby it tasked two staff members with accounting backgrounds to carry out a financial review on the major operating subsidiaries of the Company and to submit timely analysis report to the Management for review.

For the financial year under review, the AC has reviewed the adequacy and effectiveness of the internal audit function performed by WCA. The AC has also reviewed the results of the internal audit performed by WCA. The Board, with the concurrence of the AC, is of the opinion that the internal controls system, addressing the financial, operational, compliance and information technology controls risks faced by the Company, is adequate and effective to safeguard the interests of the shareholders. In line with the Board's commitment to maintain sound internal controls, the Board has continued to engage WCA to perform internal audit for FY2016.

4 **Shareholder Rights and Responsibilities**
Principle 14: Shareholder Rights

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

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

4 **Shareholder Rights and Responsibilities (cont'd)**
Principle 14: Shareholder Rights (cont'd)

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in a daily newspaper and posted onto the SGXNET.

In order to provide ample time for the shareholders to review, the notice of any general meeting, together with the relevant Annual Report or circular, is despatched to all shareholders before the scheduled general meeting date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were explained by the scrutineers at such general meetings.

Currently, the Constitution of the Company allows all shareholders to appoint up to two proxies to attend general meeting and vote on their behalf.

On 3 January 2016, the Companies Act was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Principle 15: Communication with Shareholders

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

The Company places strong emphasis on strengthening relationships with its shareholders and the investment community. The Company treats all its shareholders fairly and equitably, and keeps all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which could materially affect the price or value of its shares, on a timely basis.

The Company has put in place a dedicated investor relations team to provide shareholders and prospective investors with information necessary to make well-informed investment decisions. The investor relations section is published on the Company's website at www.isdnholdings.com.

The Company meets with its institutional and retail investors at least once a year at the Annual General Meeting of the Company. Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate.

Principle 16: Greater Shareholder Participation

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

The Company 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.

4 Shareholder Rights and Responsibilities (cont'd)
Principle 16: Greater Shareholder Participation (cont'd)

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. To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by poll at all its general meetings. The detailed voting results, including the total number of votes cast for or against each resolution tabled, were announced immediately at the general meetings and via SGXNET.

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

5 Corporate Governance Summary

For ease of reference, a table containing a summary of the salient corporate governance matters in this corporate governance report is set out after the end of this corporate governance report ("**Corporate Governance Q&A Table**"). Please refer to the Corporate Governance Q&A Table for a summary of the pertinent corporate governance disclosures which have also been referred to in this corporate governance report.

6 Material Contracts

No material contracts were entered into between the Company 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.

7 Interested Person Transactions

The Company 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.

In order to ensure that the Company complies with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions, the AC meets quarterly to review all interested person transactions of the Company. However, if the Company enters into an interested person transaction, the Audit Committee ensures compliance with the relevant rules under Chapter 9.

For FY2015, there was no general mandate obtained by the company in relation to any interested person transaction.

7 Interested Person Transactions (cont'd)

There were no significant interested person transactions entered between the Group and interested persons during FY2015.

Name of interested person	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 less than S$100,000)
Not applicable	Nil	Nil

8 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 the Company prior to the announcement of a matter that involves material unpublished price-sensitive information. They are also prohibited from dealing in the Company's securities during the period two weeks and one month before the announcement of the Company'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.

9 Use of Proceeds from Issues of Securities

Use of Net Proceeds from the placement of 36,000,000 new ordinary shares in the capital of the Company (the "**First Placement**")

The Board wishes to update the shareholders of the Company on the Group's utilization of the net proceeds of approximately S$8,400,000 (after deducting expenses of approximately S$240,000) from the First Placement, as set out below:

Prospects/ Future Plans	Amount of net proceeds allocated	Amount utilised to date	Amount unutilised to date
	S$'000	S$'000	S$'000
Hydroponics Business	1,500	1,500	-
Mining-related business	4,400	4,400	-
Engineering solutions – motion control business	2,500	2,500	-
Total	**8,400**	**8,400**	**-**

9 Use of Proceeds from Issues of Securities (cont'd)

The allocation and utilization of the proceeds from the First Placement is in accordance with the intended use.

The Company will make further announcements when the remaining net proceeds from the First Placement are materially disbursed.

Use of Net Proceeds from the placement of 23,730,000 new ordinary shares in the capital of the Company in 2013 (the "**Second Placement**")

The Board wishes to update the shareholders of the Company on the Group's utilization of net proceeds of approximately S$10,415,000 (after deducting expenses of approximately S$263,500) from the Second Placement, as set out below:

Prospects/ Future Plans	**Amount of net proceeds allocated**	**Amount utilised to date**	**Amount unutilised to date**
	S$'000	S$'000	S$'000
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	615
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	6,100
Exploration of Power Plant Opportunities	2,000	2,000	-
Total	**10,415**	**3,700**	**6,715**

The allocation and utilization of the proceeds from the Second Placement is in accordance with the intended use.

The Company will make further announcements when the remaining net proceeds from the Second Placement are materially disbursed.

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 QUESTION & ANSWER TABLE /

The Corporate Governance Q&A Table below sets out the main corporate governance matters required by the 2012 Code, and is presented in a question and answer format for easier readability.

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide (b) Not applicable. The Company did not adopt any alternative corporate governance practices in FY2015.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Board's approval is 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.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the necessary to maximise its effectiveness?	(a) In identifying potential director nominees, the Board would taken into account factors such as 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 Board would seek an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
		(b) The composition of the Board currently has a diversity in terms of skills, experience and knowledge. Key information on directors can be found in the "Board of Directors" section of the Annual Report. From a gender perspective, there is as yet no diversity as the Board is comprised of male Directors. (c) 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 Independent Directors also 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.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors	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. 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.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) 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. (b) Upon appointment, new Directors will also be provided with formal letters, setting out their duties and obligations. Incoming and newly appointed directors would be given guidance and orientation (which may include management presentations) to allow the such Directors to understand the Group's business operations, strategic directions and policies, corporate functions and governance practices The Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Company takes responsibility for the arranging and funding of such training
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of the directors?	(a) The Board does not prescribe a fixed number of listed company board representations for each Director. (b) This is because the main consideration in a Director's effectiveness is his performance as a Director of the Company, and not the number of board representations he has.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
		(c) When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) 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. A Board evaluation is conducted anually whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of Board performance. The results of these checklists were considered by the NC. (b) The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on proportion of the independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company	The Board has complied with the requirements of the Code. At least one third of the Board comprises Independent Directors. The Chairman of the Board is an Independent Director. Further, Independent Directors chair all the Board Committees, which play a pivotal role in supporting the Board.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not be to independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	No Director falls under the category as described here.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	The Independent Directors, namely Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard have served on the Board for more than nine years from the date of their respective first appointment.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
		Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board. The Board is of the view that Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management. After considering the view of the NC and the performances of Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tay Gim Sin, Leonard in discharging their duties, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has elected to disclose the remuneration of the Directors in bands (namely, below S$250,000, between S$250,000 to S$499,999 and S$500,000 and above). For competitive reason, and as such information is commercially sensitive, the Company is not disclosing the full remuneration details on a named basis and continues to disclose within bands of S$250,000 for both directors and key executives officers. The Company has provided a breakdown (in percentage terms) of the salary, bonuses, directors' fees and other benefits of the Directors for FY2015. Please refer to Section 2 of the Corporate Governance Report (Principle 9).

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into fixed/base salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) The Company has disclosed the remuneration of the key management personnel in bands of S$250,000, as well as a breakdown (in percentage terms) of their salaries, bonuses, directors' fees and other benefits for FY2015. Due to the highly competitive conditions in the industry in which the Company operates, the Company has refrained from setting out the names of its key executives due to the commercially sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors. Please refer to Section 2 of the Corporate Governance Report (Principle 9). (b) The aggregate amount of the total remuneration paid to the top five key management personnel (who are not Directors) was S$1,053,000 in FY2015.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during this year? If so, please identify the employee and specify the relationship with the relevant director or CEO.	Yes. Thang Yee Chin is a director of seven of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of the Company's Managing Director and President, Teo Cher Koon. Her remuneration was in the band of between S$250,000 and S$300,000 for the financial year under review.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
Guideline 9.6	(a) Please describe how the remuneration received by the executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and the long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth. The Executive Directors and the key management personnel had met the performance conditions for FY2015 under their respective service agreement and are therefore entitled to their bonuses.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is this information provided?	The Board is provided with complete, 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. Information provided to the Board includes background information relating to the matters to be discussed by the Board. Directors would also receive relevant information on material events and transactions as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group, and may request from the management such other additional information as may be necessary to be provided. 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.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("**WCA**").
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) The Management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. Internal and external auditors conduct annual audit and highlight significant matters to the AC and the Management. The Management acted on the matters highlighted by the external and internal auditors to improve the internal controls of the Company. The Management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. Targets are set to measure and monitor the performance of operations periodically, such as sales growth, profit margins, operating expenses, management of inventory, management of receivables and personnel attendance. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective. All significant matters are highlighted to the Board and the AC for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

/ CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
		(b) The Board has also received assurance from the Group Managing Director and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and that the Group's risk management systems and internal control systems are effective and adequate. Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by Management, the AC and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2015.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) Please refer to Note 7 of the Notes to Financial Statements. There were no non-audit fees paid / payable to the Company's auditors during FY2015. (b) Not applicable. No substantial volume of non-audit services performed by external auditors for the Company.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(a) Yes. If and where questions are presented by investors, the Company will communicate with its shareholders and attend to such questions. The Company meet with institutional and retail investors at least once a year at the Annual General Meeting of the Company

/CORPORATE GOVERNANCE QUESTION & ANSWER TABLE /

Guideline	Questions	How has the Company complied?
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(b) Yes. The Company has a dedicated investor relations team to provide shareholders and prospective investors with information necessary to make well-informed investment decisions. (c) Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable. The Company is paying dividends for FY2015.

/ DIRECTORS' STATEMENT /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors are pleased to present their statement 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 2015 and the balance sheet of the Company as at 31 December 2015.

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 51 to 128, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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.

1 Directors

The directors of the Company at the date of this statement 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, Chapter 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:

	Holdings registered in the name of directors		Holdings in which a director is deemed to have an interest	
	As at 1.1.2015	As at 31.12.2015	As at 1.1.2015	As at 31.12.2015
The Company				
- ISDN Holdings Limited				
Teo Cher Koon	-	-	129,572,250	129,572,250
Kong Deyang	2,050,000	2,050,000	-	-
Tay Gim Sin Leonard	396,000	396,000	-	-
The holding company				
- Assetraise Holdings Limited				
Teo Cher Koon	1	1	-	-

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. There was no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

4 Share Options

Options Granted

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

Options Exercised

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

Options Outstanding

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

5 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.

6 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;

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

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

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

6 Audit Committee (cont'd)

The duties of the AC, amongst other things, include: (cont'd)

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

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

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

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

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

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

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

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

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

7 Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

....

TEO CHER KOON

....

LIM SIANG KAI

Singapore

1 April 2016

/ INDEPENDENT AUDITORS' REPORT /

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (Incorporated in Singapore)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 51 to 128, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements 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 financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

1 April 2016

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 S$'000	Group 2014 S$'000
Revenue	4	235,963	230,518
Cost of sales		(170,352)	(169,039)
Gross profit		65,611	61,479
Other operating income	5	3,238	2,540
Distribution costs		(22,016)	(20,009)
Administrative expenses		(27,785)	(27,358)
Other operating expenses		(1,856)	(1,588)
Finance costs	6	(774)	(881)
Share of profit of associates		795	1,054
Profit before income tax	7	17,213	15,237
Income tax	9	(5,329)	(4,632)
Profit for the year		11,884	10,605
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Foreign currency translation		(151)	678
Total comprehensive income for the year		11,733	11,283
Profit for the year attributable to:			
Equity holders of the Company		8,721	7,457
Non-controlling interests		3,163	3,148
		11,884	10,605
Total comprehensive income for the year attributable to:			
Equity holders of the Company		9,063	7,746
Non-controlling interests		2,670	3,537
		11,733	11,283
Earnings per share:	10		
Basic		2.46	2.07
Diluted		2.46	2.07

The accompanying notes form an integral part of the financial statements

/ CONSOLIDATED BALANCE SHEET /

AS AT 31 DECEMBER 2015

	Note	Group 2015 S$'000	Group 2014 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	35,554	31,418
Investment properties	12	542	570
Land use rights	13	1,461	1,481
Goodwill	14	11,686	11,686
Associates	16	5,033	4,628
Deferred tax assets	26	149	94
Total non-current assets		54,425	49,877
Current Assets			
Inventories	17	40,855	34,612
Trade and other receivables	18	73,134	68,027
Cash and cash equivalents	19	39,096	37,493
Total current assets		153,085	140,132
Total Assets		207,510	190,009
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	63,925	63,925
Warrants issue	21	3,384	3,384
Treasury shares	22	(1,517)	(1,517)
Reserves	23	53,935	46,283
		119,727	112,075
Non-controlling interests	15	19,541	17,654
Total Equity		139,268	129,729
Non-current Liabilities			
Bank borrowings	24	360	162
Finance leases	25	339	418
Total non-current liabilities		699	580
Current Liabilities			
Bank borrowings	24	13,925	12,930
Finance leases	25	160	140
Trade and other payables	27	51,911	45,138
Current tax liabilities		1,547	1,492
Total current liabilities		67,543	59,700
Total Liabilities		68,242	60,280
Total Liabilities and Equity		207,510	190,009

The accompanying notes form an integral part of the financial statements

/ BALANCE SHEET /

AS AT 31 DECEMBER 2015

	Note	Company 2015 S$'000	Company 2014 S$'000
ASSETS			
Non-current Assets			
Subsidiaries	15	36,653	36,653
Associates	16	31	31
Total non-current assets		36,684	36,684
Current Assets			
Trade and other receivables	18	39	65
Amount owing by subsidiaries	15	30,888	31,388
Dividend receivable		3,470	3,847
Cash and cash equivalents	19	331	327
Total current assets		34,728	35,627
Total Assets		71,412	72,311
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	20	63,925	63,925
Warrants issue	21	3,384	3,384
Treasury shares	22	(1,517)	(1,517)
Retained earnings	23	1,366	2,919
Total Equity		67,158	68,711
Current Liabilities			
Trade and other payables	27	4,254	3,600
Total current liabilities		4,254	3,600
Total Liabilities		4,254	3,600
Total Liabilities and Equity		71,412	72,311

The accompanying notes form an integral part of the financial statements

/CONSOLIDATED STATEMENT OF CHANGES IN EQUITY /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to equity holders of the Company									
	Share capital	Warrants issue	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group										
Balance at 1 January 2015	63,925	3,384	(1,517)	(436)	602	4,478	41,639	112,075	17,654	129,729
Profit for the year	-	-	-	-	-	-	8,721	8,721	3,163	11,884
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	342	-	-	342	(493)	(151)
Total comprehensive income for the year	-	-	-	-	342	-	8,721	9,063	2,670	11,733
Capital contributed by non-controlling interest (Note 15(a) & (b))	-	-	-	-	-	-	-	-	1,810	1,810
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,593)	(2,593)
Payment of dividends (Note 28)	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	11	(3)	8	-	8
Balance at 31 December 2015	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268

The accompanying notes form an integral part of the financial statements

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(cont'd)

	← Attributable to equity holders of the Company →									
	Share capital	Warrants issue	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group										
Balance at 1 January 2014	63,925	3,384	(162)	(436)	313	3,767	36,348	107,139	11,773	118,912
Profit for the year	-	-	-	-	-	-	7,457	7,457	3,148	10,605
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	289	-	-	289	389	678
Total comprehensive income for the year	-	-	-	-	289	-	7,457	7,746	3,537	11,283
Capital contributed by non-controlling interest (Note 15(b))	-	-	-	-	-	-	-	-	4,519	4,519
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	142	142
De-recognition of a subsidiary	-	-	-	-	-	-	-	-	18	18
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,304)	(2,304)
Payment of dividends (Note 28)	-	-	-	-	-	-	(1,440)	(1,440)	-	(1,440)
Purchase of treasury shares	-	-	(1,355)	-	-	-	-	(1,355)	-	(1,355)
Transfer to other reserves	-	-	-	-	-	711	(726)	(15)	(31)	(46)
Balance at 31 December 2014	63,925	3,384	(1,517)	(436)	602	4,478	41,639	112,075	17,654	129,729

The accompanying notes form an integral part of the financial statements

/ CONSOLIDATED CASH FLOW STATEMENT /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 S$'000	2014 S$'000
Cash Flows from Operating Activities		
Profit before income tax	17,213	15,237
Adjustments for:		
Amortisation of land use rights	36	35
Trade receivables written off	210	43
Depreciation of property, plant and equipment	2,178	2,127
Depreciation of investment properties	17	17
Allowance for inventory obsolescence	1,222	558
Allowance for impairment of trade receivables	135	393
Gain on disposal of interests in associate	-	(77)
Gain on disposal of property, plant and equipment	(31)	(31)
Loss on de-recognition of a subsidiary	-	6
Property, plant and equipment written off	3	412
Inventories written off	228	141
Write back of allowance for inventory obsolescence	(114)	(34)
Write back of allowance for trade receivables	(13)	(47)
Interest expense	774	881
Interest income	(226)	(190)
Share of profits of associates	(795)	(1,054)
Unrealised foreign exchange differences	1,047	197
Operating cash flow before working capital changes	21,884	18,614
Changes in working capital:		
Inventories	(7,580)	(3,540)
Trade and other receivables	(5,208)	(16,519)
Trade and other payables	3,132	5,033
Cash generated from operations	12,228	3,588
Interest paid	(774)	(881)
Interest received	226	190
Income tax paid	(5,272)	(3,771)
Net cash generated from/(used in) operating activities	6,408	(874)

The accompanying notes form an integral part of the financial statements

/ CONSOLIDATED CASH FLOW STATEMENT /

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

(cont'd)	2015 S$'000	2014 S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(5,895)	(4,113)
Proceeds from disposal of property, plant and equipment	73	92
Acquisition of subsidiaries	-	(575)
Cash flow from disposal of interests in associate	-	102
Dividend from associates	398	60
Net cash used in investing activities	(5,424)	(4,434)
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	(1,419)	(1,440)
Dividends to non-controlling interests	(2,593)	(2,457)
Investment in subsidiaries by non-controlling interests	-	4,519
Loan to associates	(552)	-
Amount owing to non-controlling interests	3,204	1,428
Purchase of treasury shares	-	(1,355)
Proceeds from bank loans	11,208	6,601
Repayment of bank loans	(9,946)	(6,925)
(Repayments of) / Proceeds from trust receipts	(69)	43
Repayment of finance leases	(165)	(178)
Net cash (used in)/generated from financing activities	(332)	236
Net increase/(decrease) in cash and cash equivalents	652	(5,072)
Cash and cash equivalents at beginning of year	37,493	41,554
Effect of currency translation on cash and cash equivalents	951	1,011
Cash and cash equivalents at end of year (Note 19)	39,096	37,493

The accompanying notes form an integral part of the financial statements

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

1 General

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

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

The Company's principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its subsidiary companies and associates are set out in Notes 15 and 16.

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Basis of Preparation

(a) Basis of Preparation

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

(i) Adoption of Revised FRS which are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015 as follows:

Description		**Effective for annual periods beginning on or after**
Improvements to FRS 103	*Business Combinations*	1 July 2014
Improvements to FRS 108	*Operating Segments*	1 July 2014
Improvements to FRS 24	*Related Party Disclosures*	1 July 2014

Amendment to FRS 103 *Business Combinations*

The amendments clarify that contingent consideration in a business combination that is not classified as equity should be measured at fair value through profit and loss at each reporting date, regardless of whether the contingent consideration is within the scope of FRS 39. Changes in fair value, other than measurement period adjustments, are recognised in profit or loss.

The adoption of this standard did not have significant impact to the Group's financial performance or financial position.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

Amendment to FRS 108 *Operating Segments*

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

The amendments require the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators (e.g. gross margins) that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

As this is a disclosure standard, it has no impact on the financial position or the financial performance of the Group.

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation (e.g. short-term employee benefits, post-employment benefits, etc.).

As this is a disclosure standard, it has no impact on the financial position or the financial performance of the Group.

(ii) *Standards issued but not yet effective*

Description		**Effective for annual periods beginning on or after**
Amendments to FRS 1	*Disclosure Initiative*	1 January 2016
Amendments to FRS 27	*Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 107	*Financial Instruments: Disclosures*	1 January 2016
Amendments to FRS 105	*Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 109	*Financial Instruments*	1 January 2018

With the exception of FRS 115 and FRS 109 which the Group and Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

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

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently be reclassified to profit or loss. These amendment are effective for accounting periods beginning on or after 1 January 2016.

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

The amendment to FRS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39 or FRS 109), which currently exists and will continue to be available. This amendment is effective for accounting periods beginning on or after 1 January 2016.

Amendments to FRS 107 *Financial Instruments: Disclosures*

The amendment clarifies whether a servicing contract is considered to be "continuing involvement" in a transferred asset for the purpose of determining whether the disclosures in FRS 107.42A-42H are required. The disclosures need to be made if the servicing contract results in the transferor retaining an interest in the future performance of the transferred financial asset. The amendment is effective for annual periods beginning on or after 1 January 2016.

Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*

The amendment provides guidance on how to account for a reclassification of an asset from held for sale to held for distribution (or *vice versa*), e.g., when an entity initially intended to sell off an asset but subsequently decided to distribute it as dividend in kind of shareholders. The amendment also clarifies that when an asset no longer meets the held-for-distribution criteria, the accounting requirements are similar to those when held-for-sale assets cease to meet held-for-sale criteria. The amendment is effective for annual periods beginning on or after 1 January 2016.

Amendment to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) _Standards issued but not yet effective_ (cont'd)

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application is permitted. Comparative information for earlier periods is not required.

The Group is of the view that the amendment will not have any impact on the financial performance of the Group or the financial positions of the Group and of the Company on initial application.

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and INT FRS 113 Customer Loyalty Programs.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(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 decline based on historical obsolescence and slow-moving experiences.

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$1,108,000 (2014: S$524,000) (Notes 5 and 7). In addition, certain inventories amounted to S$228,000 (2014: S$141,000) (Note 7) became obsolete and unusable and were written off during the financial year. The carrying amount of the Group's inventories as at 31 December 2015 was S$40,855,000 (2014: S$34,612,000) (Note 17).

(ii) Impairment of trade receivables

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

During the financial year, the Group recognised a net allowance for impairment loss on trade receivables of S$122,000 (2014: S$346,000) (Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$210,000 (2014: S$43,000) (Note 7) and were written off during the financial year. The carrying amount of the Group's allowance for impairment of trade receivables as at 31 December 2015 was S$861,000 (2014: S$971,000) (Note 34(a)(iii)) and the carrying amount of the Group's trade receivables was S$55,954,000 (2014: S$52,367,000) (Note 18).

(iii) Control over subsidiaries

The Group has effective equity interest of certain subsidiaries ranging from 25.60% to 49% . In assessing whether the Group has control over the entities where it holds less than a majority of voting rights, the Group was concluded that it holds the substantive rights to direct the entities' relevant activities (i.e. financing and operating activities) and/or there are strong operational barriers or incentives that would prevent (or deter) the other third parties from exercising their rights, and/or has majority of the board representatives. Accordingly, the Group has accounted for these entities as subsidiaries.

(iv) Impairment of amount owing by subsidiaries

Management review amount owing by subsidiaries for objective evidence of impairment on periodic basis. In determining this, management assesses at each statement of financial position date whether there is objective evidence that its amount owing by subsidiaries are impaired. In determining this, management consider factors such as subsidiaries' financial performance and financial position, changes in the technology, market, economic or legal environment in which the subsidiaries operate.

2 Basis of Preparation (cont'd)

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

Judgements made in applying accounting policies (cont'd)

(iv) Impairment of amount owing by subsidiaries (cont'd)

During the financial year, the Company recognised an allowance for impairment of amount owing by a subsidiary amounting to S$1,500,000 (2014: Nil). The carrying amounts of the Company's amount owing by subsidiaries as at 31 December 2015 is disclosed in Note 15. The impairment allowance has no impact on the Group's consolidated financial statements.

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 2015 was S$35,554,000 (2014: S$31,418,000) (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$218,000 (2014: S$213,000).

(ii) Impairment of goodwill arising from acquisition of subsidiaries

Goodwill arising from acquisition of subsidiaries 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 as at 31 December 2015 was S$11,686,000 (2014: S$11,686,000) (Note 14).

No impairment loss was recognised for the goodwill arising from acquisition of subsidiaries assessed as at 31 December 2015 (2014: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts.

If the management's estimated growth rate and pre-tax discount rates applied to the discounted cash flows for the cash-generating units as at 31 December 2015 is increased by 1% (2014: 1%), the relevant recoverable amounts are still in excess of the respective carrying amounts of the cash-generating units ("CGUs").

2 Basis of Preparation (cont'd)

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

Key sources of estimation uncertainty (cont'd)

(iii) Income taxes

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

The Group has recognised income tax expense of S$5,329,000 (2014: S$4,632,000) for the financial year ended 31 December 2015. The carrying amounts of the Group's current income tax liabilities and deferred tax assets as at 31 December 2015 were S$1,547,000 (2014: S$1,492,000) and S$149,000 (2014: S$94,000) respectively.

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Consolidation (cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control over any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(ii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting 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 value and recognises the amount adjacent to the share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

(iii) Investments in Subsidiaries and Associates

Investments in subsidiary companies and associates are carried at cost less accumulated impairment losses in the balance sheet of the Company.

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

(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.

3 Summary of Significant Accounting Policies (cont'd)

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

Transactions and balances

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

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

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

Translation of group entities' financial statements

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

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated using the exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(c) Property, Plant and Equipment

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

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

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

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.

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

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

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

(d) Investment Properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and 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.

3 Summary of Significant Accounting Policies (cont'd)

(e) Land Use Rights

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

(f) Goodwill

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

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

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

(g) Government Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

(h) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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

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

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

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

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

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

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

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

(j) Inventories

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

(k) Financial Assets

Classification

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

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

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

(k) Financial Assets (cont'd)

Recognition and Derecognition

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

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

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Initial and Subsequent Measurement

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Fair Value

The carrying amount of the current financial assets carried at amortised cost approximate their fair values.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(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) Financial Liabilities and Equity Instruments Issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument.

Financial liabilities

An entity shall recognise a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as "other financial liabilities".

Other financial liabilities (including borrowing and trade and other payables), are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Interest-bearing Loans and Borrowings

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

The carrying amount of the current borrowings carried at amortised cost approximate their fair values.

(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.

3 Summary of Significant Accounting Policies (cont'd)

(p) Share Capital

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

(q) Treasury Shares

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

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

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

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

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

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

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

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

(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.

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

(t) Revenue Recognition (cont'd)

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

Sale of goods

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

Interest income

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

Dividend income

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

Technical service fee

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

Property management income

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

Administrative income and commission income

Administrative income and commission income is recognised in the period in which services are rendered.

(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 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.

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

(v) Operating Leases (cont'd)

<u>As lessee</u>

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.

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 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) Related Parties

A related party is defined as follows:

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

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

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

   ii. has significant influence over the reporting entity; or

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

3 Summary of Significant Accounting Policies (cont'd)

(x) Related Parties (cont'd)

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

i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
iii. both entities are joint ventures of the same third party;
iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
vi. the entity is controlled or jointly controlled by a person identified in (a);
vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(y) 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.

(z) Warrants Issue

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

4 Revenue

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

5 Other Operating Income

	Group	
	2015	2014
	S$'000	S$'000
Administrative income	78	199
Commission income	102	77
Gain on disposal of interests in associate	-	77
Gain on disposal of property, plant and equipment	36	31
Finance income:		
- interest on bank deposits	207	175
- interest on loan to an associate	19	15
Foreign exchange gain, net	-	427
Government grant	223	131
Miscellaneous income	406	74
Operating lease rental income:		
- investment properties	53	61
- sub-let of office/warehouse premises	695	524
Property management income	451	290
Recovery of bad debts written off	23	5
Technical service income	818	373
Write back of allowance of inventory obsolescence*	114	34
Write back of allowance of trade receivables	13	47
	3,238	2,540

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

6 Finance Costs

	Group	
	2015	2014
	S$'000	S$'000
Interest expense on:		
- bank loans	719	819
- trust receipts	32	50
- finance leases	23	12
	774	881

7 Profit before Income Tax

	Group	
	2015	2014
	S$'000	S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	36	35
Audit fees		
- Company's auditors	243	240
- other auditors	89	74
Depreciation of property, plant and equipment		
- recognised in cost of sales	282	394
- recognised in distribution costs	255	243
- recognised in administrative expenses	1,641	1,490
	2,178	2,127
Depreciation of investment properties	17	17
Other operating expenses included:		
- trade receivables written off	210	43
- allowance for inventory obsolescence	1,222	558
- allowance for impairment of trade receivables	135	393
- property, plant and equipment written off	3	412
- inventories written off	228	141
- loss on disposal of property, plant and equipment	5	-
- loss on disposal of interests in subsidiary	-	6
Directors' fees	100	100
Operating lease rental expense	1,382	1,272

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2015 (2014: Nil).

8 Employee Benefits

	Group	
	2015	2014
	S$'000	S$'000
Directors' remuneration		
- salaries and related costs	4,038	3,511
- defined contribution plans	30	28
Key management personnel (other than directors)		
- salaries and related costs	6,667	5,898
- defined contribution plans	493	523
Other than directors and key management personnel		
- salaries and related costs	17,447	16,458
- defined contribution plans	2,628	2,405
	31,303	28,823

9 Income Tax

	Group	
	2015	2014
	S$'000	S$'000
Current income tax	5,202	4,677
Under/ (Over) provision in respect of prior years:		
- current income tax	125	61
- deferred taxation (Note 26)	2	(106)
	5,329	4,632

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	
	2015	2014
	S$'000	S$'000
Profit before income tax	17,213	15,237
Income tax calculated at applicable tax rates	4,460	3,187
Non-deductible expenses	327	1,542
Singapore statutory stepped income exemption	(97)	(105)
Deferred tax assets not recognised	631	247
Share of results of associates	(119)	(194)
Under/(Over) provision in respect of prior years:		
- current income tax	125	61
- deferred tax	2	(106)
	5,329	4,632

Non-deductible expenses relate to certain operating expenses of subsidiaries which are not deductible for tax purposes in the jurisdiction where these subsidiaries operate.

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2014: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2014: 25%) and 16.5% (2014: 16.5%), respectively.

9 Income Tax (cont'd)

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

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

Unrecognised tax losses

As at 31 December 2015, the Group has unutilised tax losses of approximately S$21,349,000 (2014: S$17,635,000) 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$3,629,000 (2014: S$2,998,000). The tax losses arise by the Singapore entities of the Group have no expiry date, while the tax losses arise by the PRC entities of the Group are expiring in 5 years from the year that the loss arise.

Unrecognised temporary differences relating to investments in subsidiaries

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 2015, no deferred tax liability (2014: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries in the PRC as the Group has determined that the undistributed earnings of its subsidiaries will not be distributable in the foreseeable future.

Such temporary difference for which no deferred tax liability has been recognised aggregate to S$39,695,000 (2014: S$33,945,000). The deferred tax liability is estimated to be S$1,985,000 (2014: S$1,697,000).

10 Earnings Per Share

	Group	
	2015	2014
	Singapore cents per share	Singapore cents per share
Basic earnings per share	2.46	2.07
Fully Diluted earnings per share	2.46	2.07

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Group	
	2015	2014
	S$'000	S$'000
Profit for the year attributable to equity holders of the Company	8,721	7,457

	Group	
	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	354,684,950	359,501,725

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares (Note 22) during the year.

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares of the Company i.e. warrants.

The outstanding warrants as at 31 December 2015 and 2014 are anti-dilutive because their exercise price is higher than the average share price during the period.

11 Property, Plant and Equipment

	Freehold land	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
2015								
Cost								
Balance at 1 January	308	26,481	1,808	2,833	4,483	5,457	3,396	44,766
Additions	828	-	194	404	512	705	3,358	6,001
Disposals	-	-	(1)	(158)	(35)	(20)	-	(214)
Written off	-	-	-	-	(12)	(77)	-	(89)
Translation adjustment	22	299	(209)	40	(133)	205	200	424
Balance at 31 December	1,158	26,780	1,792	3,119	4,815	6,270	6,954	50,888
Accumulated depreciation								
Balance at 1 January	-	3,837	1,249	1,377	2,557	4,328	-	13,348
Depreciation for the year	-	541	199	436	539	463	-	2,178
Disposals	-	-	(1)	(140)	(15)	(16)	-	(172)
Written off	-	-	-	-	(9)	(77)	-	(86)
Translation adjustment	-	31	(12)	7	(14)	54	-	66
Balance at 31 December	-	4,409	1,435	1,680	3,058	4,752	-	15,334
Net book value								
Balance at 31 December	1,158	22,371	357	1,439	1,757	1,518	6,954	35,554
2014								
Cost								
Balance at 1 January	-	26,129	1,556	2,132	5,209	5,341	1,439	41,806
Additions	308	-	386	974	449	546	1,915	4,578
Disposals	-	-	(82)	(224)	(37)	(236)	-	(579)
Written off	-	-	(39)	(57)	(1,246)	(246)	-	(1,588)
Translation adjustment	-	352	(13)	8	108	52	42	549
Balance at 31 December	308	26,481	1,808	2,833	4,483	5,457	3,396	44,766
Accumulated depreciation								
Balance at 1 January	-	3,269	1,154	1,226	2,946	4,167	-	12,762
Depreciation for the year	-	535	229	387	443	533	-	2,127
Disposals	-	-	(81)	(205)	(29)	(203)	-	(518)
Written off	-	-	(35)	(46)	(877)	(218)	-	(1,176)
Translation adjustment	-	33	(18)	15	74	49	-	153
Balance at 31 December	-	3,837	1,249	1,377	2,557	4,328	-	13,348
Net book value								
Balance at 31 December	308	22,644	559	1,456	1,926	1,129	3,396	31,418

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 2015, the net book value of the leasehold properties set out above are mortgaged to secure the Group's bank borrowings as disclosed in Note 24(a), (b) and (k) was S$21,320,000 (2014: Note 24(a) and (b) of S$18,021,000).

During the financial year, property, plant and equipment acquired by means of finance were S$106,000 (2014: S$465,000). Other property, plant and equipment were acquired by cash payments of S$5,895,000 (2014: S$4,113,000).

As at 31 December 2015, the net book value of property, plant and equipment of the Group held under finance leases was S$722,000 (2014: S$916,000).

12 Investment Properties

	Group	
	2015	2014
	S$'000	S$'000
Cost		
Balance at 1 January	962	966
Translation adjustment	(15)	(4)
Balance as at 31 December	947	962
Accumulated depreciation		
Balance at 1 January	392	376
Depreciation for the year	17	17
Translation adjustment	(4)	(1)
Balance at 31 December	405	392
Net book value		
Balance at 31 December	542	570

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$740,000 (2014: S$836,000) as at the balance sheet date based on directors' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in note 34(b).

The Group's investment properties are set out below:

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

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 (2014: S$61,000); and direct operating expenses amounted to S$28,000 (2014: S$31,000).

13 Land Use Rights

	Group	
	2015	2014
	S$'000	S$'000
Cost		
Balance at 1 January	1,688	1,667
Translation adjustment	17	21
Balance at 31 December	1,705	1,688
Accumulated amortisation		
Balance at 1 January	207	171
Amortisation for the year	36	35
Translation adjustment	1	1
Balance at 31 December	244	207
Net book value		
Balance at 31 December	1,461	1,481
Amount to be amortised:		
- not later than one year	36	35
- later than one year but not later than five years	142	141
- later than five years	1,283	1,305
	1,461	1,481

The land use rights relates to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 41 years (2014: 42 years).

As at 31 December 2015, 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 24(a) and (b) was S$1,461,000 (2014: S$1,481,000).

14 Goodwill

	Group	
	2015	2014
	S$'000	S$'000
Balance at 1 January and 31 December	11,686	11,686

14 Goodwill (cont'd)

Impairment testing of goodwill

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd ("Servo Thailand")	75	75
- TDS Technology (S) Pte Ltd ("TDS")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd ("Dirak Asia")	9,508	9,508
	11,686	11,686

The Group assessed the recoverable amount of each CGU is 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% (2014: 5%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid entities operate. The pre-tax discount rates used, which management estimates to reflect current market assessments of the time value of money and the risks specific to the CGU's cash flows is 7% (2014: 3%, 7% and 5%) for TDS, Servo Thailand and Dirak Asia, respectively. Management believes that any reasonably possible change in the key assumptions i.e. growth rate and pre-tax discount rate, on which the recoverable amount is based would not cause the carrying amount of CGUs 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 2015 (2014: Nil).

15 Subsidiaries

	Company	
	2015	**2014**
	S$'000	**S$'000**
Non-current assets		
Equity shares, at cost	23,026	23,026
Loans to subsidiaries	13,627	13,627
	36,653	36,653
Current assets		
Amount owing by subsidiaries	32,388	31,388
Less: Allowance for impairment loss	(1,500)	-
	30,888	31,388

15 Subsidiaries (cont'd)

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

The movement in the allowance for impairment loss during the financial year is as follows:

	Company	
	2015	**2014**
	S$'000	**S$'000**
Current assets		
Amount owing by subsidiaries		
At January	-	-
Charged to profit or loss	1,500	-
At 31 December	1,500	-

The amounts owing by subsidiaries are non-trade in nature, unsecured and interest-free. An amount of S$1,500,000 has been impaired as management is of the view that the amount is not recoverable.

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

Name	Country of incorporation/ principal place of business	Cost of investment by the Company		Effective equity interest held by the Group		Principal activities
		2015	**2014**	**2015**	**2014**	
		S$'000	**S$'000**	**%**	**%**	
Held by the Company						
Motion Control Group Pte Ltd(1)	Singapore	19,006	19,006	100	100	Investment holding
Servo Dynamics Pte Ltd(1)	Singapore	2,558	2,558	100	100	Importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions
Portwell Singapore Pte Ltd(1)	Singapore	988	988	100	100	Providing integrated solutions of industrial computing software and hardware
Leaptron Engineering Pte Ltd(1)	Singapore	474	474	100	100	Importing, exporting, servicing and trading of automation products, and providing integrated solutions
ISDN Investments Pte Ltd(1)	Singapore	*	*	100	100	Provision of technical consultancy, training services, and management services
		23,026	23,026			

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by Motion Control Group Pte Ltd				
Precision Motion Control Pte Ltd[1]	Singapore	100	100	Importing, exporting, distributing, servicing and repairing of motion control products, electric motor and accessories, and providing integrated solutions
Servo Dynamics Co., Ltd.[2]	PRC	100	100	Investment holding and provision of procurement, sales and marketing of products and services for the group in PRC
Servo Dynamics (Thailand) Co., Ltd[5]	Thailand	59.7	59.7	Trading and installation of automation control product
Servo Engineering (M) Sdn Bhd[3]	Malaysia	90	90	Engaging in the importing, exporting, purchasing, selling, distributing, servicing, repairing and otherwise dealing in automation products, amplifiers, gear boxes, electric motors and equipment and any parts or accessories used in connection therewith
Servo Dynamics (H.K.) Limited[3]	Hong Kong	100	100	Trading in electronics products
Eisele Asia Co., Ltd[2][8]	PRC	50	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd[3]	Hong Kong	51	51	Investment holding and provision of engineering solutions
Servo Dynamics Sdn Bhd[3]	Malaysia	100	100	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd[2]	PRC	100	100	Land investment
IDI (INA) Laser Services Pvt Ltd[4]	India	53.33	53.33	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd[2]	PRC	51	51	Provision of other engineering solutions to packaging, textile and plastic industries in China

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by Motion Control Group Pte Ltd (cont'd)				
Suzhou PDC Co., Ltd[(2)]	PRC	100	100	Land investment
Gateway Motion (Shanghai) Co., Ltd[(2)]	PRC	100	100	Integrating and selling of motion control products and providing system integrated solutions
JAPV Mechanical Technology (Wujiang) Co. Ltd[(2)]	PRC	95.33	95.33	Manufacturing and selling of machines for bending and cutting fully-automatic coil wire
DBASIX Singapore Pte Ltd[(1)]	Singapore	51.92	51.92	Investment holding
TDS Technology (S) Pte Ltd[(1)]	Singapore	61.2	61.2	Wholesalers of electrical and electronic components and wiring accessories
ISDN Enterprise Management (Wujiang) Co., Ltd[(2)]	PRC	100	100	Management of ISDN High-Tech Industrial Park in Wujiang, China
Accel Technologies (China) Co., Ltd[(2)]	PRC	100	100	Manufacturing of special purpose motors and provision of engineering solutions
A Tracks Pte Ltd[(1)]	Singapore	70	70	Manufacture and repair of electric motors, semiconductor assembly and testing equipment
Dirak Asia Pte Ltd[(7)(8)(12)]	Singapore	49	49	Sale of industrial locks, hinges and enclosure products
Suzhou Xiancheng Automation Technology Co., Ltd[(2)(9)]	PRC	100	-	Importing, exporting, distributing, developing, producing and selling non-standard automation equipment, electromechanical integration equipment, automatic control software, and providing technical advice and after-sales services

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by Servo Dynamics Pte Ltd				
Maxon Motor (Suzhou) Co., Ltd(2)(8)	PRC	50	50	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd(2)(8)	PRC	50	50	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products
Servo Dynamics Engineering Co., Ltd(6)	Vietnam	51	51	Engaging in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing solutions and mechanical and engineering services
Held by Servo Dynamics Co., Ltd				
Su Zhou Servo Dynamics Co., Ltd(2)	PRC	100	100	Manufacturing and selling of motion control products and providing system integrated solutions
Chongqing Junzhi Automatic Instrument Control Co., Ltd(11)	PRC	-	100	Developing and selling of motion control products and providing system integrated solutions
Beijing Junyizhicheng Technology Developing Co., Ltd(2)	PRC	100	100	Selling of precise motion control products and providing system integrated solutions
Shenzhen Servo Dynamics Co., Ltd(2)	PRC	100	100	Supplying of precision motion control products and providing system integrated solutions
Shanghai Delta Automation International Trade Co., Ltd(2)	PRC	100	100	International trade and entreport trade

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2015 %	2014 %	Principal activities
Held by Servo Dynamics Co., Ltd (cont'd)				
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd[(2)(8)]	PRC	50	50	Carrying on the business of technology development, technology consultancy, technology transfer, technology training and technology services regarding digital controlled equipment and automatically controlled apparatus and selling of machinery equipment, electronic equipment, apparatus and instruments, electronics computer and accessories
Held by IGB (H.K.) Co., Ltd				
SejinIGB (Suzhou) Co., Ltd[(2)]	PRC	51	51	Manufacturing and provision of engineering solutions
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd[(2)]	PRC	51.92	51.92	Manufacturing and sale of aluminum profiles, actuators and related components
DBASIX Malaysia Sdn Bhd[(3)]	Malaysia	51.92	51.92	Sale of aluminum profiles, actuators and related components
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd[(1)(8)]	Singapore	45.9	45.9	Industrial plant engineering services
TDS Technology (Penang) Sdn Bhd[(3)(8)]	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)(8)]	Malaysia	48.96	48.96	Manufacture and distribution of comprehensive range of advance industrial control and factory automation products
PT TDS Technology[(3)(8)]	Indonesia	36.72	36.72	Trading and distribution of advanced industrial control and factory automation products

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by TDS Technology (S) Pte Ltd (cont'd)				
SDL Control (Penang) Sdn Bhd[3]	Malaysia	61.20	61.20	Provide project and system engineering services
SDL Control (KL) Sdn Bhd[3]	Malaysia	61.20	61.20	Provide project and system engineering services
Held by ISDN Investments Pte Ltd				
Agri Source Pte Ltd[1]	Singapore	100	100	Hydroponics and high tech farming
RLM Pte Ltd[11]	Singapore	-	50	Providing resource and logistics management and services relating to mining and natural resources business. Providing financing for resource and logistics management and services relating to mining and natural resources business
ISDN Resource Pte Ltd[1]	Singapore	100	100	Trading of coal and similar and/or related natural resources
ISDN Myanmar Energy Pte Ltd[1]	Singapore	100	100	Coal mining, processing and supply and the management of energy plants, including the joint ownership, development and management of coal-fired and other non-fossil power plants
ISDN Myanmar Power Pte Lt[d(1)]	Singapore	100	100	Business of joint ownership, development and management power plants in Myanmar
Aenergy Holdings Company Limited[2]	Hong Kong	55	55	Exploring investment opportunities in energy business in Indonesia
LAA Energy HK Company Limited[2]	Hong Kong	100	100	Investment into hydropower projects at the LAA River in Central Sulawesi, Indonesia
ISDN Myanmar Infrastructure Investment Pte. Ltd[2]	Singapore	100	100	Investment in infrastructure projects, general construction services and other related services

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by ISDN Investments Pte Ltd (cont'd)				
ISDN Bantaeng Pte Ltd(2)(10)	Singapore	60	-	Investment holding and providing business and management consultancy services
Held by Aenergy Holdings Company Limited				
PT Potensia Tomini Energi(2)(8)	Indonesia	44	44	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Charma Paluta Energy(2)(8)	Indonesia	44	44	Constructing, operating and maintaining hydropower plants and the production of electric power
PT SDM Bahagia Sejahtera(2)	Indonesia	52.25	52.25	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Abantes Energi(2)(8)(9)	Indonesia	26.95	-	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Simalem Bumi Energi(2)(8)(9)	Indonesia	26.95	-	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Senina Hidro Energi(2)(8)(9)	Indonesia	26.95	-	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Karo Bumi Energi(2)(8)(9)	Indonesia	26.95	-	Constructing, operating and maintaining hydropower plants and the production of electric power
PT Galang Hidro Energi(2)(8)(9)	Indonesia	26.95	-	Constructing, operating and maintaining hydropower plants and the production of electric power

15 **Subsidiaries** (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015 %	2014 %	
Held by LAA Energy HK Company Limited				
PT LAA Energy[2]	Indonesia	90	90	Constructing, operating and maintaining hydropower plants and the production of electric power
Held by Agri Source Pte Ltd				
Agri Source Farms Sdn Bhd[3]	Malaysia	100	100	Hydroponics and high tech farming
Agri Source Suzhou Co., Ltd[2]	PRC	100	100	Hydroponics and high tech farming
Dietionary Farm Holding Pte Ltd[1]	Singapore	51	51	Hydroponics and high tech farming
Prima Infrastructure Sdn Bhd[2][8][10]	Malaysia	49	-	Carry on business of agricultural and high technology farming business, providing leisure activities and innovative technology business
Held by Dietionary Farm Holding Pte Ltd				
Dietionary Farms Sdn Bhd[3]	Malaysia	51	51	Manufacturers, wholesalers, retailers, traders of all leafy and fruit vegetables and relevant farm products
Held by ISDN Resource Pte Ltd				
Jin Zhao Yu Pte Ltd[2][10]	Singapore	51	-	Carrying on business of engineering, construction, exploration and mining, trading of mineral resources and general geological consultancy services
PT Leaptron Armadatrans International[2][8][9]	Indonesia	49	-	Provisioning of logistic management services

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015 %	2014 %	
Held by ISDN Bantaeng Pte Ltd				
PT ISDN Bantaeng Corporation(2)(9)	Indonesia	51	-	Development and management of an industrial complex
Held by PT SDM Bahagia Sejahtera				
PT Punggawa Datara Energy(2)(8)(9)	Indonesia	25.60	-	Constructing, operating and maintaining of hydropower plants and also the production of electric power in Indonesia
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd(7)(8)	PRC	49	49	Manufacturing and sale of industrial locks, hinges and enclosure products
Suzhou D Snap Technologies Co., Ltd(7)(8)	PRC	49	49	Manufacturing and sales of industrial locks, hinges and enclosure products and applications
Taiwan Dirak Co., Ltd(7)(8)	Republic of China (Taiwan)	29.89	29.89	Sale of industrial locks, hinges and enclosure products
Zhu Zhou Dirak Technology Co., Ltd(7)(8)(9)	PRC	29.4	-	Research and development, production, trading, import and export of hardware, mechanical and electrical equipment, rubber and plastic products
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd(7)(8)	PRC	31.85	31.85	Sale of industrial locks, hinges and enclosure products

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2015	2014	
		%	%	
Held by Leaptron Engineering Pte Ltd				
PT Leaptron Engineering[2]	Indonesia	100	100	Distribution of industrial automation products

* Less than $1,000

(1) Audited by Moore Stephens LLP Singapore

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

(3) Audited by member firms of Moore Stephens International Limited in the respective countries

(4) Audited by Kannan and Alamelu

(5) Audited by A.S.K.N. International Audit Services

(6) Audited by AS Auditing Company

(7) Audited by Ernst & Young LLP Singapore (Note 2(b)(iii))

(8) Deemed to be a subsidiary as the Group controls the entity via substantive rights

(9) Incorporated during the financial year (see details below)

(10) Acquired during the financial year (see details below)

(11) De-registered during the financial year

(12) The other 1% ownership interest is held by Mr Teo Cher Koon, the Managing Director and President of the Company

15 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
				S$'000	S$'000	S$'000	S$'000
Dirak Asia subgroup	Singapore	51%	51%	237	533	5,759	5,453
Aenergy subgroup	Hong Kong	45%	45%	(632)	(291)	4,914	4,056
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")	PRC	50%	50%	3,477	2,073	4,444	3,162
Individual immaterial subsidiaries with non-controlling interests				(412)	1,222	4,424	4,983
Total				2,670	3,537	19,541	17,654

15 Subsidiaries (cont'd)

The summarised financial information for the Dirak Asia subgroup, Aenergy subgroup and Maxon Suzhou are set out below. The summarised financial information below represents amounts before intergroup eliminations.

	Dirak Asia subgroup		Aenergy subgroup		Maxon Suzhou	
	FY2015	**FY2014**	**FY2015**	**FY2014**	**FY2015**	**FY2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Summarised statement of comprehensive income						
Revenue	21,092	17,607	-	-	39,079	31,359
Profit/(loss) before income tax	966	1,499	(1,405)	(647)	9,305	5,553
Income tax expense	(501)	(455)	-	-	(2,350)	(1,406)
Profit/(loss) after tax and total comprehensive income/(loss)	465	1,044	(1,405)	(647)	6,955	4,147
Summarised balance sheets						
Current						
Assets	15,950	12,981	8,712	7,735	16,959	12,720
Liabilities	(6,182)	(3,790)	(3,977)	(1,331)	(8,196)	(6,562)
Net current assets	9,768	9,191	4,735	6,404	8,763	6,158
Non-current						
Assets	1,721	1,501	6,185	2,609	124	167
Liabilities	(196)	-	-	-	-	-
Net non-current assets	1,525	1,501	6,185	2,609	124	167
Net assets	11,293	10,692	10,920	9,013	8,887	6,325
Other summarised information						
Cash flow generated from/(used in) operating activities	2,955	609	1,349	(633)	6,482	3,288
Dividends paid to non-controlling interests during the year	146	126	-	-	2,240	2,213
Acquisition of property, plant and equipment	821	631	3,194	2,253	49	29

15 Subsidiaries (cont'd)

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of S$4,448,000 (2014: S$2,503,000) held by Maxon Suzhou in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

(a) Incorporation of subsidiaries

(i) During the current financial year, the Group, through its wholly-owned subsidiary, Motion Control Group Pte Ltd ("MCG"), incorporated a new wholly-owned subsidiary, Suzhou Xiancheng Automation Technology Co., Ltd ("SXAT") in PRC, with registered share capital of US$210,000. SXAT is principally engaged in the businesses of importing, exporting, distributing, developing, producing and selling non-standard automation equipment, electromechanical integration equipment, automatic control software, and providing technical advice and after-sales services.

(ii) During the current financial year, the Group, through its subsidiary, Aenergy Holdings Company Limited ("Aenergy"), incorporated five new subsidiaries, PT Abantes Energi Indonesia ("PTAEI"), PT Simalem Bumi Energi ("PTSBE"), PT Senina Hidro Energi ("PTSHE"), PT Karo Bumi Energi ("PTKBE"), and PT Galang Hidro Energi ("PTGHE") in Indonesia, with registered share capital of IDR20,000,000,000 (equivalent to S$2,021,000) for each company. Aenergy holds 49% of the legal shareholding interest in these new subsidiaries. PTAEI, PTSBE, PTSHE, PTKBE, and PTGHE are principally engaged in the businesses of constructing, operating and maintaining hydropower plants, and the production of electric power.

(iii) During the current financial year, the Group, through its wholly-owned subsidiary, ISDN Resource Pte. Ltd. ("ISDN Resource") and its local Indonesia partner, PT Bukit Lau Energi, incorporated a new subsidiary, PT Leaptron Armadatrans International ("PTLAI") in Indonesia, with registered share capital of IDR33,330,000,000 (equivalent to S$3,375,000). ISDN Resource holds 49% of the legal shareholding interest in PTLAI. PTLAI will be principally engaged in the businesses of provisioning of logistic management services.

(iv) During the current financial year, the Group, through its subsidiary, PT SDM Bahagia Sejahtera ("PT SDM"), incorporated a new subsidiary, PT Punggawa in Indonesia, with registered share capital of IDR14,375,000,000 (equivalent to S$1,456,000). PT SDM holds 80% of the legal shareholding interest in PT Punggawa upon the date of incorporation. Subsequent to the incorporation, PT SDM reduced its stake in PT Punggawa by transferring 31% or 4,456,250 at an issue price of IDR10,000 each in the capital of PT Punggawa to a third party for an aggregate consideration of IDR4,456,250,000 (equivalent to S$451,360). The consideration for the transfer was arrived at after arm's length negotiation and was on a willing buyer-willing seller basis. Following the completion of transfer, PT SDM shall hold 49% shareholding interest in PT Punggawa. As at 31 December 2015, the total paid-up share capital of PT Punggawas is IDR11,500,000,000 (equivalent to S$1,150,000).

(v) During the current financial year, the Group, through its wholly-owned subsidiary, ISDN Bantaeng Pte. Ltd. ("ISDN Bantaeng") and its local Indonesia partners, PT Centuri Indonesia Sekawan and Perusda Bajiminasa Kabupaten Bantaeng, incorporated a new subsidiary, PT ISDN Bantaeng Corporation ("PTIBC") with a registered share capital of US$4,000,000. ISDN Bantaeng holds 85% of the legal shareholding interest in PTIBC. PTIBC will be principally engaged in the business of development and management of an industrial complex.

15 Subsidiaries (cont'd)

(a) Incorporation of subsidiaries (cont'd)

(vi) During the current financial year, the Group, through its subsidiary, Dirak Asia Pte. Ltd. ("Dirak Asia") and a local individual investor, incorporated a new subsidiary, Zhu Zhou Dirak Technology Co., Ltd ("Zhu Zhou Dirak") in China, with registered share capital of RMB5,080,000 and paid up capital of RMB900,000. Dirak Asia holds 60% of the legal shareholding interest in Zhu Zhou Dirak. Zhu Zhou Dirak will be principally engaged in the businesses of research and development, production, trading, import and export of hardware, mechanical and electrical equipment, rubber and plastic products.

(b) Share subscription of Aenergy Holdings Company Limited ("Aenergy")

During the financial year ended 31 December 2014, the Company, through its subsidiaries, ISDN Investments and Aenergy, entered into investment agreements with Mr Robert Alexander Stone ("Mr Robert") and SHS Limited ("SHS"), to divest 20% and 25% of its shareholdings held in Aenergy for an additional capital injection of US$6.4 million (equivalent to S$8.5 million) and US$8.0 million (equivalent to S$10.6 million) respectively. As at 31 December 2014, the total investment in Aenergy by Mr Robert and SHS amounting to US$4.5 million (S$6.0 million) received by the Group with US$3.4 million (S$4.5 million) converted to investment in Aenergy. The balance of US$1.1 million (S$1.5 million) was recorded under amount owing to non-controlling interests as at 31 December 2014. Aenergy remains a subsidiary of the Company with a non-controlling interest of 45%.

During the current financial year, the Group further converted its amount owing to non-controlling interests of US$0.9 million (S$1.2 million) to investment in Aenergy. Further, an additional injection of US$2.5 million (S$3.2 million) from Mr Robert and SHS has been received by the Group. The balance of US$2.7 million (S$3.5 million) is recorded under amount owing to non-controlling interests as at balance sheet date. No changes on shareholdings arise from this transaction, Aenergy remains a subsidiary of the Company with a non-controlling interest of 45%.

(c) Acquisition of subsidiaries

	Principal activity	Proportion of share acquired	Consideration transferred
		%	S$'000
Prime Infrastructure Sdn Bhd	(i) Property investment and development of commercial and industrial land; (ii) Advance technology agricultures farming; (iii) Leisure activities; and (iv) Innovative technology businesses.	49	*
Jin Zhao Yu Pte. Ltd.	Engineering, construction, exploration and mining, trading of mineral resources and general geological consultancy services	51	*
ISDN Bantaeng Pte. Ltd.	Investment holding and providing business and management consultancy services	60	*

* Less than $1,000

The above-mentioned entities have no material book values and net tangible asset values at date of acquisition. If these business combinations had been effected at 1 January 2015, they would not have made a significant impact on the Group's financial performance.

16 Associates

	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
Equity shares, at cost	1,798	1,798	*	*
Share of post-acquisition profits	4,543	3,748	-	-
Share of dividends paid	(1,105)	(707)	-	-
Share of pre-acquisition losses on acquisition	(142)	(142)	-	-
Disposal of interest	-	(25)	-	-
Translation adjustment	(149)	(132)	-	-
	4,945	4,540	*	*
Loans to associates	88	88	31	31
	5,033	4,628	31	31

* Less than S$1,000

As at 31 December 2015, investment in associates includes goodwill of S$125,000 (2014: S$125,000).

During the financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.58 per ordinary share in respect of the financial year ended 31 December 2014. In previous financial year, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.37 per ordinary share in respect of the financial year ended 31 December 2013.

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

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

During the financial year, Schneeberger Linear Technology Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S$246.66 per ordinary share in respect of the financial year ended 31 December 2014. Subsequently, the Company and Schneeberger Linear have converted this final dividend to loan to associate (Note 18(d)). In previous financial year, Schneeberger Linear Technology Pte Ltd ("Schneeberger Linear") declared and paid a tax-exempt (one-tier) final dividend of S$276.04 per ordinary share in respect of the financial year ended 31 December 2013.

During the financial year, Maxonmoter Taiwan Co., Ltd declared and paid a tax-exempt (one-tier) final dividend of S$0.72 per ordinary share in respect of the financial year ended 31 December 2014.

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

16 Associates (cont'd)

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Assets and Liabilities:		
- total assets	22,772	20,902
- total liabilities	11,372	10,393
Results:		
- revenue	30,301	33,062
- profit for the year	2,206	2,630
- other comprehensive income	193	265

The activities of the associates are strategic to the Group activities. 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
		2015	**2014**	**2015**	**2014**	
		S$'000	**S$'000**	**%**	**%**	
Held by the Company						
W2Energy Pte Ltd(2)	Singapore	*	*	35	35	Dormant
Held by the Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd(2)(10)	Republic of China (Taiwan)	117	117	50	50	Engaging in offering of Maxon motor motion control solutions
Held by Motion Control Group Pte Ltd						
DKM South Asia Pte Ltd(8)	Singapore	105	105	35	35	Provision of DKM integrated engineering solutions and services

16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2015	2014	2015	2014	
		S$'000	S$'000	%	%	
Held by Motion Control Group Pte Ltd (cont'd)						
Precision Motion Control Phils. Inc.[(4)]	Philippines	9	9	40	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd[(5)]	Singapore	700	700	33.33	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd[(6)]	Singapore	175	175	37.5	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions
JM Vistec System Pte Ltd[(1)]	Singapore	445	445	40	40	Trading and supplying of vision related products and industrial automation solutions
Schneeberger Linear Technology Pte Ltd[(7)(10)]	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	197	197	28.15	28.15	Trading of electrical and electrical equipment

16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2015	2014	2015	2014	
		S$'000	S$'000	%	%	
Held by JM Vistec System Pte Ltd						
JM Vistec (Suzhou) Co., Ltd(2)	PRC	-	-	40	40	Trading and supplying of vision related products and industrial automation solutions
JM Vision Technologies Co., Ltd(2)	Republic of China (Taiwan)	-	-	40	40	Trading and supplying of vision related products and industrial automation solutions
C True Vision Pte Ltd(1)	Singapore	-	-	40	40	Supplying, import and export of vision related product and industrial automation solution
JM Vistec System (Thailand) Co., Ltd(9)	Thailand	-	-	19.6	19.6	Trading of machine vision components
		1,798	1,798			

* Less than $1,000

(1) Audited by Moore Stephens LLP Singapore

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

(3) Audited by member firms of Moore Stephens International Limited in the respective countries

(4) Audited by SGV & Co

(5) Audited by Ong Teh & Co

(6) Audited by Ecovis Trustnet Alliance LLP

(7) Audited by Subraco LLP

(8) Audited by ASQM

(9) Audited by TST Absolution Co., Ltd

(10) No management control over the financial and operating policy decisions

Significant restrictions:

Cash and cash equivalents held in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

17 Inventories

	Group	
	2015	2014
	S$'000	S$'000
Components parts	16,740	14,490
Finished goods	28,672	23,973
Work-in-progress	1,228	1,046
Goods-in-transit (finished goods)	885	748
Total inventories at cost	47,525	40,257
Less: allowance for inventory obsolescence	(6,670)	(5,645)
Total inventories at the lower of cost and net realisable value	40,855	34,612
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	169,928	168,644

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

18 Trade and Other Receivables

	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
Trade receivables, net of impairment (a):				
- note receivables (b)	7,336	7,174	-	-
- third parties	45,957	42,531	-	-
- associates	1,847	2,012	-	-
- related parties	814	650	-	-
	55,954	52,367	-	-

18 Trade and Other Receivables (cont'd)

	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
Other receivables:				
Funding to investee company (c)	7,820	6,394	-	-
Advances paid to				
- suppliers	3,284	3,762	-	-
- associates (d)	149	197	-	-
- related parties (d)	36	12	-	-
Deposits	671	707	-	-
Loans to associates (e)	1,031	479	-	-
Amount owing from a non-controlling interest (f)	-	83	-	-
Tax recoverable	-	125	-	-
Sundry debtors	3,457	2,833	37	62
	16,448	14,592	37	62
Prepayments	732	1,068	2	3
	73,134	68,027	39	65

(a) Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables at 31 December 2015 were trade receivables from third parties amounting to S$546,000 (2014: S$692,000) under Account Receivables Bulk Factoring arrangement (Note 24) via a bank facility agreement entered by a subsidiary of the Company. These factored trade receivables was included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

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

(c) (i) During the financial year ended 31 December 2013, a funding amount of US$330,000 (equivalent to S$406,000) was provided by the Group's wholly-owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investments"), to PT Putra Perkasa Indah ("PT PPI"), a company incorporated in Indonesia, under an Investment Agreement in which ISDN Investments proposed to acquire 51% equity interests of PT PPI, for its mining business in Indonesia. The funding is secured by personal guarantees and shares pledged by the existing shareholders of PT PPI and the amount is refundable on demand with 10% guaranteed return per annum. No significant updates on the proposed acquisition during financial year ended 31 December 2015.

(ii) In previous financial year, the Company and ISDN Investments made advances of S$55,000 to PT Jodo Alam Titra under a non-binding term sheet, which did not represent or create an obligation to conclude a transaction, for exploring an energy related project.

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

18 Trade and Other Receivables (cont'd)

(c) (iii) In previous financial year, Aenergy funded S$1,287,000 and S$1,121,000 to two Indonesia-based companies under a non-binding term sheet, which did not represent or create an obligation to conclude a transaction, for exploring an energy related project.

During the financial year ended 31 December 2015, Aenergy has made additional fundings of S$402,000 and S$538,000 to two Indonesia-based companies under a non-binding term sheet, which does not represent or create an obligation to conclude a transaction, for exploring an energy related project.

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

(vi) In previous financial year, ISDN Resource entered into mining operation agreement with PT Gema Energy Indonesia ("Gema") and PT Bun Yan Hasanah ("Bun Yan") to which ISDN Resource will provide financing and other management related services to Gema and Bun Yan. ISDN Resource provided US$2,847,830 (equivalent to approximately S$3,492,127) as loan and advances for working capital pursuant the signing of the agreement.

During the financial year, ISDN Resource has made an additional loan and advances of S$455,000 to Bun Yan for working capital purpose.

The loan and advances are non-trade, unsecured, interest-free, and are repayable on demand in cash.

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

(e) The loans to associates bear interest of 3.50% to 5% (2014: 5% to 6%) per annum, and are unsecured and repayable on demand in cash.

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

19 Cash and Cash Equivalents

	Group		Company	
	2015	**2014**	**2015**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	34,034	33,170	331	327
Fixed deposits	5,062	4,323	-	-
	39,096	37,493	331	327
Effective interest rate per annum	0.05% to 5.80%	0.03%	-	-

The fixed deposits have a maturity period of 1 to 6 months (2014: 1 to 12 months).

19 Cash and Cash Equivalents (cont'd)

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Cash and bank balances	34,034	33,170
Fixed deposits	5,062	4,323
	39,096	37,493

As at 31 December 2015, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S$14,578,000 (2014: S$13,949,000). The Chinese Renminbi is not freely convertible into other currencies. However under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

20 Share Capital

	Issued and fully paid			
	No. of ordinary shares		**Amount**	
	2015	**2014**	**2015**	**2014**
			S$'000	**S$'000**
Group and Company				
Balance at 1 January and 31 December	361,049,950	361,049,950	63,925	63,925

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

The number of ordinary shares includes treasury shares as disclosed in Note 22.

21 Warrants Issue

	No. of ordinary shares		**Amount**	
	2015	**2014**	**2015**	**2014**
			S$'000	**S$'000**
Group and Company				
Balance at 1 January and 31 December	179,972,475	179,972,475	3,384	3,384

On 13 November 2013, the Company issued a renounceable non-written rights issue of 179,972,475 warrants at an issue price of S$0.02 for each warrant. Each warrant carries the right to subscribe to one new ordinary share of the Company at an exercise price of S$0.60 for each new share, on the basis of one warrant for every 2 existing ordinary shares, to be exercised at any time during the period commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 12 November 2018. There was no exercise of warrants during the current financial year. As at 31 December 2015, the number of outstanding warrants amounted to 179,972,475.

22 Treasury Shares

	No. of ordinary shares		Amount	
	2015	2014	2015	2014
			S$'000	S$'000
Group and Company				
Balance at 1 January	6,365,000	1,105,000	1,517	162
Purchase of treasury shares	-	5,260,000	-	1,355
Balance at 31 December	6,365,000	6,365,000	1,517	1,517

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

In previous financial year, the Company acquired 5,260,000 shares in the Company through purchases for a consideration of approximately S$1,355,000. The shares are presented under treasury shares as a component within shareholders' equity.

23 Reserves

	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	944	602	-	-
Other reserves (c)	4,489	4,478	(178)	(178)
Retained earnings	48,938	41,639	1,544	3,097
	53,935	46,283	1,366	2,919

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

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

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

(c) In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC should 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 of the cumulative total of the statutory reserve fund is capped at 50% of the subsidiary's registered capital. The statutory reserve is not available for dividend distribution to shareholders.

24 Bank Borrowings

		Group					
		2015			2014		
	Note	Unsecured S$'000	Secured S$'000	Total S$'000	Unsecured S$'000	Secured S$'000	Total S$'000
Bank loan #1	(a)	-	2,131	2,131	-	2,746	2,746
Bank loan #2	(b)	-	953	953	-	1,101	1,101
Bank loan #3	(c)	253	-	253	330	-	330
Bank loan #4	(d)	-	-	-	200	-	200
Bank loan #5	(e)	119	-	119	-	-	-
Bank loan #6	(f)	360	-	360	-	-	-
Bank loan #7	(g)	901	-	901	-	-	-
		1,633	3,084	4,717	530	3,847	4,377
Short-term loans #1	(h)	1,139	-	1,139	1,225	-	1,225
Short-term loans #2	(i)	4,717	-	4,717	5,588	-	5,588
Short-term loans #3	(j)	347	-	347	322	-	322
Short-term loans #4	(k)	-	2,000	2,000	-	-	-
		6,203	2,000	8,203	7,135	-	7,135
Trust receipts #1	(l)	819	-	819	888	-	888
		819	-	819	888	-	888
Account receivables bulk factoring	(m)	546	-	546	692	-	692
Total borrowings		9,201	5,084	14,285	9,245	3,847	13,092
Non-current liabilities							
Repayable later than one year and not later than five years		360	-	360	162	-	162
Current liabilities							
Repayable not later than one year		8,841	5,084	13,925	9,083	3,847	12,930
		9,201	5,084	14,285	9,245	3,847	13,092

24 Bank Borrowings (cont'd)

(a) Bank loan #1 was originally granted as a 5-year term loan of RMB28 million (equivalent to S$5.47 million) granted to a subsidiary, which was repayable in 8 equal half-yearly instalments of RMB3.5 million (equivalent to S$683,200) each with its first instalment started in March 2011.

In 2011, the repayment amount was revised and the outstanding drawn down amount of RMB24 million (equivalent to S$5.02 million) as at 31 December 2011 will be repaid in five half-yearly instalments of RMB1.96 million (equivalent to S$408,278) each with its last instalment of RMB14.28 million (equivalent to S$2.97 million).

In previous financial year, the repayment amount was revised and the outstanding drawn down amount of RMB16 million (equivalent to S$3.49 million) as at December 2013 will be repaid in six half-yearly instalments of RMB1.5 million (equivalent to S$322,320) each with its last instalment of RMB6.8 million (equivalent to S$1,456,886).

This term loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and other subsidiaries of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 108% (2014: 108%) of the People's Bank of China's base rate per annum.

(b) Bank loan #2 is a 5-year term loan of RMB5.5 million (equivalent to S$1.16 million) granted to a subsidiary, which is repayable in 9 half-yearly instalments of RMB375,000 (equivalent to S$79,270) each and last instalment of RMB2,500,000 (equivalent to S$528,468). Its first instalment starts in June 2014.

The loan is secured on the land use rights of the subsidiary and corporate guarantees provided by the Company and other subsidiaries of the Group. The term loan is also secured on the leasehold buildings constructed on the said land. Interest is charged at 120% (2014: 120%) of the People's Bank of China's base rate per annum.

(c) Bank loan #3 granted to a subsidiary is secured by corporate guarantees provided by the Company and a personal guarantee by a director of the subsidiary. The loan is repayable in 36 instalments commencing January 2014. Interest is charged at 3.00% (2014: 3.00%) per annum.

(d) Bank loan #4 granted to a subsidiary is secured by corporate guarantees provided by the Company. The loan is repayable in 12 instalments commencing April 2014. Interest is charged at 2.90% (2014: 2.90%) per annum. The loan was fully repaid during the financial year.

(e) Bank loan #5 granted to a subsidiary is secured by corporate guarantees provided by the Company. The loan is repayable in 12 instalments commencing March 2015. Interest is charged at 2.90% per annum.

(f) Bank loan #6 granted to a subsidiary is secured by corporate guarantees provided by the Company and personal guarantee by Director of the subsidiary. The loan is repayable in 60 instalments commencing June 2015. Interest is charged at 3.50% per annum.

(g) Bank loan #7 granted to a subsidiary is secured by corporate guarantees provided by the Company. The loan is repayable in 60 instalments commencing May 2015. Interest is charged at 3.50% per annum.

(h) Short-term loans #1 granted to a subsidiary are unsecured. Interest is charged at 3.425% (2014: 3.15% to 3.18%) per annum. The loans are repayable in January 2016.

(i) Short-term loans #2 granted to subsidiaries are secured by corporate guarantees provided by the Company and other subsidiaries of the Group. Interests are charged at a range of rate between 2.47% and 3.59% (2014: 2.98% and 4.15%) per annum. The loans are repayable in various dates ranging from January to May 2016.

24 Bank Borrowings (cont'd)

(j) Short-term loans #3 granted to a subsidiary are secured by corporate guarantees provided by the Company. Interest is charged at 120% (2014: 120%) of the People's Bank of China's base rate per annum. The loans are repayable in April 2016.

(k) Short-term loans #4 granted to a subsidiary are secured by corporate guarantees provided by the Company and first legal mortgage of properties by subsidiaries. Interest is charged at 2.00% per annum over the bank's cost of funds or 2.00% per annum over the applicable SWAP Offer Rate prevailing from time to time. The loans are repayable in various dates ranging from March to May 2016.

(l) The facility for trust receipts #1 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.54% to 5.00% (2014: 2.54% to 5.00%) per annum and repayable in 30 to 90 days.

(m) The facility for account receivables bulk factoring of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at the higher of 3.25% per annum over the bank's cost of funds or 3.25% per annum over applicable SWAP Offer Rate prevailing from time to time.

The weighted average effective interest rate of the Group's bank borrowings is 4.56% (2014: 5.86%) per annum.

25 Finance Leases

	Group	
	2015	**2014**
	S$'000	**S$'000**
Minimum lease payments payable:		
- due not later than one year	179	156
- due later than one year and not later than five years	379	467
- due later than five years	-	3
	558	626
Finance charges allocated to future years	(59)	(68)
Present value of minimum lease payments	499	558
Non-current liabilities		
Due later than one year	339	418
Current liabilities		
Due not later than one year	160	140
	499	558

The weighted average effective interest rate of the Group's finance leases is 2.90% (2014: 4.92%) per annum.

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

26 Deferred Tax Assets

	Group	
	2015	2014
	S$'000	S$'000
Deferred tax assets		
- to be settled within one year	149	94
Movement in deferred tax assets is as follows:		
Balance at 1 January	94	(49)
Credited to profit or loss (Note 9)		
- (over)/under provision in respect of prior year	(2)	106
Translation adjustment	57	37
Balance at 31 December	149	94

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

27 Trade and Other Payables

	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
Trade payables (a):				
- note payables (b)	-	1,075	-	-
- third parties	21,152	17,742	-	-
- associates	143	383	-	-
- related parties	2,857	3,769	-	-
	24,152	22,969	-	-
Advances received from:				
- customers	7,248	5,300	-	-
- subsidiaries (c)	-	-	328	141
Accrued operating expenses	10,431	10,318	3,871	3,333
Amount owing to directors of subsidiaries (d)	-	28	-	-
Amount owing to non-controlling interests (d)	4,347	2,260	-	-
Other payables (e)	5,733	4,263	55	126
	51,911	45,138	4,254	3,600

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

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

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

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

(e) Included in other payables was an amount of S$877,000 (2014: S$449,000) being dividend payable to non-controlling interests.

28 Dividends

	Group and Company	
	2015	2014
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share (2014: 0.4 cents) paid in respect of the previous financial year	1,419	1,440

The Board of Directors of the Company has recommended a tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share to be approved by the Company's shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2015, 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 (2014: Nil).

29 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 profit 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.

Others include the investment holding; land investments; development and management of power plants; and hydroponic and high tech farming.

29 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	184,101	172,861	46,127	51,988	5,071	5,601	664	68	-	-	235,963	230,518
Inter-segment sales	1,763	1,711	1,410	1,604	70	60	-	-	(3,243)	(3,375)	-	-
	185,864	174,572	47,537	53,592	5,141	5,661	664	68	(3,243)	(3,375)	235,963	230,518
Results												
Segment results	22,259	14,398	84	2,384	775	440	(2,910)	(2,159)	-	-	20,208	15,063
Share of profit of associates	795	1,054	-	-	-	-	-	-	-	-	795	1,054
Corporate expenses											(3,990)	(774)
Rental income											748	585
Interest income											226	190
Finance costs											(774)	(881)
Profit before income tax											17,213	15,237
Income tax											(5,329)	(4,632)
Profit for the year											11,884	10,605
Assets												
Segment assets	103,959	95,218	30,750	27,972	2,276	3,127	19,065	13,832	(4,897)	(4,517)	151,153	135,632
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	5,033	4,628	-	-	-	-	-	-	-	-	5,033	4,628
Investment properties											542	570
Cash and cash equivalents											39,096	37,493
Consolidated total assets											207,510	190,009
Liabilities												
Segment liabilities	33,442	34,634	15,295	9,092	698	1,039	5,628	3,231	(4,897)	(4,517)	50,166	43,479
Bank borrowings and finance leases											14,784	13,650
Income tax liabilities											1,547	1,492
Others unallocated corporate liabilities											1,745	1,659
Consolidated total liabilities											68,242	60,280

29 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Other information												
Capital expenditure on												
- Property, plant and equipment	1,720	1,835	900	699	-	16	23	113	-	-	2,643	2,663
- Progress payments for properties under development	-	-	-	-	-	-	3,358	1,915	-	-	3,358	1,915
Depreciation of properties, plant and equipment	1,367	1,381	676	625	6	2	129	119	-	-	2,178	2,127
Depreciation of investment properties	17	17	-	-	-	-	-	-	-	-	17	17
Other non-cash expenses												
- amortisation of land use rights	36	35	-	-	-	-	-	-	-	-	36	35
- trade receivables written off	192	18	18	25	-	-	-	-	-	-	210	43
- allowance for inventory obsolescence	425	474	774	61	23	23	-	-	-	-	1,222	558
- allowance for impairment of trade receivables	(100)	148	235	245	-	-	-	-	-	-	135	393
- property, plant and equipment written off	2	21	1	89	-	-	-	302	-	-	3	412
- inventories written off	135	110	93	31	-	-	-	-	-	-	228	141
- write back of allowance of trade receivables	(1)	(16)	(12)	(31)	-	-	-	-	-	-	(13)	(47)
- write back of allowance of inventory obsolescence	(114)	(31)	-	(3)	-	-	-	-	-	-	(114)	(34)

29 Segment Information (cont'd)

(b) Geographical Information

The Group operates in three principal geographical areas - Singapore (country of domicile), the PRC and Malaysia.

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

	Revenue from external customers		Non-current Assets	
	2015	**2014**	**2015**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	35,004	35,472	20,765	20,631
PRC	176,570	176,744	31,555	27,870
Malaysia	5,798	7,930	1,037	433
Others	18,591	10,372	1,068	943
	235,963	230,518	54,425	49,877

(c) Information about Major Customers

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

30 Operating Lease Commitments

Where the Group is a lessor

The Group leases out investment properties 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	
	2015	**2014**
	S$'000	**S$'000**
Future minimum lease payment receivable:		
- not later than one year	515	419
- later than one year and not later than five years	413	295
	928	714

The remaining tenure period of the aforesaid operating leases are within 1 to 2 years (2014: 1 to 2 years).

30 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	
	2015	**2014**
	S$'000	**S$'000**
Future minimum lease payment payable:		
- not later than one year	1,611	1,915
- later than one year and not later than five years	1,320	2,094
	2,931	4,009

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2014: 1 to 3 years).

31 Capital Commitments

Capital expenditure contracted for as at the end of reporting period but not recognised in the financial statements is as follows:

	Group	
	2015	**2014**
	S$'000	**S$'000**
Commitment in respect of:		
- plant and equipment	290	-
- construction in progress hydropower plant, under development	12,999	-
	13,289	-

32 Corporate Guarantees

	Group		Company	
	2015	**2014**	**2015**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	-	-	14,285	13,093

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.

33 Related Party Transactions

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Sales to associates	(2,149)	(1,300)
Sales to related parties	(3,704)	(3,412)
Purchases from associates	849	1,520
Purchases from related parties	32,441	26,694
Administrative income charged to associates	(67)	(31)
Rental charged to associates	(5)	(5)
Rental charged to a related party	(163)	(123)
Interest charged to associates	(79)	(52)
Interest charged by a related party	25	25
Management fee charged to related party	(45)	(43)
Other expenses charged by related parties	141	339
Other income charged to associates	(12)	(3)
Other income charged to a related party	(260)	(176)

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

34 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

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.

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

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

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

	RMB	USD	CHF	Euro
	S$'000	S$'000	S$'000	S$'000
Group				
2015				
Financial assets				
Trade and other receivables	41,091	5,099	960	880
Cash and cash equivalents	14,578	10,988	1,411	1,801
	55,669	16,087	2,371	2,681
Financial liabilities				
Bank borrowings	7,461	1,825	-	-
Trade and other payables	21,679	7,488	2,275	1,007
	29,140	9,313	2,275	1,007
Net financial assets/(liabilities)	26,529	6,774	96	1,674
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(26,529)	-	-	-
Currency exposure	-	6,774	96	1,674
2014				
Financial assets				
Trade and other receivables	37,694	4,843	1,660	1,187
Cash and cash equivalents	13,949	9,436	820	1,890
	51,643	14,279	2,480	3,077
Financial liabilities				
Bank borrowings	4,170	6,043	-	-
Trade and other payables	21,989	5,339	3,058	(250)
	26,159	11,382	3,058	(250)
Net financial assets/(liabilities)	25,484	2,897	(578)	2,827
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(25,484)	-	-	-
Currency exposure	-	2,897	(578)	2,827

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

If the following currencies strengthen by 5% (2014: 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	
	2015	**2014**
	Increase/ (Decrease) Profit before tax	**Increase/ (Decrease) Profit before tax**
	S$'000	**S$'000**
USD	339	145
CHF	5	(29)
Euro	84	141

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

No disclosures for foreign currency risk have been made for the Company as it was not a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currency as at financial year ended 31 December 2015 were not significant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rates arises 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. Management does not expect fixed deposit rates to fluctuate materially in the coming year from the current level and hence does not present the sensitivity analysis.

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% (2014: 0.5%) with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S$25,000, S$37,000 and S$9,000 respectively (2014: S$15,000, S$21,000 and S$30,000) as a result of higher/lower interest expense on these bank borrowings.

34 Financial Instruments (cont'd)

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

Credit risk

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

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

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

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
By geographical areas		
Singapore	6,405	11,269
PRC	41,947	35,200
Malaysia	1,468	1,694
Others	6,134	4,204
	55,954	52,367

(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 2015, trade and other receivables which are neither past due nor impaired amounted to S$55,822,000 (2014: S$50,509,000).

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

(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	
	2015	**2014**
	S$'000	**S$'000**
Trade receivables past due:		
- not more than 3 months	7,538	6,645
- 3 to 6 months	2,169	1,854
- over 6 months	3,404	3,855
	13,111	12,354

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

(iii) Financial assets that are past due and impaired

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Trade receivables	861	971
Less: Allowance for impairment	(861)	(971)
	-	-

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

	Group	
	2015	**2014**
	S$'000	**S$'000**
Balance at 1 January	971	818
Allowance for the year	135	393
Write back of allowance for the year	(13)	(47)
Amount written off	(291)	(109)
Translation	59	(84)
Balance at 31 December	861	971

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

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

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

Liquidity risk

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$0.30 million of overdraft facilities;
(ii) S$2.92 million of foreign exchange contract hedging limit. Limit in excess of S$2.92 million is determined at the discretion of some banks when entering into each contract;
(iii) S$57.23 million of other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc); and
(iv) S$12.10 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2015 amounted to approximately S$58.27 million (2014: S$42.03 million).

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

	Carrying amount	Contractual cash flows	Within one year	Within two to five years	Over five years
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2015					
Bank borrowings	14,285	14,780	14,379	401	-
Finance leases	499	558	179	379	-
Trade and other payables	44,663	44,663	44,663	-	-
	59,447	60,001	59,221	780	-
2014					
Bank borrowings	13,092	13,776	13,609	167	-
Finance leases	558	626	156	467	3
Trade and other payables	39,838	39,838	39,838	-	-
	53,488	54,240	53,603	634	3

34 Financial Instruments (cont'd)

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

Liquidity risk (cont'd)

	Carrying amount	Contractual cash flows	Within one year	Within two to five years	Over five years
	S$'000	S$'000	S$'000	S$'000	S$'000
Company					
2015					
Trade and other payables	4,254	4,254	4,254	-	-
2014					
Trade and other payables	3,600	3,600	3,600	-	-

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

	Within one year	Within two to five years	Total
	S$'000	S$'000	S$'000
Company			
2015			
Financial guarantee contracts	12,786	360	13,146
2014			
Financial guarantee contracts	12,930	162	13,092

(b) Fair Value

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

Fair value of assets and liabilities that are not measured at fair value on recurring basis but fair value disclosures are required as follows:

	Level 1	Level 2	Level 3	Total	Carrying amount
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
2015					
Assets					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	570	-	570	484
Commercial property unit located in Malaysia (refer Note 12)	-	170	-	170	58
	-	740	-	740	542
Liabilities					
Bank borrowings	-	401	-	401	360
Finance leases	-	379	-	379	339
	-	780	-	780	699
2014					
Assets					
Investment properties					
Commercial property units located in Singapore (refer Note 12)	-	666	-	666	501
Commercial property unit located in Malaysia (refer Note 12)	-	170	-	170	69
	-	836	-	836	570
Liabilities					
Bank borrowings	-	166	-	166	162
Finance leases	-	406	-	406	418
	-	572	-	572	580

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

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

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.

Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate S$401,000 (2014: S$166,000), 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 25.

35 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. 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 2015 and 2014.

As disclosed in Note 23, 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 2015 and 2014.

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	
	2015	**2014**
	S$'000	**S$'000**
Net debt	27,599	21,295
Total equity	139,268	129,729
Net debt-to-equity ratio	20%	16%

36 Subsequent Events

(a) On 10 March 2016, the Company, through its wholly-owned subsidiary, Motion Control Group Pte Ltd ("MCG"), entered into a sales and purchase agreement with Schneeberger Holding AG ("AG") to dispose 500 ordinary shares in Schneeberger Linear Technology Pte Ltd ("SLTPL") representing 50.0% of all the ordinary shares in the share capital of SLTPL to AG for a total consideration of S$811,710. The disposal was completed on 17 March 2016.

(b) On 11 March 2016, the Company has through its subsidiary, Suzhou Dirak Co., Ltd, incorporated a wholly-owned subsidiary, Dirak (Shanghai) Co., Ltd ("DSCL"), in PRC. DSCL has a registered share capital of RMB100,000 and is principally engaged in the business of trading of industrial locks, hardware and electrical products, and import and export of goods and technology.

(c) On 22 March 2016, the Company announced that it proposes to seek a dual primary listing of its ordinary shares on the main board of The Stock Exchange of Hong Kong Limited by way of introduction.

37 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

/ SHAREHOLDER'S INFORMATION /

AS AT 9 MARCH 2016

Issued and fully paid-up capital	:	S$63,925,000
Number of Issued Shares	:	354,684,950 (excluding treasury shares)
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share

TREASURY SHARES

Number of treasury shares held by the Company: 6,365,000

Percentage of treasury shares held by the Company against the total number of issued shares excluding treasury shares: 1.79%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Assetraise Holdings Limited	129,572,250	36.53	-	-
Teo Cher Koon	-	-	129,572,250[(1)]	36.53
Karl Walter Braun	20,000,000	5.56	-	-
Tan Thiam Chye	28,290,000	7.98	30,000[(2)]	0.01
Cheng Siew Heah	15,930,000	4.49	12,390,000[(3)]	3.50

Note:

(1) Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon. As such, Mr Teo Cher Koon is deemed to have an interest in 129,572,250 shares held by Assetraise Holdings Limited.

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

(3) Mdm Cheng Siew Heah is deemed to have an interest in 12,390,000 shares held by her spouse, Mr Tan Thiam Chye.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 9 March 2016, approximately 49.16% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

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

/ STATISTICS OF WARRANTHOLDINGS /

AS AT 9 MARCH 2016

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	331	20.83	2,035	0.00
100 - 1,000	54	3.40	42,844	0.01
1,001 - 10,000	397	24.98	2,780,011	0.78
10,001 - 1,000,000	786	49.47	60,561,309	17.08
1,000,001 AND ABOVE	21	1.32	291,298,751	82.13
TOTAL	**1,589**	**100.00**	**354,684,950**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	144,569,988	40.76
2	PHILLIP SECURITIES PTE LTD	24,759,804	6.98
3	RAFFLES NOMINEES (PTE) LIMITED	23,927,200	6.75
4	UOB KAY HIAN PRIVATE LIMITED	15,610,168	4.40
5	OCBC SECURITIES PRIVATE LIMITED	15,341,222	4.33
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,115,204	3.98
7	TRITECH INTERNATIONAL HOLDINGS PTE LTD	12,600,000	3.55
8	WONG KOON CHUE @ WONG KOON CHUA	9,786,800	2.76
9	DBS NOMINEES (PRIVATE) LIMITED	5,428,243	1.53
10	HONG LEONG FINANCE NOMINEES PTE LTD	2,973,000	0.84
11	CHU MENG CHEE	2,960,100	0.83
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,808,000	0.79
13	TAN THIAM CHYE	2,750,000	0.78
14	GOH YEO HWA	2,394,000	0.67
15	KONG DEYANG	2,050,000	0.58
16	RHB SECURITIES SINGAPORE PTE. LTD.	1,967,000	0.55
17	LAI TAT CHAI	1,792,800	0.51
18	ASSETRAISE HOLDINGS LIMITED	1,682,000	0.47
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,666,822	0.47
20	WONG CHAU WAN LYRINNA (HUANG QIUYUN LYRINNA)	1,084,400	0.31
	TOTAL	**290,266,751**	**81.84**

/ STATISTICS OF WARRANTHOLDINGS /

AS AT 9 MARCH 2016

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	2	0.42	17	0.00
100 - 1,000	99	20.98	95,724	0.05
1,001 - 10,000	185	39.19	917,864	0.51
10,001 - 1,000,000	166	35.17	20,242,092	11.25
1,000,001 AND ABOVE	20	4.24	158,716,778	88.19
TOTAL	**472**	**100.00**	**179,972,475**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,625,125	34.24
2	RHB SECURITIES SINGAPORE PTE. LTD.	16,453,578	9.14
3	TAN CHIN HOCK	10,889,369	6.05
4	ONG CHUAN SAN	10,000,000	5.56
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,899,638	5.50
6	RAFFLES NOMINEES (PTE) LIMITED	9,424,302	5.24
7	OCBC SECURITIES PRIVATE LIMITED	9,094,000	5.05
8	GOH YEO HWA	6,578,956	3.66
9	TAN THIAM CHYE	5,352,000	2.97
10	PHILLIP SECURITIES PTE LTD	2,923,577	1.62
11	LIM & TAN SECURITIES PTE LTD	2,707,000	1.50
12	ASSETRAISE HOLDINGS LIMITED	2,500,000	1.39
13	UOB KAY HIAN PRIVATE LIMITED	1,935,332	1.08
14	TRITECH INTERNATIONAL HOLDINGS PTE LTD	1,700,000	0.94
15	FOO SEK LOCK	1,579,900	0.88
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,377,000	0.77
17	WONG KOON CHUE @ WONG KOON CHUA	1,317,000	0.73
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,285,001	0.71
19	PEK CHOON HENG	1,050,000	0.58
20	KONG DEYANG	1,025,000	0.57
	TOTAL	**158,716,778**	**88.18**

/ NOTICE OF ANNUAL GENERAL MEETING /

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "**Company**") will be held at 1 Robinson Road #18-00 AIA Tower Singapore 048542 on Friday, 22 April 2016 at 9.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one tier) dividend of 0.40 Singapore cents per ordinary share for the year ended 31 December 2015. **(Resolution 2)**

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

   Mr Soh Beng Keng **(Resolution 3)**

   *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 **(Resolution 4)**

   *Mr. Tay Gim Sin, Leonard, upon re-election will continue to 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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

4. To approve the payment of Directors' fees of S$130,000 for the year ending 31 December 2016 (2015: 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 Constitution; 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 Performance Share Plan**

"That the Directors of the Company be and are hereby authorised to offer and grant share awards in accordance with the ISDN Performance Share Plan (the "**Scheme**") and to issue such shares as may be required to be issued pursuant to the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme (and any other share scheme of the Company) 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, 7 April 2016

/ NOTICE OF ANNUAL GENERAL MEETING /

Explanatory Notes:

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

For determining the aggregate number of Shares that may be issued 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 the Company at the time the Ordinary Resolution 7 is passed.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, to allot and issue shares in accordance with the Scheme.

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.

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____ (name) of ____

(address) ____

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

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

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 1 Robinson Road #18-00 AIA Tower Singapore 048542 on Friday, 22 April 2016 at 9.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1	Directors' Statement, Auditors' Report and Audited Financial Statements of the Company for the year ended 31 December 2015		
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$130,000 for the year ending 31 December 2016		
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 share awards and issue shares under the ISDN Performance Share Plan		

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

Dated this ____________ day of __________________

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. 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 81SF of the Securities and Futures Act, Chapter 289 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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 72 hours before the time appointed for holding the Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Toppan Security Printing Pte. Ltd.


Indonesia has seen a hive of activity for the Group's hydropower business. The second half of FY2015 saw ISDN making two announcements relating to ISDN's two planned hydropower projects in Sulawesi.

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COMPANY REGISTRATION NO:
/ 200416788Z ///

ISDN HOLDINGS LIMITED

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