



ISDN HOLDINGS LIMITED

億仕登控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)
Stock Code 1656

SHARE OFFER

Sole Sponsor



Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司

Joint Bookrunners and Joint Lead Managers



Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司



* For identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



ISDN HOLDINGS LIMITED 億仕登控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

SHARE OFFER

Number of Offer Shares	: 40,000,000 Shares
Number of Public Offer Shares	: 4,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 36,000,000 Shares (subject to reallocation)
Offer Price	: HK\$1.25 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	: Not applicable
Stock code	: 1656

Sole Sponsor



Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司

Joint Bookrunners and Joint Lead Managers



Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors".

The obligations of the Underwriters under the Underwriting Agreement to subscribe for, and to procure the applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Sponsor (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of, US persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

* For identification purpose only

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on our website at www.isdnholdings.com and the Stock Exchange's website at www.hkexnews.hk if there is any change in the following expected timetable of the Public Offer:

2017

Application lists open⁽²⁾11:45 a.m. on Thursday, 5 January

Latest time for lodging **WHITE** and **YELLOW**

Application Forms12:00 noon on Thursday, 5 January

Latest time to give **electronic application instructions**

to HKSCC⁽³⁾12:00 noon on Thursday, 5 January

Application lists close⁽²⁾12:00 noon on Thursday, 5 January

Announcement of:

- the level of applications in the Public Offer,
- the level of indications of interest in the Placing, and
- the basis of allocation of Public Offer Shares;

to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese)

and on the Stock Exchange's website at www.hkexnews.hk

and our website at www.isdnholdings.com on or beforeWednesday, 11 January

Results of allocations in the Public Offer

(with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the section headed "How to Apply for the Public Offer Shares – Publication of Results"

in this prospectus fromWednesday, 11 January

Results of allocations in the Public Offer will be

available at www.ewhiteform.com.hk/results with a

"search by ID" functionWednesday, 11 January

Despatch of Share certificates in respect of wholly or partially

successful applications and despatch of refund cheques in respect of

wholly or partially unsuccessful applications pursuant

to the Public Offer on or around⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾Wednesday, 11 January

Dealings in Shares on the Stock Exchange to commence onThursday, 12 January

EXPECTED TIMETABLE

- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 January 2017, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for the Public Offer Shares – Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (3) Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (4) **Share certificates for the Offer Shares are expected to be issued on the Listing Date, which is expected to be Thursday, 12 January 2017 but will only become valid certificates of title at 8:00 a.m. on that date provided that (i) the Share Offer has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to such Share certificates for the Offer Shares becoming valid do so entirely at their own risk.**
- (5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer.
- (6) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Forms may collect any refund cheques (where applicable) and Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, between 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2017. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Branch Share Registrar, must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant’s stock account or CCASS Investor Participant stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
- (7) Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for the Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque.

You should read carefully the sections headed “Underwriting”, “How to Apply for the Public Offer Shares” and “Structure of the Share Offer” in this prospectus for additional information regarding the Share Offer, including the conditions to the Share Offer, how to apply for the Public Offer Shares, the expected timetable, the effects of bad weather and the despatch/collection of Share certificates and refund of your application monies.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information not given or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other parties involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus, which does not contain all the information that may be important to you. You should read the entire document (including the section headed “Risk Factors” in this prospectus) before you decide whether you want to invest in the Offer Shares.

Prospective investors and/or Shareholders should refer to the sections headed “Summary of the Constitution of Our Company and Salient Provisions of the Laws of Singapore” and “Further Information Relating to the Dual Primary Listing” in respective Appendices IV and V to this prospectus for relevant details. Laws and regulations of Singapore differ in some respects from comparable laws and regulations of Hong Kong and you should consult your own legal advisers for specific legal advice concerning your legal obligations in Singapore. Prior to the Listing, the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar will provide three batch-transfers of the Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Branch Share Register. Please refer to the section headed “Listings, Registration, Dealings and Settlement – Special Arrangements to Facilitate Transfers Before the Listing” in this prospectus for further details.

“ISDN” stands for “International Servo Dynamics Network”. We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2016 marks the 30th anniversary since the inception of our Group. Over the years under the helmship of Mr. Teo who is our president, managing Director and Controlling Shareholder with a bachelor of mechanical engineering degree, we have developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof.

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC. In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced which revenue from the products we made in Wujiang accounts for less than 8% of our total revenue during the Track Record Period. As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers’ engineering needs in different offices.

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets, which market sizes were around S\$0.2 billion and S\$2.6 billion, and the five (5) largest players including our Group account for approximately 25.1% and 29.6% of these two motion control solution markets, respectively.

Our Shares have been listed on the mainboard of the SGX-ST since 24 November 2005. Given the significance of our revenue source from the PRC together with Hong Kong, our Company has applied for a dual primary listing of our Shares on the Stock Exchange as our Board considers that the Listing is expected to attract investors from the region which opens up another capital market for us and provides us with an excellent opportunity to further enhance our Group’s profile internationally.

SUMMARY

Set forth below are our revenue by each of business segment and geographic location, our gross profit margin, profit attributable to Shareholders, earnings per Share and dividend declared per Share during the Track Record Period, and our net assets attributable to Shareholders and the same per Share as at 31 December 2013, 2014 and 2015 and 30 June 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)				
Revenue by business segment:					
– Engineering solutions – motion control	124,592	172,861	184,101	93,525	95,020
– Other specialised engineering solutions	40,599	51,988	46,127	23,077	21,861
– Industrial computing solutions	4,360	5,601	5,071	2,665	3,578
	<u>169,551</u>	<u>230,450</u>	<u>235,299</u>	<u>119,267</u>	<u>120,459</u>
Revenue by geographic location:					
– PRC	119,207	165,874	165,638	84,220	83,129
– Singapore	27,573	35,472	35,004	18,365	18,419
– Malaysia	6,240	7,911	5,723	3,225	3,768
– Hong Kong	7,092	10,821	10,932	5,328	7,154
– Others <i>(note)</i>	9,439	10,372	18,002	8,129	7,989
	<u>169,551</u>	<u>230,450</u>	<u>235,299</u>	<u>119,267</u>	<u>120,459</u>
Gross profit margin (%)	30.1%	26.8%	27.9%	27.7%	25.8%
Profit attributable to Shareholders	<u>4,754</u>	<u>7,457</u>	<u>8,721</u>	<u>4,922</u>	<u>1,531</u>
Earnings per Share <i>(Singapore cents)</i>	1.39	2.07	2.46	1.39	0.43
Dividend declared per Share <i>(Singapore cents)</i>	0.40	0.40	0.40	Nil	Nil
	31 December			30 June	
	2013	2014	2015	2016	
	S\$'000	S\$'000	S\$'000	S\$'000	
Net assets attributable to Shareholders	<u>107,139</u>	<u>112,075</u>	<u>119,727</u>	<u>117,139</u>	
Net assets attributable to Shareholders per Share <i>(Singapore dollars)</i>	0.31	0.31	0.34	0.33	

Note: We derived revenue from over 40 other countries and region including Vietnam, Thailand, Germany, Indonesia, the United States and Taiwan during the Track Record Period.

SUMMARY

BUSINESS MODEL

Our Products and Customers

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. Our customers are primarily manufacturers, tool makers and industrial players of diverse size who have a wide range of engineering needs for either their own production process automation or their own end-products for sale.

In light of the immense number of components and parts and/or readily available products in the integrated engineering solution market as well as the diverse dimensions, models and functions of each of such items, our customers come to us for engineering solutions usually in terms of what, when, where and/or how to source in order to gain specific functionality for particular machinery and machine tools. Our sales and engineering staff serve our customers by designing and customising professional engineering solutions inclusive of assembling components and parts and/or readily available products sourced from a variety of suppliers, which could take from a few days to several months depending on the complexity of and how usual the solutions that are sought after.

Our Integrated Engineering Solutions			
	Our Products	Applications	Customers
Engineering Solutions – Motion Control	<ul style="list-style-type: none"> • Servo motors • Drives • Gearboxes • Encoders • Controllers • Customised products 	<p>Our solutions are applicable to industrial processes and products that require precision control on motion such as:</p> <ul style="list-style-type: none"> • machinery and machine tools used in a broad range of manufacturing processes including those in the semiconductor and mobile phone industries; • medical equipment such as insulin pumps, prosthetic limbs, aortic pumps, and life science testing equipment; and • precision surgical robots. 	<p>Manufacturers, tool makers and industrial players for:</p> <ul style="list-style-type: none"> • semiconductor products such as integrated circuit chips; • mobile phone components; • medical equipment; • robots; and • electrical appliances, etc.
Other Specialised Engineering Solutions	<ul style="list-style-type: none"> • Hinges and locks • Mechanical parts and machine tools • Automation parts • Aluminium profiles and accessories 	<p>Our solutions are applicable to industrial processes and products such as:</p> <ul style="list-style-type: none"> • hinges and locks used in automobiles and locomotives that are durable and vibration resistant; • latches which allow quick access to manholes and inspection components in various industries; • snaps and fasteners which allow computer server racks to lock in place with easy lock and release in the telecommunications industry; and • pallet transfer systems made with aluminium parts to allow easy movement of pallets in an industrial setting. 	<p>Manufacturers, tool makers and industrial players in the:</p> <ul style="list-style-type: none"> • energy sector • machine construction; • automotive industry; • telecommunications industry; • food industry; and • railway and transportation industries, etc.
Industrial Computing Solutions	<ul style="list-style-type: none"> • Hardware such as industrial computers, motherboards, network equipment, human machine interface, and other peripherals • “Wonderware”, an easy to use human machine interface and supervisory control and data acquisition system 	<ul style="list-style-type: none"> • Our solutions are applicable to industrial processes and products where industrial computing systems are required to meet specific industry requirements such as reliability, shock/impact resistance, expansion options and compatibility. • “Wonderware” provides software solutions especially for visualisation and automation process control which can be used in a wide array of processes such as oil and gas production and water treatment. 	<p>Manufacturers, tool makers and industrial players in the:</p> <ul style="list-style-type: none"> • transportation; • telecommunications industries; and • semiconductor industries, etc.

SUMMARY

(i) Engineering solutions – motion control

Differentiated from a motion control product manufacturer, we as a motion control solution provider not only distribute products, but also design, customise and assemble motion control systems as this enables our customers to reduce costs and to better improve production efficiency. Our motion control systems are typically used for factory automation in a broad range of industries.

(ii) Other specialised engineering solutions

Other than motion control solutions, we offer our expertise to provide engineering solutions tailored to our customers' particular or specialised needs, including standard modular construction components for use in industrial automation systems, and hardware components such as industrial locks, fasteners, hinges as well as aluminium profiles and related accessories.

(iii) Industrial computing solutions

As part of a suite of our integrated engineering solutions, we formulate cost-efficient and effective industrial computing solutions and assemble various industrial computing hardware (i.e. industrial computers) and software (i.e. "Wonderware") to satisfy our customers' industrial computing needs.

We do not own mass production lines for specific products. We subcontract no part of our business process that would have a material impact on our business, financial condition or results of operations. We do not perform state-of-the-art research and development on the products themselves either. In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced which revenue from the products we made in Wujiang accounts for less than 8% of our total revenue during the Track Record Period.

Customers

Our customers are primarily manufacturers, tool makers and industrial players located in over 40 countries and regions who have a wide range of engineering needs. During the Track Record Period, we derived over 69% of our total revenue from the PRC. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our five largest customers account for approximately 12.1%, 9.7%, 7.5% and 10.4% of our total revenue, and our largest customer accounts for approximately 4.0%, 2.5%, 2.2% and 3.1% of our total revenue, respectively. All of the five largest customers for the Track Record Period are Independent Third Parties. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we generated our total revenue from approximately 6,800, 7,200, 7,200 and 5,000 customers. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we generated approximately 6.6%, 5.1%, 6.4% and 4.2% of our total revenue from new customers. During the Track Record Period, we did not experience any bad and doubtful debts or disputes with our customers that would have had a material impact on our business, financial condition or results of operations.

Our Suppliers

We source components and parts and/or readily available products from a variety of suppliers, including, but not limited to, servo motors, drives, gearboxes, encoders, hinges and locks, and mechanical parts and machine tools. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our five largest suppliers account for approximately 58.3%, 53.4%, 55.6% and 55.5% of our total purchase costs, and our largest supplier accounts for approximately 35.5%, 31.6%, 26.9% and 28.2% of our total purchase costs, respectively. Save for Maxon Motor AG (an

SUMMARY

associate of Interelectric AG who holds 50% equity interests in Maxon Suzhou and Maxon Shanghai (our 50%-owned subsidiaries)), all of the five largest suppliers for the Track Record Period are Independent Third Parties. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, Maxon Motor AG accounts for approximately 14.7%, 13.8%, 16.4% and 18.8% of our total purchase costs respectively. During the Track Record Period, we did not experience any product quality and supply shortage issues or disputes with our suppliers that would have had a material impact on our business, financial condition or results of operations.

Our Sales and Engineering Staff

As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers' engineering needs in different offices. To keep abreast of the latest technological changes relevant to the industry, our sales and engineering staff from time to time attend courses and seminars organised in-house and externally and trade fairs. We reward our sales and engineering staff with commissions and bonuses in order to incentivise them to boost our sales. During the Track Record Period, we did not experience any labour dispute which would have had a material impact on our business, financial condition or results of operations.

Our Pricing

We charge our customers on an "all-in" basis primarily based on how much it costs us to source the requisite components and parts and/or readily available products, and our expected profit margin on the engineering solutions we provide to them. Due to the competition and transparency of the market these days, we compete with our rivals on product offerings and quality of our expertise in satisfying our customers' engineering needs. We command a profit margin on the engineering solutions we provide taking into account such factors as the expertise we are able to deliver, the effectiveness of our solutions to satisfy our customers' engineering needs, our customers' acceptability, how remote our customers are located and the market pricing on specific products.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

Save for (i) approximately 0.03%, 0.005%, 0.01% and 0.08% of our total revenue generated from sales to customers located in the Republic of Myanmar, Russia and Lebanon (each of which is a Sanctioned Country) for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively; and (ii) a one off sale of approximately S\$23,000 in 2014 to a Sanctioned Person located in Hong Kong, our Group had not had during the Track Record Period and up to the Latest Practicable Date any other direct or indirect business activities in connection with any countries, governments, entities or individuals sanctioned by the US, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions. As advised by DLA Piper UK LLP, our legal advisers as to International Sanctions laws, such sale(s) to (i) customers located in the Sanctioned Countries; and (ii) the Sanctioned Person in Hong Kong, are not in breach of International Sanctions and do not implicate International Sanctions on us, our Shareholders, the Stock Exchange, HKSCC, HKSCC Nominees and the SFC. We also have not been notified of any sanctions imposed on us. Please refer to the section headed "Business – Business Activities in Sanctioned Countries" in this prospectus for further details.

COMPETITIVE STRENGTHS

We consider that our success is primarily attributable to the following competitive strengths: (i) our clear market position as an integrated engineering solution provider; (ii) our dedicated management team; (iii) our significant presence in the PRC and other Asian countries and regions; and (iv) our established and transparent track record.

SUMMARY

BUSINESS STRATEGIES

We intend to adopt the following strategies to further develop our business: (i) leveraging the dual capital market strategy to enhance our Group's profile internationally; (ii) aligning interests with our suppliers who may become strategic shareholders of certain of our subsidiaries; (iii) diversifying into markets in different geographic locations; and (iv) keeping abreast of the latest technological changes relevant to our industry.

SHAREHOLDERS AND WARRANTHOLDERS INFORMATION

As at the Latest Practicable Date, we had 354,684,950 issued Shares and 179,972,475 outstanding Warrants expiring on 9 November 2018. Each Warrant is listed on the SGX-ST and carries the right to subscribe for one new Share at an exercise price of S\$0.60 for each new Share. Our shareholding structures (i) as at the Latest Practicable Date; (ii) upon Listing; and (iii) upon Listing and the exercise of the Warrants in full (assuming that there will not be any change in the shareholding of the existing Shareholders prior to the Listing and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that have been or may be granted under the ISDN ESOS 2016 and the vesting of shares awards that have been or may be granted under the ISDN EPSP 2012, and any Shares that may be allotted and issued or repurchased by us pursuant to the general mandates given to our Directors as referred to in the section headed "Share Capital" in this prospectus) are as follows:

Shareholders	As at the Latest Practicable Date		Upon Listing		Upon Listing and the exercise of the Warrants in full	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Assetraise ⁽¹⁾	131,055,150	36.95	131,055,150	33.21	195,000,275	33.93
Mr. Kong	2,050,000	0.58	2,050,000	0.52	3,075,000	0.54
Other core connected persons ⁽²⁾	21,373,800	6.03	21,373,800	5.42	21,737,800	3.78
Public Shareholders	200,206,000	56.44	240,206,000	60.85	354,844,350	61.75
Total	354,684,950	100.00	394,684,950	100.00	574,657,425	100.00

Notes:

- (1) Assetraise is beneficially owned by Mr. Teo and Mrs. Teo. As such, Mr. Teo and Mrs. Teo are deemed to have an interest in 131,055,150 Shares and 63,945,125 Warrants held by Assetraise as at the Latest Practicable Date. Immediately following the Listing, Assetraise will be beneficially interested in approximately 33.21% of the issued share capital of our Company. Accordingly, Assetraise, Mr. Teo and Mrs. Teo are our Controlling Shareholders under the Listing Rules. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for further details.

Assetraise, Mr. Teo and Mrs. Teo confirm that none of them and their close associates is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules. They have also entered into the Deed of Non-competition in favour of our Company. Please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this prospectus for further details.

- (2) Please refer to the section headed "History and Corporate Structure – Corporate and Shareholding Structures" in this prospectus for further details.
- (3) Above information was prepared based on the information available and for so far as our Directors were aware of as at the Latest Practicable Date.

SUMMARY

Treasury Shares

As at 31 December 2013, 2014 and 2015, 30 June 2016 and the Latest Practicable Date, we had 1,105,000, 6,365,000, 6,365,000, 6,365,000 and nil treasury Shares respectively. On 19 December 2016, 6,365,000 Shares held by our Company as treasury Shares were cancelled pursuant to Section 76K of the Companies Act and hence, our Company did not have any treasury Shares as at the Latest Practicable Date.

KEY FINANCIAL DATA

Selected Consolidated Statements of Comprehensive Income and Financial Position Data

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)				
Revenue	169,551	230,450	235,299	119,267	120,459
Gross profit	50,995	61,753	65,710	33,076	31,099
Profit before income tax	9,770	15,237	17,213	9,404	4,934
Profit attributable to Shareholders	4,754	7,457	8,721	4,922	1,531
Total comprehensive income/ (loss) attributable to:					
– Shareholders	6,406	7,746	9,063	6,099	(1,169)
– Non-controlling interests	2,301	3,537	2,670	1,565	1,030
Dividend declared	1,440	1,419	1,419	Nil	Nil

	31 December			30 June	
	2013	2014	2015	2016	
	S\$'000	S\$'000	S\$'000	S\$'000	
Current assets		125,486	140,132	153,085	149,925
Current liabilities		52,026	59,700	67,543	73,678
Net current assets		73,460	80,432	85,542	76,247
Non-current assets		46,529	49,877	54,425	53,510
Non-current liabilities		1,077	580	699	575
Net assets		118,912	129,729	139,268	129,182

Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
Integrated engineering solutions:										
– Engineering solutions – motion control	37,378	30.0	44,275	25.6	51,219	27.8	24,638	26.3	23,690	24.9
– Other specialised engineering solutions	12,498	30.8	16,117	31.0	12,822	27.8	7,780	33.7	6,483	29.7
– Industrial computing solutions	1,119	25.7	1,361	24.3	1,669	32.9	658	24.7	926	25.9
Total/Overall	<u>50,995</u>	<u>30.1</u>	<u>61,753</u>	<u>26.8</u>	<u>65,710</u>	<u>27.9</u>	<u>33,076</u>	<u>27.7</u>	<u>31,099</u>	<u>25.8</u>

SUMMARY

Our overall gross profit margin for the year ended 31 December 2014 decreases from the previous year primarily due to the intensified market competition given the variety of products available in the market and the number of players in the industry.

Our overall gross profit margin for the year ended 31 December 2015 increases on the previous year primarily due to our ability to negotiate better terms with certain of our suppliers.

Our overall gross profit margin for the six months ended 30 June 2016 decreases on a period-on-period basis primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition given our market size and position and the number of industry players as discussed in the section headed "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Competition" in this prospectus.

Our cost structure

Over 99% of our total cost of sales were components and parts we sourced for the engineering solutions we offered to our customers during the Track Record Period.

Apart from the cost of sales, our other costs of operations primarily include distribution costs, administrative expenses, other operating expenses and finance costs.

Our distribution costs, primarily comprising of (i) employee benefit costs, (ii) sales and marketing expenses, (iii) travelling and accommodation expenses, and (iv) other expenses, represent approximately 11.0%, 8.7%, 9.4% and 9.1% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively.

Our administrative expenses, primarily comprising of (i) employee benefit costs, (ii) Directors' fees and remuneration, (iii) depreciation charges, (iv) travelling and accommodation expenses, (v) professional fees, and (vi) other expenses, represent approximately 13.4%, 11.9%, 11.8% and 12.0% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively.

Our other operating expenses, primarily comprising of (i) allowance for inventory obsolescence and impairment of trade receivables, (ii) write off of inventories, bad and doubtful debts and property, plant and equipment, and (iii) net foreign exchange losses, represent approximately 1.0%, 0.8%, 0.8% and 1.5% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively.

Our finance costs primarily consist of interest expenses on bank borrowings and finance leases, which represent approximately 0.6%, 0.4%, 0.3% and 0.3% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively.

Total comprehensive loss attributable to Shareholders

While we had a **total comprehensive income attributable to non-controlling interests**, we recorded a **total comprehensive loss attributable to equity holders of our Company** for the six months ended 30 June 2016 primarily due to (i) the expenses incurred in connection with the Listing which are all attributable to our Shareholders; and (ii) a net exchange loss of approximately S\$2.7 million on translation of foreign operations being deducted from our profit attributable to equity holders of our Company of S\$1.5 million as compared to a net exchange loss of approximately S\$0.7 million being deducted from our profit attributable to non-controlling interests of S\$1.7 million, in the midst of the depreciation of RMB over the same period.

SUMMARY

Selected Consolidated Statements of Cash Flows Data

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Net cash flows generated from operating activities	8,879	3,803	8,381	1,695	4,097
Net cash flows used in investing activities	(4,641)	(8,800)	(7,951)	(5,967)	(6,515)
Net cash flows generated from/(used in) financing activities	10,792	232	220	2,497	(3,550)
Net change in cash and cash equivalents	15,030	(4,765)	650	(1,775)	(5,968)
Cash and cash equivalents at the beginning of the year/period	25,829	41,554	37,493	37,493	39,096
Effect of currency translation on cash and cash equivalents	695	704	953	313	(923)
Cash and cash equivalents at the end of the year/period	41,554	37,493	39,096	36,031	32,205

Key Financial Ratios

	Year ended/As at 31 December			Six months ended/As at 30 June
	2013	2014	2015	2016
Net profit margin	4.0%	4.6%	5.1%	2.7%
Current ratio	2.4 times	2.3 times	2.3 times	2.0 times
Net debt to equity ratio	9.2%	16.4%	19.8%	31.8%
Gearing ratio	11.5%	10.5%	10.6%	9.8%
Interest coverage ratio	10.5 times	18.3 times	23.2 times	12.7 times
Return on assets	3.9%	5.6%	5.7%	1.6%
Return on equity	5.7%	8.2%	8.5%	2.5%
Average trade receivables turnover days	93 days	75 days	84 days	88 days
Average inventories turnover days	93 days	72 days	81 days	80 days
Average trade payables turnover days	58 days	46 days	51 days	52 days

Note: **Gearing ratio** = total debt (bank borrowings + finance leases) ÷ total equity x 100%. Please refer to the section headed "Financial Information" in this prospectus for the definitions of other financial ratios.

SUMMARY

PROPERTY VALUATION

Set out in Appendix III to this prospectus is a property valuation report in relation to the properties held by Excel Best, an indirect wholly owned subsidiary of our Company, with a site area of approximately 40,046 sq.m and a total gross floor area of 36,986 sq.m in the ISDN Hightech Industrial Park which value was approximately S\$17.8 million as at 30 September 2016 in comparison with its carrying value of approximately S\$16.7 million in our audited consolidated financial statements as at 30 June 2016.

RECENT DEVELOPMENTS

Set out in Appendix IA to this prospectus are the results of our Group for the nine months ended 30 September 2016, which have been reviewed by Moore Stephens CPA Limited, our reporting accountants, in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagement to Review Historical Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

We have recorded an increase in our total revenue by approximately S\$6.6 million or 10.2% from S\$64.4 million for the three months ended 30 September 2015 to S\$71.0 million for the three months ended 30 September 2016. For the nine months ended 30 September 2016, our total revenue increases by approximately S\$7.7 million or 4.2% from S\$183.7 million to S\$191.4 million on a period-on-period basis primarily due to the fact that (i) we remained competitive in offering a variety of professional engineering solutions and products to satisfy our customers' wide range of engineering needs; and (ii) we leveraged our established presence in the region to retain our customers, where our revenue from each of motion control solutions and industrial computing solutions increases while our revenue from other specialised engineering solutions remains relatively stable, primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Hong Kong; and (b) the relatively strong demand for our other specialised engineering and industrial computing solutions in Singapore, partly offset by (1) a decrease in revenue from other specialised engineering solutions in the PRC; and (2) a decrease in revenue from motion control solutions in Singapore.

Our overall gross profit margin for the nine months ended 30 September 2016 of approximately 25.2% is relatively stable compared to the same of approximately 25.8% for the six months ended 30 June 2016. For the nine months ended 30 September 2016, our overall gross profit margin decreases from approximately 27.2% to 25.2% on a period-on-period basis primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition given our market size and position, the variety of products available in the market and the number of industry players in the industry. Our net profit margin for the nine months ended 30 September 2016 of approximately 2.7% is the same as that for the six months ended 30 June 2016. However, our net profit decreases on a period-on-period basis primarily due to (a) a decrease in our gross profit as a result of the reasons discussed above; and (b) the expenses incurred in connection with the Listing of approximately S\$2.4 million. Therefore, our net profit for the year ending 31 December 2016 is expected to record a relatively significant decline from the previous year taking into account the expenses estimated to be incurred in connection with the Listing of approximately S\$1.1 million for the three months ending 31 December 2016.

No material adverse change

Save for the expenses incurred in connection with the Listing, our Directors confirm that, since 30 June 2016 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position and no event had occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant's Report.

SUMMARY

WORKING CAPITAL

Taking into account the financial resources available to our Group, including our internally generated funds and bank facilities, our Directors confirm that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

DIVIDENDS

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we paid cash dividends of approximately S\$1.8 million, S\$1.4 million, S\$1.4 million and S\$1.4 million to our Shareholders, and our dividend payout ratios are approximately 37.9%, 19.3%, 16.3% and 92.7%, respectively.

Our Board does not have a dividend policy specifying a dividend payout ratio. The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, future prospects and other factors that our Board may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

OFFERING STATISTICS

Offer Price	:	HK\$1.25 per Offer Share
Offer size	:	40,000,000 Offer Shares, representing approximately 10.13% of the enlarged issued share capital of our Company
Estimated market capitalisation at Listing based on the Offer Price	:	Approximately HK\$493.4 million (or S\$86.6 million)
Board lot	:	2,000 Shares
Offering structure	:	90% Placing; and 10% Public Offer
Use of proceeds	:	Net proceeds to our Company of HK\$39.9 million (or S\$7.0 million) (i.e. gross proceeds net of the underwriting fees and commission and the estimated expenses payable by our Company) from the issue of the Offer Shares: <ul style="list-style-type: none">• 90% – (HK\$35.9 million (or S\$6.3 million)) is expected to be used for repayment of three bank loans in full and part of one bank loan (which were borrowed in the ordinary and usual course of our business carrying an effective interest rate ranging from 2.9% to 4.9% per annum with the maturity ranging from 3 months to 6 months from the date of this prospectus) in the six months after Listing; and• 10% – (HK\$4.0 million (or S\$0.7 million)) is expected to be used as working capital

(Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.)

SUMMARY

Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company per Share : HK\$1.64 (or S\$0.29)

(Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details regarding the assumptions used and the calculation method.)

Note: For the purpose of illustration only, the exchange rate of S\$1 = HK\$5.70 has been used in this section. Please refer to the section headed “Information about this Prospectus and the Share Offer – Exchange Rate Conversion” in this prospectus for other exchange rates used.

LISTING EXPENSES

The total expenses for the Listing (including underwriting fees and commission payable by us) are estimated to be approximately S\$4.2 million (or HK\$23.9 million), of which approximately S\$0.7 million (or HK\$3.9 million) is directly attributable to the issue of the Offer Shares in the Share Offer and to be accounted for as a deduction from equity (none had been accounted for as at 30 June 2016) and approximately S\$3.5 million (or HK\$20.0 million) is to be charged as administrative expenses to our consolidated statements of comprehensive income for the year ending 31 December 2016 in which the expenses are incurred (S\$1.1 million (or HK\$6.3 million) had been charged for the six months ended 30 June 2016). The above total Listing expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these estimates.

COMPLIANCE

We complied with applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date, save for (i) failure to submit environment protection acceptance application for our certain operations at our ISDN Hightech Industrial Park; (ii) failure to register and make financial contributions for our employees in Indonesia under Indonesia’s healthcare social security scheme; and (iii) failure to make contributions to the trade union funding in Vietnam. Our Directors consider that such non-compliance incidents did not and will not have any material adverse effect on our business, financial condition and results of operations. In order to ensure future compliance with applicable laws and regulations in different operational aspects, we have adopted and will adopt a number of remedial actions and/or internal control measures. Please refer to the section headed “Business – Compliance” in this prospectus for more details.

RISK FACTORS

There are risks associated with any investment: (i) our past revenue and profitability track record by no means is indicative of our future performance; (ii) our reliance on the PRC market may pose a risk to our future performance in the event of the PRC economic downturn; (iii) our procurement capability and therefore our business may be materially and adversely affected in the event that we lose some or all of our major suppliers; (iv) our cost of sales will increase and therefore our profitability may be materially and adversely affected if we are unable to pass increments in cost of sales to our customers; (v) our sales and marketing capability and therefore our business may be materially and adversely affected in the event that our sales and engineering staff do not perform as expected; (vi) we may lose out our competitive advantages as we do not perform state-of-the-art research and development on the products themselves; (vii) we face intensified market competition on our pricing and engineering solutions provided to our customers; (viii) our sales and engineering staff may lose out their competitive advantages if they do not keep abreast of the latest technological changes relevant to the industry; (ix) our business may be materially and adversely affected if we lose certain or all of our key management; and (x) we are based in Singapore and rely on our business overseas which exposes us to foreign currency risk. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this prospectus.

General

“2005 Listing in Singapore”	the listing of our Shares on the main board of the SGX-ST on 24 November 2005
“Accountant’s Report”	the accountant’s report on our Group for the Track Record Period set out in Appendix I to this prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or where the context so requires, any of them, relating to the Public Offer
“Assetraise”	Assetraise Holdings Limited, a company incorporated in the BVI with limited liability on 18 April 2005 and wholly owned by Mr. Teo and Mrs. Teo, being our Controlling Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Beijing NCAT”	Beijing Beicheng XinKong Automation Technology Co., Ltd.* (北京北成新控自動化技術有限公司), a limited liability company established under the laws of the PRC on 8 June 2001. Save for being a substantial shareholder of Beijing Dirak and Beijing AMC, Beijing NCAT is an Independent Third Party
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDP”	The Central Depository (Pte) Limited
“CHF”	Swiss franc, the lawful currency of Switzerland
“China” or “PRC”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Act”	the Companies Act (Cap. 50) of Singapore, as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected person at the subsidiary level”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Constitution” and “Regulations”	the constitution of our Company, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this prospectus. “Regulation” refers to a regulation of our constitution
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and, in the case of our Company, means Assestraise, Mr. Teo and Mrs. Teo individually and as a group of persons
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Dbasix Global”	Dbasix Global Pte. Ltd., a limited liability company incorporated in Singapore under the Companies Act on 8 October 2007 and is owned as to approximately 10.24% by Prestech, an associated company of our Company, and as to approximately 89.76% by Wong Wai Yiu Christine (Mrs. Christine Chong), an Independent Third Party
“Deed of Non-competition”	the deed of non-competition dated 20 December 2016 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition Undertaking” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“ESOS 2005”	the employees’ share option scheme of our Company which was adopted on 27 September 2005 and lapsed on 27 September 2015
“EUR”	euro dollars, the lawful currency of the European Union
“FIE”	foreign investment enterprise under the laws of the PRC
“First 2013 Placement”	the placement of 36,000,000 shares at an issue price of S\$0.24 completed on 4 April 2013
“F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research institution
“F&S Report”	an independent market report commissioned by us in relation to, among other things, the integrated engineering solutions and motion control solutions markets in the PRC (including Hong Kong), Singapore and Malaysia by F&S dated 30 December 2016
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) and interpretation(s) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Branch Share Register”	the branch share register of members of our Company in Hong Kong maintained by our Hong Kong Branch Share Registrar
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, being the Hong Kong branch share registrar of our Company
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	a person which is not connected (as defined in the Listing Rules) to the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of our Company or our subsidiaries or any of their respective associate(s)
“Insignificant Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“International Sanctions”	all applicable sanctions, related laws and regulations including those administered and enforced by the United States, the European Union and its member states, the United Nations, and Australia
“ISDN EPSP 2012”	the existing employees’ performance share plan of our Company adopted on 17 February 2012, of which a summary of its principal terms is set out in the section headed “E. ISDN EPSP 2012” in Appendix VI to this prospectus
“ISDN ESOS 2016”	the employees’ share option scheme of our Company adopted on 22 April 2016, of which a summary of its principal terms is set out in the section headed “D. ISDN ESOS 2016” in Appendix VI to this prospectus
“ISDN Hightech Industrial Park”	our wholly-owned industrial base located in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province), details of which are set out in the sections headed “Business – Properties – Self-owned properties” in and “B. Further Information about Our Business – 2. Material properties” in Appendix VI to this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	Shenwan Hongyuan Capital (H.K.) Limited and South China, being the joint bookrunners and joint lead managers for the Share Offer
“Latest Practicable Date”	20 December 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange

DEFINITIONS

“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on Thursday, 12 January 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its competent local branches
“Mr. Kong”	Mr. Kong Deyang (孔德揚), our executive Director
“Mr. Teo”	Mr. Teo Cher Koon (張子鈞), our president, managing Director and a Controlling Shareholder
“Mrs. Teo”	Ms. Thang Yee Chin (唐玉琴), the spouse of Mr. Teo
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) or its competent local branches
“Nominating Committee”	the nominating committee of our Board
“OFAC”	The Office of Foreign Assets Control of the US Department of Treasury
“Offer Price”	\$1.25 per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer
“Offer Share”	the Public Offer Shares and the Placing Shares together, where relevant
“Partial Disposal of Aenergy”	disposal of approximately 17.5% of the total issued share capital of Aenergy by our Company’s direct wholly owned subsidiary, ISDN Investments (whose interests in Aenergy reduced from approximately 55% to 37.5%) to Mr. Robert Alexander Stone (whose interests in Aenergy increased from approximately 20% to 37.5%), an Independent Third Party, for an aggregate consideration of US\$2,625,000, which was completed on 30 June 2016

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 36,000,000 new Shares, expected to be initially offered for subscription pursuant to the Placing, representing 90% of the total number of the Offer Shares, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers and the Placing Underwriters
“PRC government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“PRC Legal Advisers”	AllBright Law Offices, the legal advisers to our Company as to PRC laws
“prospectus”	this prospectus issued in connection with the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong (subject to the reallocation) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
“Public Offer Shares”	the 4,000,000 new Shares initially offered for subscription under the Public Offer, representing 10% of the total number of the Offer Shares, subject to the reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional Public Offer underwriting agreement dated 29 December 2016 entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer, particulars of which are described in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Regulation S”	Regulation S under the US Securities Act, as amended from time to time
“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Ringgit” or “MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“Risk Management Committee”	the risk management committee of our Board
“Rupiah” or “IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), and its branch(es)
“Sanctioned Country(ies)”	countries which is/are targets of International Sanctions as adopted, administered and enforced by the United States, the European Union and its member states, the United Nations and Australia
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties’ lists, including those maintained by the United States, the European Union, the United Nations or Australia
“Second 2013 Placement”	the placement of 23,730,000 shares at an issue price of \$0.45 completed on 8 May 2013
“SFA”	the Securities and Futures Act (Cap. 289) of Singapore, as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFRS(s)”	Singapore Financial Reporting Standard(s) and Interpretation(s) issued by the Accounting Standards Council of Singapore
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shanghai Junkong”	Shanghai Junkong Industrial and Trade Co., Ltd* (上海鈞控工貿有限公司), a limited liability company established under the laws of the PRC on 12 February 2007. Save for being a substantial shareholder of Weiyi, Shanghai Junkong is an Independent Third Party
“Share(s)”	ordinary share(s) of our Company from time to time (with no par value)

DEFINITIONS

“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of Shares
“Singapore Code”	the Singapore Code on Take-overs and Mergers, as amended, supplemented or otherwise modified from time to time
“Singapore Legal Advisers”	Shook Lin & Bok LLP, the legal advisers to our Company as to Singapore laws
“Singapore Listing Manual”	the listing manual of the SGX-ST as may be amended, varied or supplemented from time to time
“Singapore Principal Share Register”	the principal share register of members of our Company in Singapore maintained by our Singapore Principal Share Registrar
“Singapore Principal Share Registrar”	Boardroom Corporate & Advisory Services Pte Ltd, being the Singapore share registrar of our Company
“Sole Sponsor”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Share Offer
“South China”	South China Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the SFO, being one of the Joint Lead Managers and Joint Bookrunners
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suzhou 267”	China Nuclear Industry Corporation Suzhou Optical Instrument Factory* (中國核工業總公司蘇州光學儀器廠), a state owned enterprise established under the laws of the PRC on 26 October 1981 and an Independent Third Party
“S\$”, “SGD” or “cent(s)”	Singapore dollar(s) and cent(s) respectively, the lawful currency of Singapore
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the periods comprising the financial years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016

DEFINITIONS

“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“VND” or “Vietnam Dong”	Vietnamese Dong, the lawful currency of Vietnam
“Warrants”	the warrants issued by our Company on 11 November 2013, which are listed and quoted on the main board of the SGX-ST, and each of which carries the right to subscribe for one (1) new Share at an exercise price of S\$0.60 each and expires on 9 November 2018
“Warrants Issue”	the issue of the Warrants by our Company on 11 November 2013
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Public Offer Shares” in this prospectus
“ YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Public Offer Shares” in this prospectus
“sq.m”	square metre(s)
“%”	per cent.

DEFINITIONS

Group companies

“A Tracks”	A Tracks Pte. Ltd. (formerly known as SD Offshore Pte. Ltd.), a private limited company incorporated in Singapore under the Companies Act on 25 February 2010 and an indirect non-wholly owned subsidiary of our Company
“Accel”	Accel Technologies (China) Co., Ltd (蘇州美新精密電機有限公司) (formerly known as USAS Motion (Suzhou) Co., Ltd. (蘇州美新精密電機有限公司)), a wholly foreign owned enterprise established under the laws of the PRC on 29 August 2006 and an indirect wholly owned subsidiary of our Company
“ADL Singapore”	ADL Control (S) Pte. Ltd. (formerly known as TDS Control (S) Pte. Ltd.), a private limited company incorporated in Singapore under the Companies Act on 23 June 2009 and an indirect non-wholly owned subsidiary of our Company
“Beijing AMC”	Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd* (北京北成新控伺服技術有限公司), a limited liability company established under the laws of the PRC on 7 January 2005 and an indirect non-wholly owned subsidiary of our Company
“Beijing Dirak”	Beijing Dirak Co., Ltd* (北京戴樂克工業鎖具有限公司), a limited liability company established under the laws of the PRC on 24 September 2004 and an indirect non-wholly owned subsidiary of our Company
“Company” or “our Company”	ISDN Holdings Limited, a company incorporated in Singapore under the Companies Act as a private limited company on 28 December 2004, converted into a public limited company on 11 November 2005 and has been listed on the main board of the SGX-ST since 24 November 2005
“Dbasix Aluminium”	DBASIX Industrial Aluminium Extrusion Profiles (Shanghai) Co., Ltd* (倍信工業鋁型材(上海)有限公司), a limited liability company established under the laws of the PRC on 25 August 2014 and a then indirect non-wholly owned subsidiary of our Company
“Dbasix Singapore”	Dbasix Singapore Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 1 November 2007 and an indirect non-wholly owned subsidiary of our Company
“Dietionary Singapore”	Dietionary Farm Holding Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 19 March 2012 and an indirect wholly owned subsidiary of our Company
“Dirak Asia”	Dirak Asia Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 30 September 1997 and an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Eisele Asia”	Eisele Asia Co., Ltd (艾斯勒精密齒輪(蘇州)有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 19 December 2005 and an indirect non-wholly owned subsidiary of our Company
“Excel Best”	Excel Best Industries (Suzhou) Co., Ltd (創優實業(蘇州)有限公司), a wholly foreign owned enterprise established in the PRC on 30 December 2003 and an indirect wholly owned subsidiary of our Company
“IDI India”	IDI (INA) Laser Services Private Limited, a company incorporated in India with limited liability on 4 April 2006 and a then indirect non-wholly owned subsidiary of our Company
“IGB Hong Kong”	IGB (HK) Company Limited (鈞昇科技有限公司), a company incorporated in Hong Kong with limited liability on 25 March 2006 and an indirect non-wholly owned subsidiary of our Company
“ISDN Bantaeng Indonesia”	PT. ISDN Bantaeng Cooperation, a private limited company incorporated in Indonesia on 8 October 2015 and an indirect non-wholly owned subsidiary of our Company
“ISDN Bantaeng Singapore”	ISDN Bantaeng Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 27 July 2015 and an indirect non-wholly owned subsidiary of our Company
“ISDN Energy”	ISDN Energy Pte. Ltd. (formerly known as ISDN Myanmar Energy Pte. Ltd.), a private limited company incorporated in Singapore under the Companies Act on 17 April 2013 and an indirect non-wholly owned subsidiary of our Company
“ISDN Enterprise Management”	ISDN Enterprise Management (Wu Jiang) Co., Ltd (吳江億仕登企業管理有限公司) (formerly known as ISDN Property Management (Suzhou) Co., Ltd (吳江億仕登物業管理有限公司)), a wholly foreign owned enterprise established under the laws of the PRC on 6 November 2009 and an indirect wholly owned subsidiary of the Company
“ISDN Investments”	ISDN Investments Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 21 May 2010 and a direct wholly owned subsidiary of our Company
“Jin Zhao Yu”	Jin Zhao Yu Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 6 March 2014 and an indirect non-wholly owned subsidiary of our Company
“Leaptron”	Leaptron Engineering Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 13 August 2002 and a direct wholly owned subsidiary of our Company

DEFINITIONS

“Maxon Shanghai”	Maxon Electronic Machine International Trade (Shanghai) Co., Ltd.* (麥柯勝電機國際貿易(上海)有限公司), an enterprise jointly invested by foreign investors established under the laws of the PRC on 15 December 2004 and an indirect non-wholly owned subsidiary of our Company
“Maxon Suzhou”	Maxon Motor (Suzhou) Co., Ltd (蘇州鈞和伺服科技有限公司) (formerly known as Suzhou Servo Dynamics Co., Ltd. (蘇州鈞和伺服科技有限公司)), an enterprise jointly invested by foreign investors established under the laws of the PRC on 4 September 1995 and an indirect non-wholly owned subsidiary of our Company
“MCG”	Motion Control Group Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 21 December 2004 and a direct wholly owned subsidiary of our Company
“Portwell”	Portwell Singapore Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 17 April 1997 and a direct wholly owned subsidiary of our Company
“Precision Motion”	Precision Motion Control Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 1 July 1996 and an indirect wholly owned subsidiary of our Company
“Prima Infrastructure”	Prima Infrastructure Sdn. Bhd., a private limited company incorporated in Malaysia on 27 August 2014 and an indirect non-wholly owned subsidiary of our Company
“SD Beijing”	Beijing Junyizhicheng Technology Developing Co., Ltd.* (北京鈞義志成科技發展有限公司), a limited liability company established under the laws of the PRC on 30 May 2002 and an indirect wholly owned subsidiary of our Company
“SD Hong Kong”	Servo Dynamics (H.K.) Limited (鈞興科技有限公司) (formerly known as Servo Dynamiss (H.K.) Limited (鈞興科技有限公司), a company incorporated in Hong Kong with limited liability on 24 October 1995 and an indirect wholly owned subsidiary of our Company
“SD Malaysia”	Servo Dynamics Sdn. Bhd., a private limited company incorporated in Malaysia on 26 March 2007 and an indirect wholly owned subsidiary of our Company
“SD Shenzhen”	Shenzhen Servo Dynamics Co., Ltd.* (深圳市鈞誠科技有限公司), a limited liability company established under the laws of the PRC on 28 May 2002 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“SD Suzhou”	Servo Dynamics Co., Ltd. (蘇州鈞信中控自動化有限公司), a wholly foreign owned enterprise established pursuant to the demerger of Servo Suzhou under the laws of the PRC on 14 June 2012 and an indirect wholly owned subsidiary of our Company
“SD Thailand”	Servo Dynamics (Thailand) Company Limited, a company incorporated in the Kingdom of Thailand with limited liability on 9 November 1995 and an indirect non-wholly owned subsidiary of our Company
“SD Vietnam”	Servo Dynamics Engineering Company Limited, a company incorporated in Vietnam with limited liability on 28 December 2012 and an indirect non-wholly owned subsidiary of our Company
“SDHK Shenzhen”	SDHK (Shenzhen) Technology Co., Ltd.* (鈞匯(深圳)科技有限公 司), a limited liability company established under the laws of the PRC on 27 April 2016 and an indirect wholly owned subsidiary of our Company
“SE Malaysia”	Servo Engineering Sdn. Bhd., a private limited company incorporated in Malaysia with limited liability on 17 December 1990 and an indirect non-wholly owned subsidiary of our Company
“SejinIGB”	SEJINIGB (China) Co., Ltd (蘇州賽勁精密設備有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 17 November 2006 and an indirect non-wholly owned subsidiary of our Company
“Servo Dynamics”	Servo Dynamics Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 2 October 1986 and a direct wholly owned subsidiary of our Company
“Servo Suzhou”	Su Zhou Servo Dynamics Co., Ltd (蘇州鈞信自動控制有限公司) (formerly known as Servo Dynamics Co., Ltd. (蘇州鈞信自動控制有限公司)), a wholly foreign owned enterprise established under the laws of the PRC on 24 August 2001 and an indirect wholly owned subsidiary of our Company
“Shanghai Dirak”	Dirak (Shanghai) Co., Ltd* (上海戴喆國際貿易有限公司), a limited liability company established under the laws of the PRC on 24 June 2015 and an indirect non-wholly owned subsidiary of our Company
“Suzhou D-Snap”	Suzhou D Snap Technologies Co., Ltd (蘇州德仕耐五金技術有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 11 January 2008 and an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Suzhou Dirak”	Suzhou Dirak Co., Ltd (蘇州戴樂克工業鎖具有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 18 September 2001 and an indirect non-wholly owned subsidiary of our Company
“Suzhou PDC”	Suzhou PDC Co., Ltd (蘇州鈞創實業有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 5 July 2007 and an indirect wholly owned subsidiary of our Company
“Suzhou TRACE”	TRACE Linear Technology (Suzhou) Co., Ltd.* (蘇州通萊精密機械有限公司), a limited liability company established under the laws of the PRC on 13 October 2016 and an indirect non-wholly owned subsidiary of our Company. Suzhou TRACE is owned as to 50% by SD Suzhou, an indirect wholly owned subsidiary of our Company, and as to 50% by T RACE S.p.A., an Independent Third Party
“Suzhou Xiancheng”	Suzhou Xiancheng Automation Technology Co., Ltd (蘇州賢成自動化機械科技有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 16 April 2015 and an indirect wholly owned subsidiary of our Company
“Taiwan Dirak”	Dirak Taiwan Co., Ltd.* (台灣戴樂克鎖具工業股份有限公司), a company incorporated in Taiwan with limited liability on 12 September 2007 and an indirect non-wholly owned subsidiary of our Company
“TDS Indonesia”	PT. TDS Technology, a private limited company incorporated in Indonesia on 7 December 2011 and an indirect non-wholly owned subsidiary of our Company
“TDS KL”	TDS Technology (KL) Sdn. Bhd., a private limited company incorporated in Malaysia on 19 June 2009 and an indirect non-wholly owned subsidiary of our Company
“TDS Penang”	TDS Technology (Penang) Sdn. Bhd., a private limited company incorporated in Malaysia on 15 June 2009 and an indirect non-wholly owned subsidiary of our Company
“TDS Singapore”	TDS Technology (S) Pte Ltd, a private limited company incorporated in Singapore under the Companies Act on 24 May 1996 and an indirect non-wholly owned subsidiary of our Company
“Weiyi”	Weiyi M&E Equipment (Shanghai) Co., Ltd* (上海偉易機電設備有限公司), a sino-foreign equity joint venture established under the laws of the PRC on 8 June 2007 and an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Zhuzhou Dirak”

Zhuzhou Dirak Technology Co., Ltd* (株洲戴樂克科技有限公司), a sino-foreign equity joint venture established under the laws of the PRC on 14 August 2015 and an indirect non-wholly owned subsidiary of our Company

Note: Please refer to Note 15 of Section II in the Accountant’s Report for details of our ownership in the above members of our Group.

DEFINITIONS

Associated companies

“Aenergy”	Aenergy Holdings Company Limited, a company incorporated in Hong Kong with limited liability on 27 March 2013 and an indirect associated company of our Company
“JM Vistec Singapore”	JM Vistec System Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 14 September 2004 and an indirect associated company of our Company
“Maxon Taiwan”	Maxon Motor Taiwan Co., Ltd* (台灣麥柯昇精密電機股份有限公司), a company incorporated in Taiwan with limited liability on 13 September 2007 and an indirect associated company of our Company
“Prestech”	Prestech Industrial Automation Pte. Ltd., a private limited company incorporated in Singapore under the Companies Act on 13 January 2006 and an indirect associated company of our Company

Note: Please refer to Note 16 of Section II in the Accountant’s Report for details of our ownership in the above associated companies.

In this prospectus:

- terms marked with “*” denotes translation of certain PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations into Chinese or English (as the case maybe), or another language included in this prospectus for identification purposes only. In the event of any inconsistency, the Chinese name or the names in their original languages prevails;
- certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures shown in charts may be approximate figures; and
- all times refer to Hong Kong time. Unless otherwise specified, reference to years in this prospectus are to calendar years.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“actuator”	an actuator is a component of machines that is responsible for moving or controlling a mechanism or system
“bearing”	a machine element that constrains relative motion to only the desired motion and reduces friction between moving parts
“CNC machines”	computer numeric control machines, which are automated machine tools operated by precisely programmed commands encoded on a storage medium
“controller”	the mastermind of a motion control system that commands the position, speed and torque of the motor
“encoder”	a position sensor that outputs a signal telling the controller where the motor is and how fast it is moving
“feedback devices”	devices which are used to get position or velocity information from a motor or machine
“gearbox”	a transmission mechanism that uses gears and gear trains to provide speed and torque conversions from a rotating power source to another device
“heat sink”	a passive heat exchanger that transfers heat generated by an electronic or mechanical device to a fluid medium, often air or a liquid coolant, where it is dissipated away from the device, thereby allowing regulation of the device’s temperature at optimal levels
“integrated engineering solutions”	combination of various engineering solutions, such as motion control solutions, other specialised engineering solutions and industrial computing solutions, etc.
“OEM”	original equipment manufacturer
“PLC”	programmable logic controller, a digital computer used for automation of typical industrial electromechanical processes
“semiconductor”	a substance that can conduct electricity under some conditions but not others, making it a good medium for the control of electrical current. “Semiconductor industry” refers to an aggregation of companies engaged in the design and fabrication of semiconductor devices
“servo drive”	an electronic board used to drive the servo motor, as a link between the feedback device and motor

GLOSSARY OF TECHNICAL TERMS

“servo motor”	rotary actuator or a linear actuator with feedback sensor that allows for precise control of angular or linear position, velocity and acceleration
“special purpose cutting machine”	a cutting machine which, unlike a generic CNC machine, is customised specially for a unique cutting process with CNC functionality

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or may participate in, and any statements preceded by, followed by or those include the words such as “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business strategies and plans to execute these strategies;
- our operations and business prospects, including development plans for our business;
- business opportunities that we may pursue;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- our dividend policy, if any;
- the future developments trends, conditions and competitive environment in our industry;
- the actions and development of our competitors;
- the effect of the global financial markets and economic crises;
- changes or volatility in interest rates, foreign exchange rates and overall market changes;
- changes in government policies, laws or regulations, in particular the regulatory environment for the industries of our business in general; and
- the general global, Singapore and PRC economic trends and general economic conditions.

FORWARD-LOOKING STATEMENTS

Any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed in this prospectus. In view of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including without limitation, factors disclosed in the section headed “Risk Factors” and elsewhere in this prospectus. There is no intention to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules and the Singapore Listing Manual or other requirements of the Stock Exchange and the SGX-ST. Investors should not place undue reliance on such forward-looking information.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Sole Sponsor or any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made.

RISK FACTORS

Our operations involve certain risks and uncertainties, many of which are beyond our control. You should pay particular attention to the fact that our principal business is located in Singapore and the PRC. You should carefully consider all the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares.

RISKS RELATING TO OUR BUSINESS

Our past revenue and profitability track record is by no means indicative of our future performance

Continued sales and profit growth depend on a variety of factors, including, among others, (i) the economy of the Singapore and the PRC markets; (ii) our ability to maintain business relationships with our major suppliers; (iii) our ability to recruit and retain sales and engineering staff; (iv) the level of market competition; and (v) our ability to pass any increment in cost of sales to our customers. There is no assurance that our past revenue and profitability track record is indicative of our future performance.

Our reliance on the PRC market may pose a risk to our future performance in the event of the PRC economic downturn

During the Track Record Period, most of the Group's customers were based in the PRC and most of our Group's engineering solutions were delivered in the PRC market. During the Track Record Period, we derived over 69% of our total revenue from the PRC. Although the PRC economy has experienced a steady growth in the past, there is no guarantee that the PRC economy will continue to grow. Any significant change in the political, economic and social conditions, or the legal and regulatory environment of the PRC may have an adverse impact on our business and profitability.

Our procurement capability and therefore our business may be materially and adversely affected in the event that we lose some or all of our major suppliers

For the three years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016, purchases from our five largest suppliers together accounted for approximately 58.3%, 53.4%, 55.6% and 55.5% of our total purchase costs respectively.

Any major disruption or termination in our current relationships with our major suppliers may have a material and adverse impact on our financial results. There can be no assurance that these relationships will continue. Our procurement capability and therefore our business may be materially and adversely affected in the event that we lose some or all of our major suppliers.

Our cost of sales will increase and therefore our profitability may be materially and adversely affected if we are unable to pass increments in cost of sales to our customers

We consider that one of the major factors affecting our results of operations is our ability to pass any increment in cost of sales to our customers. Over 99% of our total cost of sales were components and parts we sourced for the engineering solutions we offered to our customers during the Track Record Period. During the Track Record Period, we did not experience any fluctuation in costs of components and parts sourced which would have had a material impact on our business, financial condition or results of operations. In the event that we are unable to pass any increment in cost of sales to our customers, our business, financial condition or results of operations may be materially and adversely affected.

RISK FACTORS

Our sales and marketing capability and therefore our business may be materially and adversely affected in the event that our sales and engineering staff do not perform as expected

We operate as an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions in Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia. Due to the specialised nature of our business, there is a limited supply of adequately skilled and experienced sales and engineering staff in the jurisdictions in which we operate. Our sales and marketing capability and therefore our business may be materially and adversely affected in the event that our sales and engineering staff do not perform as expected.

We may lose out our competitive advantages as we do not perform state-of-the-art research and development on the products themselves

The integrated engineering solutions industry in which we operate is characterised by on-going technological changes, new product introductions and technology enhancements. As such, needs of our customers change in line with the rapid advances and changes in technology. New motion control systems based on new or improved technologies may render existing motion control systems obsolete and unmarketable.

Since we do not and have not engaged in any significant research and development activities in the past and plan to continue not to do so in the future, we may not be able to address on-going technological changes in our market in a timely manner and we need to rely on new engineering solutions and components from our suppliers. Our failure to address on-going technological changes in our markets could materially and adversely affect our business, financial condition and results of operations.

Our business may be materially and adversely affected if we lose certain or all of our key management

Our success to date has largely been attributable to the contributions from our president, managing Director and Controlling Shareholder, Mr. Teo and our Group's executive Director, Mr. Kong. They have been instrumental in charting our growth and success, our overall strategies and new business initiatives. We believe that our continued success is dependent to a very large extent on our ability to retain the services of Mr. Teo and Mr. Kong. Our other key management members from our senior management namely Mr. Lau Choon Guan, Mr. Sim Leong Seang, Mr. Cheng Hock Kiang, Mr. Wong Kwok Whye Peter and Mr. Chow Ka Man are also instrumental in the execution of our corporate strategies. The loss of any of these key personnel, especially Mr. Teo and Mr. Kong, without suitable replacements will adversely affect our operations and hence, our revenue and profitability.

We may be materially and adversely affected as a result of our sales to a Sanctioned Person or to customers located in certain countries that are or may become subject to economic sanctions imposed by the United States, the European Union, the United Nations, Australia, or other sanction authorities

For the three years ended 31 December 2013, 2014, and 2015 and the six months ended 30 June 2016, we derived 0.03%, 0.005%, 0.01% and 0.08% of our total revenue from sales to customers located in the Republic of Myanmar, Russia and Lebanon, each of which is a Sanctioned Country, respectively. In addition to these sales to the Sanctioned Countries, during the Track Record Period we have also made a one off sale to a customer located in Hong Kong that is a Sanctioned Person due to its listing on OFAC's Specially Designated Nationals and Blocked Persons List. The amount of such one off sale made to such Sanctioned Person in Hong Kong in 2014 was approximately S\$23,000. Please refer to the section headed "Business – Business Activities in Sanctioned Countries" in this prospectus for further details.

RISK FACTORS

We cannot predict the interpretation or implementation of government policy at the United States' federal, state or local levels or the interpretation or implementation of any policy by the European Union, the United Nations or Australia, or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries or with wider third countries or Sanctioned Persons. Our business and reputation could be adversely affected if the government of the United States, the European Union, the United Nations, the Government of Australia, or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, because sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business activities or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the European Union, Australia and/or other jurisdictions will be willing to make investments, in us, or that they will not divest their investment, which may have an adverse impact on the market price of our Shares. In addition, in the event that any of our customers becomes targeted by economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

We are exposed to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. We adopt the policy of dealing only with customers with an appropriate credit history, and high credit quality counterparties, and obtaining sufficient security where appropriate. The counterparty's payment profile and credit exposure are continuously monitored at subsidiary level and at our Group level. Set out in the section headed "Financial Information – Principal Financial Position Items – Trade and other receivables" in this prospectus is, among others, the information relating to our trade and other receivables and the amount of our trade receivables as at 30 June 2016 that had been received. We are exposed to credit risk during the course of operations. Delays in receiving payments from our customers and other parties may materially and adversely affect our cash flow position, which may in turn have a material and adverse impact on our business, financial position or results of operations.

Our inventories are subjected to the risks of being technologically obsolete, valued lower than their costs and/or slow-moving

We seek to maintain strict control over our outstanding inventories. Unused and outdated items are reviewed regularly by us and would be written off as appropriate. Notwithstanding that we usually maintain an adequate supply of stocks taking projected sales into account, it is unavoidable for our Group to have a certain amount of stocks that are technologically obsolete, valued lower than their costs and/or slow-moving given (i) the time passed over the years of our operations; and (ii) that not all stocks were necessarily sold according to projections due to varied orders, etc. Our inventories are therefore subjected to the risks of being technologically obsolete, valued lower than their costs and/or slow-moving, which may in turn have a material and adverse impact on our business, financial position or results of operations.

We may lose control over subsidiaries in which we hold shareholdings of equal to or less than 50%

Our Company has accounted for entities in which we hold shareholdings of equal to or less than 50% as subsidiaries in accordance with HKFRS 10 "Consolidated Financial Statements" as our Company can exercise control over these entities from the accounting perspective. Our such control is evidenced through, among others, (i) our ability of directing and managing the entities' relevant business, sales, customers, and other operating and financing activities on a day to day basis; (ii) our ability of affecting the entities' returns as a whole by exercising our control; and/or (iii) having more than half of the board of directors of these entities being represented by our Company's representatives.

RISK FACTORS

Should the circumstances change and we no longer retain control over these entities, we may have to deconsolidate them from our consolidated financial statements, which may have a material and adverse impact on our business, financial condition or results of operations.

Our investments in associated companies are subject to the review of impairment which may pose a material and adverse impact on our financial condition or results of operations

Our investments in associated companies are accounted for using the equity method of accounting, under which each of the investments is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. It is our accounting policy that our Group determines whether there is any objective evidence that our investments in associated companies are impaired. If this is the case, our Group would calculate the amount of impairment as the difference between the recoverable amount and the carrying amount and recognise such difference in profit or loss. Any significant impairment charges in relation to the carrying amount of our Group's investments in our associated companies may have a material and adverse impact on our financial condition or results of operations.

Our goodwill is subject to the review of impairment which may pose a material and adverse impact on our financial condition or results of operations

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over our Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities. For the purpose of impairment testing, goodwill acquired prior to the Track Record Period has been allocated to each of the Group's cash-generating units ("CGUs"), namely TDS Singapore, SD Thailand and Dirak Asia that are expected to benefit from the synergies of the combination. The CGU to which goodwill has been allocated is tested for impairment annually.

We assessed the recoverable amount of each CGU based on value in use calculations which used cash flow projections based on financial budgets approved by our management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rate of 5% per annum for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. The growth rates used were based on CGUs' historical growth and past experience with reference to the then estimated long-term average growth rates of the industries and markets in which we operate. The discount rate was a pre-tax measure based on our Group's weighted average cost of capital, adjusted for certain adjustment factors to reflect specific risks relating to the CGU. The pre-tax discount rates used, which we estimated to reflect the then market assessments of the time value of money and the risks specific to the CGUs' pre-tax cash flows, were 4%, 7% and 5% for the six months ended 30 June 2016 (2015: 7%, 7% and 7%; 2014: 3%, 7% and 5%; 2013: 4%, 8% and 5%) for TDS Singapore, SD Thailand and Dirak Asia, respectively. We believed that any reasonably possible change in the key assumptions i.e. growth rates and pre-tax discount rates, on which the recoverable amounts were based would not cause the carrying amounts of CGUs to exceed their recoverable amounts.

Should the pre-tax discount rates used for the impairment testing increase from the relevant percentages mentioned above to the following percentages, the recoverable amounts of our following major CGUs would be equal to their carrying amounts as at the dates indicated.

Major CGUs	31 December			30 June
	2013	2014	2015	2016
TDS Singapore	6.4%	10.5%	9.1%	6.5%
Dirak Asia	8.6%	13.4%	8.5%	9.3%

RISK FACTORS

Further, if both our estimated growth rates and pre-tax discount rates applied to the discounted cash flows of our following major CGUs were respectively decreased and increased by more than the same percentages stated below, the recoverable amounts of such major CGUs may become less than their carrying amounts as at the dates indicated.

Major CGUs	31 December			30 June
	2013	2014	2015	2016
TDS Singapore	2.0%	2.1%	2.1%	2.4%
Dirak Asia	2.0%	4.0%	2.0%	2.1%

Changes to the estimates and assumptions will result in changes in the carrying amounts of CGUs. In the event that the recoverable amount of a CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill will not be reversed in subsequent years. Any significant charge for impairment of goodwill in the future may materially and adversely affect our financial condition or results of operations.

We cannot be certain that our operations do not or will not infringe any patents, valid copyrights or other intellectual property rights held by third parties

We may, in the future, be subject to legal proceedings and claims from time to time relating to the intellectual property rights of others in the ordinary course of business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against these third party infringement claims, regardless of their merit. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially disrupt the continuity of our business and the stability of our financial situation.

Our sales and profitability for our business may be affected by delivery disruptions

Delivery disruptions caused by various reasons, including weather conditions such as typhoons and floods, political turmoil, social unrest and strikes, would lead to delayed or lost deliveries or supplies. Delayed or lost deliveries may result in loss of revenue and consequently, our profitability for our business may be adversely affected.

We may face risks in managing operations and expanding across a number of countries

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. Our operations are therefore subject to the laws and regulations in the relevant jurisdictions. We may face legal and regulatory risks in managing operations and expanding across a number of countries.

In addition, our Company may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Ordinance in respect of our non-Hong Kong subsidiaries. In addition, some of our Directors and senior management are non-residents of Hong Kong, and accordingly the assets of these persons are located outside Hong Kong. As a result, it could be difficult for investors to effect service of process in Hong Kong, or to enforce a judgment obtained in Hong Kong against any of our Directors or senior management who is a non-resident of Hong Kong.

We are exposed to risk of loss or damage to our fixed assets and inventories

We face the risk of loss or damage to our properties, machinery and inventories due to events such as fire, theft and natural disasters such as floods. Such events may also cause a disruption or cessation in our operations, and thus adversely affect our financial results.

RISK FACTORS

We do not currently have insurance coverage for all of such events for all our properties and assets and our insurance coverage may not be sufficient to cover all of the potential losses. In the event such losses exceed our insurance coverage or are not covered by the insurance policies we have taken out, we will be exposed to financial losses.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses

Our operations are subject to hazards and risks associated therewith, which may cause significant harm to persons or damage to properties. There is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operations if such losses or liabilities are not covered by our insurance policies.

We may face uncertainties associated with expanding our business via strategic alliances, joint ventures or mergers and acquisitions

We may expand our business through acquisitions, joint ventures or strategic alliances with parties which we believe can add value to our existing business, strengthen our market position as well as to facilitate our expansion into new products or geographical markets. We are constantly exploring opportunities for acquisitions, joint ventures and/or strategic alliances.

Such expansion plans involve numerous risks including but not limited to, costs associated with setting up joint venture operations, identifying targets for acquisition, due diligence investigations and integration of management, operations and personnel with our existing operations as well as the possible diversion of management attention from existing business operations and loss of capital or other investments deployed in such acquisitions, joint ventures or strategic alliances. There can be no assurance that we will be able to successfully integrate our operations with that of our new strategic partners or newly acquired businesses or that our expanded operations will achieve a sufficient level of revenue which will cover our acquisition and operational costs. In such event, our profitability and financial performance will be adversely affected.

We may be unable to obtain or maintain approvals or permits necessary to conduct our business

We may be required to obtain or renew applicable permits or approvals by regulatory authorities in order to conduct or continue our business in the various markets and jurisdictions we operate our business. If we fail to obtain or renew any of the required permits or approvals, we may be subject to various penalties including fines and the discontinuation or restriction of our operations. Any such disruption to our operations could materially and adversely affect our business, financial condition and results of operations.

Introduction of new laws or policies or changes to existing laws or policies or the interpretation, application and/or enforcement thereof (including environmental, labour and safety laws and regulations) by governmental authorities may adversely affect our business

The operations of our business in various countries are subject to the laws and regulations of these countries including those relating to environmental, labour and safety matters. Any changes to such laws or regulations or changes in the manner of interpretation, application, enforcement and/or implementation of such laws or regulations including those relating to environmental protection, labour benefits or quota (for instance, foreign-local worker ratio) or safety measures could materially and adversely impact our business, financial condition or results of operations if they were to result in an increase in compliance costs or increase the potential liability to which we may be subject for any failure to comply with such laws or regulations.

RISK FACTORS

We operate our business regionally and is therefore affected by economic, regulatory, political and social conditions in various countries

The prospects and future growth of our business are dependent on the economic, regulatory, political and social conditions in the countries which we have business dealings in. External factors such as economic deterioration, financial crisis, terrorist attacks, acts of war or geopolitical or social turmoil in countries that serve as markets for our products and services or that we operate in could materially and adversely affect our business and operating results. Such factors could make it difficult for our customers, our suppliers and us to accurately plan future business activities, which could in turn adversely impact our revenue.

Further, any unfavourable changes in the social, political or economic conditions or policies, foreign exchange regulations, taxation and import and export restrictions in the countries that we operate or sell our products to may materially and adversely affect our financial performance.

We are based in Singapore and rely on our business overseas which exposes us to foreign currency risk

Our overseas operating subsidiaries are located in the PRC, Hong Kong, Malaysia, Vietnam, Taiwan, Thailand and Indonesia. In remitting dividends to our Company, our subsidiaries will have to convert their reserves derived in their respective local currencies into Singapore dollars.

We may also be subject to foreign exchange risks as our consolidated financial statements are denominated in Singapore dollars while the financial statements of our subsidiaries are prepared in their respective functional currencies. As the reporting currency of our Group is in Singapore dollars, the financial statements of our overseas subsidiaries are translated into Singapore dollars upon consolidation. Exchange differences arising from translation of functional currencies of our overseas subsidiaries to the presentation currency of our Group are recognised in our other comprehensive income, and presented in the exchange translation reserve in equity.

We may not be able to effectively manage our present or future acquisitions and/or investments

Our present or future acquisitions or investments may require us to make significant cash commitments and incur substantial debt. Such additional debt servicing requirements may impose a significant burden on our results of operations and financial position. There is no assurance that we will be able to carry out acquisitions or enter into investments with suitable partners on terms favourable to us in the future.

Any material acquisition or investment may be subject to the following risks:

- (i) the business plan and the underlying valuation assumptions may not be accurate, especially those concerning market price, cost savings, earnings, synergies, assessment of market demand and expected profitability;
- (ii) our Group may not be able to retain certain employees or maintain key pre-acquisition or pre-joint investment relationships, including those with key customers and suppliers;
- (iii) our Group may seek additional debt financing for these acquisitions or investments, thus limiting its financial flexibility and opportunities to secure new loans in the future; and
- (iv) our acquisitions or investments may not perform as expected when the transaction is completed and may be dilutive to our overall operating results.

We may also not be able to effectively manage or execute our strategies with respect to our present or future acquisitions and joint investments. Our control over these acquisitions and investments is generally subject to the terms of applicable agreements and arrangements.

RISK FACTORS

In addition, our partners in these acquisitions and joint investments may:

- (i) have economic or business interests or goals which are incompatible with ours;
- (ii) take actions contrary to our instructions or requests or contrary to our policies or objectives;
or
- (iii) be unable or unwilling to fulfil their obligations under any applicable agreement or arrangement or to provide anticipated levels of support.

A disagreement, depending on its severity, with any of our partners could affect our ability to develop or operate the respective acquisition or joint investment, which could have a material and adverse effect on our business operations, financial position, results of operations and cash flows.

RISK RELATING TO OUR GROUP

There are non-compliances of laws and regulations in connection with our operations in certain countries which may lead to enforcement actions being taken against us

During the Track Record Period and/or up to the Latest Practicable Date, there were non-compliances of laws and regulations in connection with our operations in the PRC, Indonesia and Vietnam. These include (i) failure to submit environment protection acceptance application for certain of our operations at our ISDN Hightech Industrial Park; (ii) failure to register and make financial contributions for our employees in Indonesia under Indonesia's healthcare social security scheme; and (iii) failure to make contributions to the trade union funding in Vietnam. For details of these non-compliances and their legal ramifications, please refer to the section headed "Business – Compliance" in this prospectus. In the event of any enforcement action being taken against us in the future, such action could adversely affect our business operations and financial performance.

RISKS RELATING TO THE INDUSTRY

We face intensified market competition on our pricing and engineering solutions provided to our customers

The market in which we operate our business is competitive. Whilst we believe that the barriers to entry in this industry are high, we still face competition in the territories in which we operate from existing players in the market. In addition, many of our competitors may have extensive research and development capabilities. Our competitors may also have even longer track records, wider product ranges or provide better after-sales support services. They may also have superior technical expertise for design and assembly processes or may operate on lower cost structures.

Our success depends on our ability to compete effectively against our existing and potential competitors by maintaining and generating customer patronage and loyalty by consistently delivering quality products and value-added services within a customer's budget and scheduled delivery time. There is no assurance that we will be able to compete successfully against our competitors in the future. Our failure to remain competitive could adversely affect our revenue and profitability.

Our sales and engineering staff may lose out their competitive advantages if they do not keep abreast of the latest technological changes relevant to the industry

The integrated engineering solutions industry in which we operate is characterised by on-going technological changes, new product introductions and technology enhancements. As such, needs of our customers change in line with the advances and changes in technology. New motion control systems based on new or improved technologies may render existing motion control systems obsolete and unmarketable.

RISK FACTORS

To succeed, we have to continue keeping abreast with the latest developments and advances in the integrated engineering solution industry, so that we may source for motion control components which we anticipate when assembled into motion control systems would meet the changes in demands and requirements of our customers. If we are unable to adapt to changes in our customers' demands or requirements, our business and financial performance may be adversely affected.

Our business may be affected by outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, political unrest and other events which are beyond our control

Certain countries have experienced epidemics such as the severe acute respiratory syndrome, avian influenza and natural disasters such as fire, floods, droughts, blizzards and earthquakes, which have had an adverse impact on the economies of the affected countries. Recently, there has been an outbreak of Zika virus in various countries including Singapore.

We are headquartered in Singapore and we conduct part of our business operations in Singapore. The outbreak of Zika virus or a recurrence of other epidemics or natural disasters in any country, acts of war, terrorist acts, political unrest and other events which are beyond our control, may result in disruption to our business or that of our customers, which could in turn adversely affect our operations and financial results.

RISKS RELATING TO DOING BUSINESS IN THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct the majority of our business operations in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including: (i) political structure; (ii) level of the PRC government involvement and control; (iii) growth rate and level of development; (iv) level and control of capital investment and reinvestment; (v) control of foreign exchange; and (vi) allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For more than three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

RISK FACTORS

Fluctuations in the value of the RMB may have a material and adverse impact on your investment

During the Track Record Period, we derived over 69% of our total revenue from the PRC. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we recorded net foreign exchange gains (losses) of approximately S\$0.3 million, S\$0.4 million, S\$(0.02) million and S\$(0.9) million respectively. We consider that we had no foreign exchange exposure that would have had a material impact on our business, financial condition or results of operations during the Track Record Period as we usually sourced parts and components with the proceeds in the same currency we received from our customers for the engineering solutions we provided. Dividends, if any, we pay on our Shares will be in Hong Kong dollars and Singapore dollars. A depreciation in the RMB, on the other hand, would adversely affect the amount of any dividends we pay to our Shareholders, or require us to use more RMB funds to service the same amount of any foreign debt.

Fluctuations in RMB exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The RMB has been unpegged from the US dollar since July 2005 and, although the People's Bank of China ("PBOC") regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rate, the RMB may appreciate or depreciate significantly in value against the US dollar in the future.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As at the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

Currently, the RMB cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. However, prior registration or approval from appropriate government authorities is required for such matters as loan provision to or borrowing from offshore entities, few prescribed types of cross border security provision, etc. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. Furthermore, the PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions. Under existing foreign exchange regulations, following the Listing, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be effective in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial position, may be materially and adversely affected.

RISK FACTORS

Our business may be adversely affected by the introduction of new laws or changes to existing laws by the PRC government

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes.

Further, court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

Any changes in the Singapore – PRC or Hong Kong – Mainland of the PRC double taxation agreement with respect to an increase in the dividend withholding tax rate may affect the amount of dividends payable by our PRC subsidiaries to our Company

According to the Agreement between the Government of the PRC and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《中華人民共和國政府和新加坡共和國政府關於對所得避免雙重徵稅和防止偷漏稅的協定》) dated 11 July 2007 and the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated 21 August 2006, the dividend withholding tax rate shall not exceed 5% of the total dividends declared if the beneficial owner of the dividends is a Singapore or Hong Kong resident company that directly holds at least 25% of the share capital of the company paying the dividend. However, such favorable dividend withholding tax rate not exceeding 5% cannot be obtained directly. Pursuant to the Taxation Rules for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》) issued by the State Administration of Taxation on 27 August 2015, an applicant for enjoyment of relevant tax treatment under tax agreements shall file relevant application documents to the competent tax authorities for review and recognition. Specific application forms for various taxation treatments are attached to the rules as well. Please refer to the section headed "Regulatory Overview – Overview of the PRC Laws and Regulations – (g) Taxation – Tax on dividends from FIE" in this prospectus for more information of the relevant regulatory requirement.

Currently, our PRC subsidiaries that are directly held by Singapore or Hong Kong subsidiaries of our Company are entitled to enjoy dividend withholding concessionary tax rate not exceeding 5%. However, there is no assurance that such agreement or arrangement in respect of avoidance of double taxation and the prevention of fiscal evasion will not be further amended. In the event that such dividend withholding tax rate increases, it may affect the amount of dividends paid out by our PRC subsidiaries and therefore, our financial performance may be adversely affected. Furthermore, there is no assurance that the PRC tax authorities will not change its determination and recognition of adoption of such concessionary rate not exceeding 5% or that the PRC tax authorities will not levy higher withholding tax on these dividends in the future.

RISK FACTORS

RISKS RELATING TO OWNERSHIP OF OUR SHARES

The market price of our Shares could be volatile

The trading price of our Shares on the SGX-ST might not be indicative of the expected market price for our Shares on the Stock Exchange following the Listing. Further, the trading price of our Shares on the SGX-ST has been, and might continue to be subject to substantial fluctuations. The trading price of our Shares could increase or decrease in response to a number of events and factors, including without limitation:

- changes in estimates and recommendations by securities analysts;
- developments affecting us or our competitors; and
- changes in general economic conditions.

The volatility can adversely affect the trading price of our Shares regardless of our operating performance. Further, for these reasons amongst others, our Shares might trade at prices that are higher or lower than the net asset value of our Shares. In addition, we cannot guarantee that investors can regain the amount invested. It is possible that investors could lose all or a part of their investment in our Shares.

Future sales of our Shares by us or our existing Shareholders could affect our Share price

Any future sale or offering of our Shares in the public market could exert a downward pressure on our Share price. We cannot assure you that our existing Shareholders will not dispose of the Shares held by them or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our existing Shareholders, or the availability of Shares for sale by our existing Shareholders, or the issuance of Shares by our Company could have on the market price of our Shares. The sale of a significant amount of our Shares in the public market or the perception that such sale might occur, could adversely affect the market price of our Shares. These factors could also affect our ability to issue additional equity securities in the future.

You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

If we issue additional Shares or equity-linked securities in the future, you and other subscribers of our Shares may experience further dilution in the net tangible asset value per Share if we issue additional Shares at a price lower than the net tangible asset value per Share at the time of their issuance.

We have adopted the ISDN ESOS 2016 and the ISDN EPSP 2012. Details of the ISDN ESOS 2016 and ISDN EPSP 2012 are set out in the respective sections headed “D. ISDN ESOS 2016” and “E. ISDN EPSP 2012” in Appendix VI to this prospectus. According to the rules of the ISDN EPSP 2012, the total number of new Shares that may be issued or allotted pursuant to the vesting of the share awards under the ISDN EPSP 2012, when added to the aggregate number of new Shares that are issued or issuable pursuant to the exercise of the share options granted under the ISDN ESOS 2016, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST or the Stock Exchange) of the total number of issued Shares from time to time. Notwithstanding such limit, we have made an application to the Listing Committee for the listing of, and permission to deal in, on the Main Board of the Stock Exchange, the Shares that may be issued and allotted pursuant to the ISDN EPSP 2012 from the Listing and until the next general meeting of our Company to approve our Directors’ authority to issue and allot new Shares pursuant to the ISDN EPSP 2012, subject to a maximum number of Shares of not more than 3% of the issued Shares as at the Listing Date.

RISK FACTORS

Further, we shall not grant any further share awards under the ISDN EPSP 2012 until and unless the rules of the ISDN EPSP 2012 have been amended prior to our Shareholders' next approval of our Directors' authority to issue and allot new Shares pursuant to the ISDN EPSP 2012 such that, among others, the total number of new Shares that may be issued pursuant to the ISDN EPSP 2012 from the date of approval of the authority to issue and allot shares under the ISDN EPSP 2012 ("**EPSP Share Issue Mandate**") until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by law to be held or such authority is varied or revoked by our Company in a general meeting, whichever is the earliest, shall not exceed 3% of the total number of issued Shares of our Company as at the date of approval of the EPSP Share Issue Mandate. For further details, please refer to the section headed "E. ISDN EPSP 2012 – Cap amount of share awards and independent approval requirements" set out in Appendix VI to this prospectus. In relation to the ISDN ESOS 2016, the aggregate number of Shares which may be issued upon the exercise of all options to be granted under the ISDN ESOS 2016 and any other schemes adopted by our Company must not exceed 10% of the issued share capital of our Company.

In light of the above, the maximum number of new Shares that may be issued or allotted pursuant to the vesting of the share awards under the ISDN EPSP 2012 and the exercise of the share options under the ISDN ESOS 2016 amounts to 13% of the total number of issued Shares from time to time. If any Share is allotted or issued pursuant to the vesting of the share awards under the ISDN EPSP 2012 or the exercise of the share options under the ISDN ESOS 2016, the increased number of issued Shares will dilute the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

When we grant any options or awards through equity-settled transactions, the cost of these transactions with our employees will be measured by reference to the fair value of the options or awards at the date on which such share options or awards are granted. In valuing the share options and share awards, no account will be taken of any performance conditions, other than the conditions linked to the price of the shares of our Company and any non-vesting performance conditions. This cost will be recognised in our profit or loss as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "**Vesting Date**"). Non-market vesting performance conditions will be included in the estimation of the number of Shares under option that will be expected to become exercisable on the Vesting Date. At the end of each reporting period, we shall revise our estimates of the number of Shares under option that are expected to become exercisable on the Vesting Date and recognise the impact of the revision of the estimates in our profit or loss, with a corresponding adjustment to the share-based compensation reserve, over the remaining vesting period.

No expense will be recognised for options or awards that do not ultimately vest, except for the options or awards where vesting is conditional upon a market condition, which will be treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service condition(s) is/are satisfied. The share-based compensation reserve will be transferred to general reserve upon the cancellation or expiry of the vested options or awards. When the options are exercised or awards are released, the share-based compensation reserve will be transferred to share capital if new Shares are issued.

We have also issued the Warrants. Upon exercise of the Warrants, the number of Shares in issue will increase and will also cause dilution to the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

RISK FACTORS

We cannot guarantee that we will pay dividends

We paid dividends in the past. However, our Board currently does not have a dividend policy specifying a dividend payout ratio. Any declaration of dividends will be proposed by our Directors after taking into account our results of operations, cash flows, financial condition, future prospects and other factors that our Directors deem relevant at such time. As at 31 December 2013, 2014 and 2015 and 30 June 2016, we had consolidated retained earnings of approximately S\$36.3 million, S\$41.6 million, S\$48.9 million and S\$49.0 million, whilst our retained earnings distributable to our Shareholders/(our accumulated losses) at our Company level were approximately S\$2.8 million, S\$3.1 million, S\$1.5 million and S\$(2.4) million, respectively. For further details on our reserves, please refer to Note 23 of Section II in the Accountant's Report. It is our practice that we usually arrange for dividends distributed from our subsidiaries to our Company once a year so that our Company would have sufficient distributable reserves to declare dividends to our Shareholders. However, the dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. In our case, we may not be able to declare dividends to our Shareholders before our Company's accumulated losses of S\$2.4 million as at 30 June 2016 are reversed. We cannot guarantee if and when we will pay dividends in the future.

The liquidity of our Shares on the Stock Exchange could be limited

Our Shares have not been traded on the Stock Exchange before the Listing and there could be limited liquidity in our Shares on the Stock Exchange. Although Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and vice versa, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This could adversely affect investors' ability to purchase or liquidate Shares on the Stock Exchange. Accordingly, there is no guarantee that any particular volume of Shares will trade on the Main Board of the Stock Exchange.

RISKS RELATING TO OUR DUAL PRIMARY LISTING

The different characteristics between the Singapore stock market and the Hong Kong stock market may affect trading and settlement of our Shares

Our Shares have been listed and traded on the main board of the SGX-ST since 24 November 2005. Following the Listing, it is our current intention that our Shares will continue to be traded on the main board of the SGX-ST. Our Shares traded on the Stock Exchange will be registered by the Hong Kong Branch Share Registrar. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the time required to transfer shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register could vary and there is no certainty when transferred Shares will be available for trading or settlement.

The main board of the SGX-ST and the Main Board of the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the main board of the SGX-ST and the Main Board of the Stock Exchange might not be the same.

Further, fluctuations in the price of our Shares on the main board of the SGX-ST could adversely affect the price of our Shares on the Main Board of the Stock Exchange, and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars can also adversely affect the trading prices of our Shares on the main board of the SGX-ST and the Main Board of the Stock Exchange. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of our Shares on the main board of the SGX-ST might not be indicative of the performance of our Shares on the Main Board of the Stock Exchange after the Listing. You should therefore not place undue reliance on the prior trading history of our Shares on the main board of the SGX-ST when evaluating an investment in our Shares through the Main Board of the Stock Exchange.

RISK FACTORS

We will be concurrently subject to Hong Kong and Singapore listing and regulatory requirements which may give rise to additional costs

As we are listed on the main board of the SGX-ST and will be listed on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed or waived by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

The time lag of the transfer of Shares between the Hong Kong and Singapore markets could be longer than expected, and our Shareholders might not be able to settle or effect any Share sale during this period

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the transfer of Shares between the two stock exchanges, our Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, our Shareholders can expect a normal transfer from the Singapore Principal Share Register to the Hong Kong Branch Share Register to complete within 15 Business Days and from the Hong Kong Branch Share Register to the Singapore Principal Share Register within 15 Business Days depending on whether our Shares are registered under CCASS, CDP or in the name of our Shareholders. However, we cannot assure you that the transfer of Shares will be completed in accordance with this timeline. There could be unforeseen market circumstances or other factors that could delay the transfer, thereby preventing our Shareholders from settling or effecting the sale of their Shares.

You could experience difficulties in enforcing your shareholder rights because we are incorporated in Singapore, and the laws of Singapore for minority shareholders' protection could be different from those under the laws of Hong Kong and other jurisdictions

We are a company incorporated in Singapore with limited liability, and the laws of Singapore differ in some respects from those of Hong Kong or other jurisdictions where investors might be located. Our corporate affairs are governed by our Constitution, the Companies Act and the laws of Singapore. The laws of Singapore relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. This could mean that the remedies available to our Company's minority Shareholders could be different from those they would have under the laws of Hong Kong and other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the dual primary listing of our Company on the Stock Exchange, we have sought certain waivers from strict compliance with certain provisions of the Listing Rules. Set out below is a summary of the waivers sought and granted by the Stock Exchange:

Relevant Listing Rules provision	Subject matter
Rule 8.12	Sufficient management presence
Rule 3.28 and 8.17	Qualification of joint company secretaries
Rule 9.09	Dealings in securities by core connected persons during a listing application process
Rule 10.04 and paragraph 5(2) of Appendix 6	Allocation of Placing Shares to existing Shareholders and their close associates
Chapter 14A	Continuing connected transactions

Details of the waivers are set out below and in the section headed “Continuing Connected Transactions” in this prospectus.

1. SUFFICIENT MANAGEMENT PRESENCE IN HONG KONG (RULE 8.12)

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. As the principal business operations, offices and production facilities of the Group are predominantly located, managed and conducted in Singapore and the PRC, our executive Directors and majority of senior management are and will continue to be based in Singapore and the PRC.

As at the Latest Practicable Date, our executive Directors and majority of senior management are not Hong Kong resident or based in Hong Kong. We consider that it would be very difficult and unduly burdensome for us to relocate any of our executive Directors to Hong Kong and that the appointment of any additional executive Director who is ordinarily resident in Hong Kong will not be beneficial to our Group. Hence, our Directors consider it may not be practicable or in the best interest of our Company nor our Shareholders as a whole to appoint two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements of Rule 8.12 of the Listing Rules.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules on the following conditions:

- (a) we have appointed two authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal communication channel with the Stock Exchange. Our Company has appointed (i) Mr. Teo, our executive Director and (ii) Ms. Gn Jong Yuh Gwendolyn (“**Ms. Gn**”), the joint company secretary of our Company as our Authorised Representatives. Both Mr. Teo and Ms. Gn hold the necessary travel permits to enter Hong Kong. Each of the Authorised Representatives will be available to meet with any officers of the Stock Exchange in Hong Kong within a reasonable period of time and will be readily contactable by telephone, facsimile or e-mail. Each of the Authorised Representatives is duly authorised to communicate on behalf of our Company with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) all of our executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they are holders of valid travel documents which allow them to visit Hong Kong and that they will also be able to meet with the officers of the Stock Exchange within a reasonable period of time;
- (c) our Company has appointed a compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (the “**Compliance Adviser**”), pursuant to Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;
- (d) each of the Authorised Representatives and the Compliance Adviser has the means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters or to arrange meetings upon reasonable prior notice being given;
- (e) to enhance the communication between the Stock Exchange, the Authorised Representatives and our Directors, we will implement a policy whereby (i) each Director is required to provide his office phone number, mobile phone numbers, fax numbers and e-mail addresses to the Authorised Representatives and his respective alternate; (ii) each Director will endeavour to provide valid phone numbers or other means of communication of the place of his accommodation to the Authorised Representatives and his respective alternate prior to travelling outside; and (iii) each Director shall provide his mobile phone number, office phone numbers, fax numbers and e-mail addresses to the Stock Exchange; and
- (f) our Company shall inform the Stock Exchange promptly in the event of any changes to the Authorised Representatives or the Compliance Adviser in accordance with the Listing Rules.

2. QUALIFICATION OF JOINT COMPANY SECRETARIES (RULES 3.28 AND 8.17)

Rule 8.17 of the Listing Rules provides that the issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the secretary of the issuer must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers that the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing “relevant experience”, the Stock Exchange will consider the individual’s (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies (WUMP) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen (15) hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Having considered the rationale of Rules 3.28 and 8.17 of the Listing Rules, our Directors acknowledge the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations.

Ms. Gn has been appointed as the company secretary of our Company since 5 February 2007. She is currently a partner of Shook Lin & Bok LLP and specialises in the areas of corporate finance, capital markets, corporate and commercial law, as well as mergers and acquisitions. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment. Ms. Gn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial institutions on corporate governance, regulatory and corporate compliance issues. Ms. Gn was admitted as an Advocate & Solicitor, Singapore in April 1995 and obtained an LLB (Hons) from the National University of Singapore in July 1994.

Our Board acknowledged that Ms. Gn does not possess the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules. Nevertheless, our Directors believe that Ms. Gn, by virtue of the length of acting as a company secretary of our Company and her experience in capital markets and international corporate finance practice and serving as company secretary of SGX-ST listed companies and as a joint company secretary of Blue Sky Power Holdings Limited from August 2009 to August 2014, coupled with the implementation of the following arrangements by our Company, should be able to discharge her function as a company secretary of our Company and would satisfy the requirements of Rules 3.28 and 8.17 of the Listing Rules in relation to company secretary:

1. our Company has appointed Mr. Tang Chi Chiu, who is a member (CPA (practising)) of the Hong Kong Institute of Certified Public Accountants and meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with Ms. Gn in the discharge of her duties as a company secretary for an initial period of three years commencing from the Listing Date. As part of the proposed arrangement, Mr. Tang will familiarise himself with the affairs of our Company and will communicate regularly with Ms. Gn on matters relating to corporate governance, the Listing Rules as well as the applicable laws and regulations and other affairs of our Company;
2. Ms. Gn will endeavour to attend relevant training courses to keep herself abreast with the applicable Hong Kong laws and regulations (including the Listing Rules) organised by accredited organisations and seminars organised by the Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
3. upon expiry of the three-year period commencing from the date of proposed listing of our Company, a further evaluation of the qualifications and experience of Ms. Gn and the need for on-going assistance would be made.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 3.28 and 8.17 of the Listing Rules. This waiver is valid for a period of three years from the Listing Date and will be revoked immediately if Mr. Tang ceases to provide assistance to Ms. Gn as a joint company secretary of our Company during the three years after the Listing Date.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

3. DEALING IN SECURITIES BY CORE CONNECTED PERSONS DURING A LISTING APPLICATION PROCESS (RULE 9.09)

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from four clear Business Days before the expected hearing date until listing is granted (the “**Relevant Period**”). Our Company, being a company whose Shares are widely held, publicly traded and listed on the SGX-ST, is not in a position to control the investment decisions of our Shareholders (other than Mr. Teo, Mrs. Teo, Assetraise and Mr. Kong or their respective close associates) or the investing public in Singapore. To the best knowledge of our Directors after making all reasonable enquiries, other than our Controlling Shareholders, there is no Shareholder who held more than 10% of the total issued share capital of our Company as at the Latest Practicable Date. Further, other than Mr. Teo and Mr. Kong, none of our Directors is interested directly or indirectly in any Shares at the Latest Practicable Date.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 9.09 of the Listing Rules subject to the following conditions:

- (a) the core connected person(s), other than those who are Directors of our Company:
 - (i) shall have no influence over the listing process; and
 - (ii) are not in possession of any non-public inside information;
- (b) we shall promptly release any inside information to the public in accordance with the relevant laws and regulations in Singapore and Hong Kong;
- (c) we shall procure that none of our Controlling Shareholders and our Directors and any of their respective close associates deals in our Shares during the Relevant Period;
- (d) we will notify the Stock Exchange if there is any dealing or suspected dealing in our Shares by any of our core connected persons during the Relevant Period;
- (e) for any person (other than our Controlling Shareholders) who, as a result of dealing in the securities of our Company during the Relevant Period, becomes a substantial shareholder of our Company (the “**Potential New Substantial Shareholder**”), we confirm that:
 - (i) such Potential New Substantial Shareholder is currently not a Director or a member of the senior management of our Company or any of its subsidiaries and would not become a Director or a member of the senior management of our Group after Listing; and
 - (ii) our Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its close associates; and
- (f) no dealing by any core connected person of our Company in the Shares where our Company is a party will be conducted during the Relevant Period.

As at the Latest Practicable Date, we were not aware of any core connected person who may not be able to comply with Rule 9.09 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

4. ALLOCATION OF PLACING SHARES TO EXISTING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES (RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6)

Rules 10.04, 10.03(1) and 10.03(2) of the Listing Rules provide that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions are fulfilled: (i) no securities are to be offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other matters, that unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

The Placing Underwriters will solicit from prospective professional, institutional and private investors indications of interest in acquiring the Placing Shares in the Placing. Prospective professional, institutional and private investors will be required to specify the number of Placing Shares under the Placing they would prepare to acquire either at different prices or at a particular price. It may be necessary for the Placing Underwriters to include existing Shareholders in such “book-building” process described above.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of the Listing Rules, and its consent under paragraph 5(2) of Appendix 6 to the Listing Rules to permit our Company to allocate the Placing Shares in the Placing to existing Shareholders and their close associates, subject to the following conditions:

- (a) each existing Shareholder to whom Placing Shares may be allocated in the Placing must hold less than 5% of the issued Shares in our Company prior to Listing;
- (b) such existing Shareholders and their close associates are not, and will not be, core connected persons (as defined under the Listing Rules) of our Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Share Offer;
- (c) such existing Shareholders have no right to appoint directors of our Company and do not have other special rights in our Company;
- (d) allocation to such existing Shareholders and their close associates will not affect our Company’s ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules;
- (e) each of our Company, the Joint Lead Managers and the Sole Sponsor confirms to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to our existing Shareholders and their close associates by virtue of their relationship with our Company in any allocation in the Placing; and
- (f) the relevant information in respect of the allocation to our existing Shareholders and/or their close associates will be disclosed in the allotment results announcement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

5. CONTINUING CONNECTED TRANSACTIONS (CHAPTER 14A)

Our Group has entered into certain transactions which would constitute continuing connected transactions of our Company pursuant to Chapter 14A of the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND PRESENTATION

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

Certain information about the Share Offer is set out below:

Issuer	ISDN Holdings Limited (億仕登控股有限公司*)
The Share Offer	40,000,000 new Shares comprising (i) 4,000,000 Public Offer Shares (subject to reallocation); and (ii) 36,000,000 Placing Shares (subject to reallocation)
Offer Price	HK\$1.25 per Offer Share
Shares to be issued under the Share Offer	40,000,000 Shares
Lock-up undertakings by the Company and the Controlling Shareholders	See the section headed "Underwriting – Underwriting Arrangements and Expenses – Public Offer" in this prospectus
Dividend policy	See the section headed "Financial Information – Dividends" in this prospectus
Voting rights	Each Share entitles its holder to one vote at our Shareholders' meeting. See the section headed "Summary of the Constitution of Our Company and Salient Provisions of the Laws of Singapore – (G) Voting Rights" in Appendix IV to this prospectus

* For identification purpose only

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Share registrar and stamp duty	Our Singapore Principal Share Register and transfer office in Singapore are maintained by our Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01, Singapore 048623 in Singapore and our Hong Kong Branch Share Register and transfer office in Hong Kong will be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong. Dealings in our Shares registered in the Hong Kong Branch Share Register will be subject to Hong Kong stamp duty.
Eligibility for CCASS	Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after the trading date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.
Underwriting	The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Share Offer is managed by the Joint Lead Managers. Further details of the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting” in this prospectus.
Procedures for application for Public Offer Shares	The application procedures for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.
Professional tax advice recommended	Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees, advisers or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Consequences of holding an interest in Shares

Holders and beneficial owners of our Shares should be aware that they may be subject to certain legal requirements under Hong Kong law and the Listing Rules, including, for example, reporting obligations upon reaching certain specified ownership thresholds. You should consult your own legal adviser as to the Hong Kong legal consequences of investing in our Shares. As our Company is also listed on the main board of the SGX-ST, Shareholders will also be subject to applicable requirements under Singapore law and the Singapore Listing Manual.

Application for listing on the Stock Exchange

Application has been made to the Listing Committee for listing of, and permission to deal in, on the Main Board of the Stock Exchange, our Shares in issue and listed on the main board of the SGX-ST and Shares that may be allotted and issued pursuant to: (i) the Share Offer; (ii) the exercise of options that have been or may be granted under the ISDN ESOS 2016; (iii) the vesting of share awards that have been or may be granted under the ISDN EPSP 2012 subject to a maximum number of Shares of not more than 3% of the issued Shares as at the Listing Date; and (iv) the exercise of Warrants that have been issued by us and which are listed and quoted on the main board of the SGX-ST.

Our Company's listings on both the Main Board of the Stock Exchange and the main board of the SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, by the Stock Exchange, we must comply with the Listing Rules and the Singapore Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore that are applicable to our Company. In the event where there is a conflict or an inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavours to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa.

As Shareholders' approval is required for matters relating to the proposed Listing and the proposed amendments to the Constitution to, amongst other things, comply with the requirements of the Listing Rules and the Singapore Listing Manual, a circular in relation to such matters was sent by our Company on 24 November 2016 to our Shareholders. An extraordinary general meeting of our Company was consequently held on 16 December 2016 whereby resolutions were passed for, inter alia, the approval of matters relating to the proposed Listing and the proposed amendments to the Constitution. Save as disclosed above, no approval from the SGX-ST is required for the proposed Share Offer or the Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future. All the Offer Shares will be registered on the Hong Kong Branch Share Register in order to enable them to be traded on the Stock Exchange.

Details of the arrangement for the removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register or from the Hong Kong Branch Share Register to the Singapore Principal Share Register are set out in the section headed "Listings, Registration, Dealings and Settlement" in this prospectus.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of the Public Offer Shares to, confirm that he is aware of the restrictions on offers of the Public Offer Shares described in this prospectus. We offer the Public Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and such forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers or any other persons or parties involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders and potential investors should consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our and their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, the following exchange rates have been used for translation for the purpose of illustration only:

RMB1 = HK\$ 1.19	SGD1 = IDR 9,800
SGD1 = HK\$ 5.70	SGD1 = VND16,400
SGD1 = RMB4.80	

No representation is made that any amounts in the abovementioned currencies could have been or could be converted at the above rates or at any other rates or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments/are rounded to one decimal place. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Teo Cher Koon (張子鈞)	28 Bournemouth Road Singapore 439716	Singaporean
Kong Deyang (孔德揚)	No. 7 Block 6, Dongfang Yuan Xujiang Road, Suzhou Jiangsu, PRC	Chinese
<i>Independent Non-Executive Directors</i>		
Lim Siang Kai (林汕鏞)	26A Jalan Haji Alias Singapore 268527	Singaporean
Soh Beng Keng (蘇明慶)	126 Tai Keng Gardens Singapore 535407	Singaporean
Tan Soon Liang (陳順亮)	APT BLK 50, St. Patrick's Road #02-03 Singapore 424216	Singaporean

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Joint Bookrunners and Joint Lead Managers	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong South China Securities Limited 28/F., Bank of China Tower 1 Garden Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisers to our Company

As to Hong Kong law:

Deacons

5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Singapore law:

Shook Lin & Bok LLP

1 Robinson Road
#18-00 AIA Tower
Singapore 048542

As to PRC law:

AllBright Law Offices

11, 12/F, Shanghai Tower
No. 501, Yincheng Middle Road
Pudong New Area
Shanghai 200120, PRC

As to International Sanctions law:

DLA Piper UK LLP

3 Noble Street
London EC2V 7EE
United Kingdom

As to Indonesia law:

Dau & Tuah

Gedung Pusat Perfilman
H. Usmar Ismail
2nd Floor, Suite 209
Jl. HR. Rasuna Said Kav. C-22
Kuningan
Jakarta Selatan 12940
Indonesia

As to Malaysia law:

Shook Lin & Bok

20th Floor Ambank Group Building
55 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

As to Taiwan law:

Lin & Partners, Attorneys-at-Law

11F, No. 2, Sec.1
Dunhua S. Road
Songshan District
Taipei 10506
Taiwan (R.O.C.)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Thailand law:</i> Bangkok International Associates Limited 17th Floor, New ITF Tower 140/36-38 Silom Road Bangkok 10500 Thailand</p>
	<p><i>As to Vietnam law:</i> Vision & Associates Legal Unit 308-310, 3rd Floor, Hanoi Towers 49 Hai Ba Trung Street Hanoi Vietnam</p>
Legal Advisers to the Sole Sponsor, Joint Bookrunners, Joint Lead Managers and Underwriters	<p><i>As to Hong Kong law:</i> Chiu & Partners 40th Floor Jardine House 1 Connaught Place Hong Kong</p>
Auditor	<p>Moore Stephens LLP 10 Anson Road #29-15 International Plaza Singapore 079903</p>
Reporting Accountants	<p>Moore Stephens CPA Limited 905 Silvercord Tower 2 30 Canton Road Tsimshatsui Kowloon Hong Kong</p>
Property Valuer	<p>Vigers Appraisal & Consulting Limited 10th Floor, The Grande Building 398 Kwun Tong Road Kowloon Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1014-1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai 200232 PRC</p>

CORPORATE INFORMATION

Registered office	No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175
Head office and principal place of business in Singapore	No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175
Principal place of business in Hong Kong	Unit 1504, 15/F. Yuen Long Trading Centre 33 Wang Yip Street West Yuen Long, New Territories Hong Kong
Joint company secretaries	Gn Jong Yuh Gwendolyn (鄞鐘毓), <i>LLB (Hons)</i> 1 Robinson Road #18-00 AIA Tower Singapore 048542 Tang Chi Chiu (鄧志釗), <i>CPA (practising)</i> 18/F, Bangkok Bank Building Nos. 490-492 Nathan Road Yaumatei Hong Kong
Authorised representatives (for the purposes of the Listing Rules)	Teo Cher Koon 28 Bournemouth Road, Singapore 439716 Gn Jong Yuh Gwendolyn 1 Robinson Road #18-00 AIA Tower Singapore 048542
Audit Committee	Lim Siang Kai (<i>Chairman</i>) Soh Beng Keng Tan Soon Liang
Remuneration Committee	Tan Soon Liang (<i>Chairman</i>) Lim Siang Kai Soh Beng Keng
Nominating Committee	Soh Beng Keng (<i>Chairman</i>) Lim Siang Kai Teo Cher Koon
Risk Management Committee	Lim Siang Kai (<i>Chairman</i>) Soh Beng Keng Tan Soon Liang

CORPORATE INFORMATION

Compliance adviser	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Company's website address	www.isdnholdings.com <i>(information on this website does not form part of this prospectus)</i>
Singapore Principal Share Registrar and transfer office	Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Hong Kong Branch Share Registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F 148 Electric Road North Point Hong Kong
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) Limited Suzhou Branch 7/F International Building 2 Su Hua Road Suzhou Industrial Park Suzhou 215021, PRC United Overseas Bank (China) Limited 101-104, 1F 111 Dong Yuan Road Pudong New Area Shanghai 200120, PRC China Construction Bank Co., Ltd Suzhou New & Hi-Tech Industrial Development Zone Sub-Branch No. 95 Shishan Road Suzhou New District, PRC

CORPORATE INFORMATION

Receiving bank

**Standard Chartered Bank
(Hong Kong) Limited**
15/F Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government resources and a commissioned report, the F&S Report. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of their affiliates or advisers or any other party involved in the Share Offer and no representation is given as to its accuracy.

REPORT COMMISSIONED FROM F&S AND SOURCE OF INFORMATION

In connection with the Share Offer, we have commissioned F&S, an Independent Third Party, to conduct a study of the integrated engineering solutions and motion control solutions markets in the PRC (including the motion control solutions market in Hong Kong), Singapore and Malaysia, referred to as the F&S Report herein. F&S is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. F&S services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. F&S has been covering the PRC (including Hong Kong), Singapore and Malaysia markets since the 1990's. F&S has four offices in the PRC and direct access to the most knowledgeable experts and market participants in integrated engineering solutions and motion control solutions in the PRC (including Hong Kong), Singapore and Malaysia and its industry consultants have an average of more than five years of experience.

The methodology used by F&S in gathering the relevant market data in compiling the F&S Report included secondary research and primary interviews. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from government authorities of the PRC, Singapore and Malaysia, and market research on industry and enterprise player information issued by our major competitors. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. F&S considers such sources of information as reliable because (i) it is general market practice to adopt official data and announcements from various government authorities of the PRC, Singapore and Malaysia; and (ii) the information obtained from interviews is for reference only and the findings in the F&S Report are not based on the results of these interviews. In compiling and preparing the F&S Report, F&S has adopted the following assumptions: (i) the economies of the PRC (including Hong Kong), Singapore and Malaysia are assumed to maintain relatively steady growth across the forecast period; (ii) the social, economic and political environments of the PRC (including Hong Kong), Singapore and Malaysia are likely to remain stable in the forecast period, which ensure the stable and healthy development of the PRC (including Hong Kong), Singapore and Malaysia integrated engineering solutions and motion control solutions market; and (iii) there is no war or large scale disaster during the forecast period. The following parameter are considered in the market sizing and forecast model in the F&S Report: (i) GDP value and GDP growth rate from 2011 to 2020; (ii) value of integrated engineering and motion control solutions markets in the PRC, Singapore and Malaysia from 2011 to 2020; and (iii) revenue of top five players of motion control solutions markets in the PRC and Singapore in 2015. Historical market information contained in this section covers the five years ended 31 December 2015 as such information for the period thereafter was not available as at the Latest Practicable Date. F&S charged us a total fee of RMB400,000 for the preparation and use of the F&S Report.

INDUSTRY OVERVIEW

Our Directors confirm that, after making reasonable investigation, there has been no material adverse change in the market information since the date of the F&S Report and up to the Latest Practicable Date, which may qualify, contradict or have an impact in any material respect on the information in this section.

ECONOMIC GROWTH IN THE PRC, SINGAPORE AND MALAYSIA

The PRC: Over the past years, the PRC economy has maintained a solid growth pace even under the shock of the world financial crisis. The nominal GDP in the PRC increased from approximately USD7,422 billion in 2011 to approximately USD10,982.8 billion in 2015, representing a CAGR of approximately 10.3%. Going forward, the PRC government authorities are likely to maintain the consistency and stability of macroeconomic policies so as to maintain macroeconomic stability. According to International Monetary Fund (“IMF”), the nominal GDP in the PRC is expected to reach approximately USD16,144 billion in 2020, representing a CAGR of approximately 8% from 2015 to 2020.

Singapore: As a trade-oriented country, the economy of Singapore took a moderately upward trend in recent years. The nominal GDP in Singapore grew from approximately USD275.4 billion in 2011 to approximately USD292.7 billion in 2015, representing a CAGR of approximately 1.5%. According to the IMF, the nominal GDP in Singapore is expected to reach approximately USD336.7 billion in 2020, representing a CAGR of approximately 2.8% from 2015 to 2020. Such growth is likely to be supported by accommodative macroeconomic policies, lower energy costs and a gradual recovery in external demand.

Malaysia: The nominal GDP in Malaysia decreased from approximately USD298.0 billion in 2011 to approximately USD296.2 billion in 2015, with a CAGR of approximately -0.1%. Driven by its experienced macroeconomic management personnel, strong stable economic policy framework and sound financial system, the nominal GDP in Malaysia is expected to recover to approximately USD477.9 billion in 2020, representing a CAGR of approximately 10% from 2015 to 2020.

INTEGRATED ENGINEERING SOLUTIONS MARKET IN THE PRC, SINGAPORE AND MALAYSIA

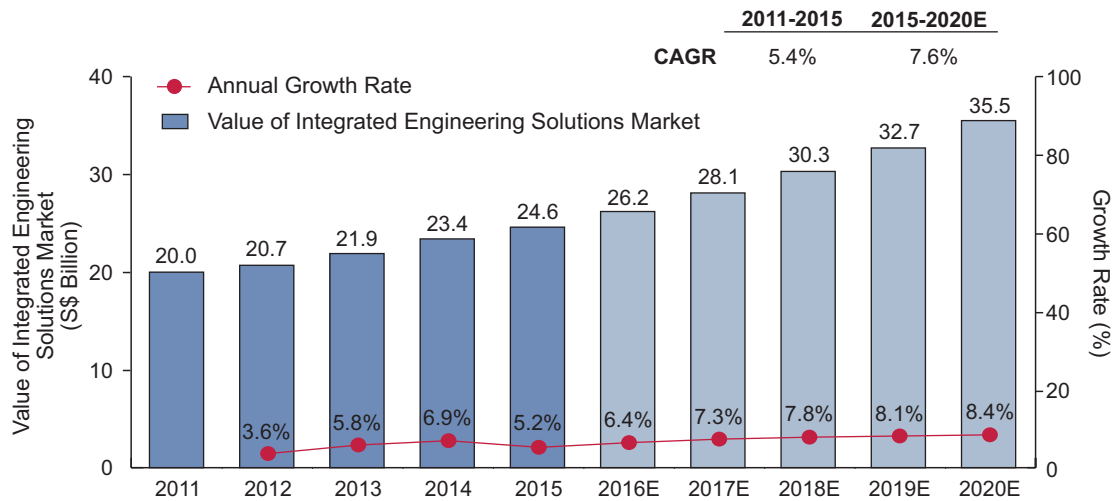
Definition of integrated engineering solutions

Integrated engineering solutions are the combination of various engineering solutions, such as motion control solutions and industrial computing solutions. Integrated engineering solutions providers refer to enterprises with a large engineering knowledge base, strong industry understanding and matured methodologies that are able to offer one-stop engineering solution service to their clients. These providers mainly focus on providing quality engineering solutions for the process, systems, and facility needs of their clients. They offer upstream suppliers advices regarding market dynamics and product development; and offer downstream clients complete products, components or information on components and products from multiple brands. The product offerings include servo motors, drives and other mechanical parts where integrated engineering solutions providers normally make full provision for products that are more than five years old. They deliver integrated engineering solutions to clients across numerous industries, such as aerospace and defense, automotive, industrial equipment, transportation, consumer products, energy and utilities, healthcare and high-technology products, etc. The main downstream industries of integrated engineering solutions market include, among others, construction industry, oil and gas industry, telecom industry, mining industry, automation industry, transportation industry.

INDUSTRY OVERVIEW

Size of integrated engineering solutions market in the PRC

Value of Integrated Engineering Solutions Market (PRC), 2011-2020E



Source: F&S Report

The value of the integrated engineering solutions market in the PRC amounted to approximately S\$24.6 billion in 2015, up from approximately S\$20.0 billion in 2011, representing a CAGR of approximately 5.4%. The PRC government has released a series of stimulus policies, such as Made in China 2025* (中國製造2025), to boost manufacturing investment in the PRC. Also, a large number of enterprises are determined to enhance technical innovations, focusing on improving its production automation level and aiming for industrial upgrade. Given such, the value of integrated engineering solutions market is expected to reach approximately S\$35.5 billion in 2020, growing at a CAGR of approximately 7.6% from 2015 to 2020.

Main drivers of integrated engineering solutions market in the PRC

It has become a national strategy in the PRC to develop intelligent manufacturing. Currently, intelligent manufacturing has gradually penetrated into traditional manufacturing industries so as to improve product quality, enhance production efficiency, and significantly reduce the consumption of raw materials used in manufacturing process. Furthermore, intelligent manufacturing brings low energy consumption and emissions. Therefore, the integrated engineering solutions market can be regarded as one of the major parts in the development of the intelligent manufacturing industry in the PRC. Accordingly, the rapid development of intelligent manufacturing in the PRC is expected to accelerate the growth of the integrated engineering solutions market in the PRC.

Although the PRC has a large production capacity in many manufacturing industries, such as 3C (computer, communication and consumer electronic) industry, and automobile industry, the automation level of such manufacturing industry in the PRC is relatively low compared to that in developed countries. With the disappearance of demographic dividend in the PRC caused by the aging population and the decline in the working-age population resulted from the one-child policy, these labor-intensive industries need to improve its automation level to reduce labor cost. Besides, integrated engineering solutions play an important role in automation of manufacturing industries by providing industrial upgrade technologies and therefore leading to growth of the integrated engineering solutions market.

INDUSTRY OVERVIEW

Future outlook of integrated engineering solutions market in the PRC

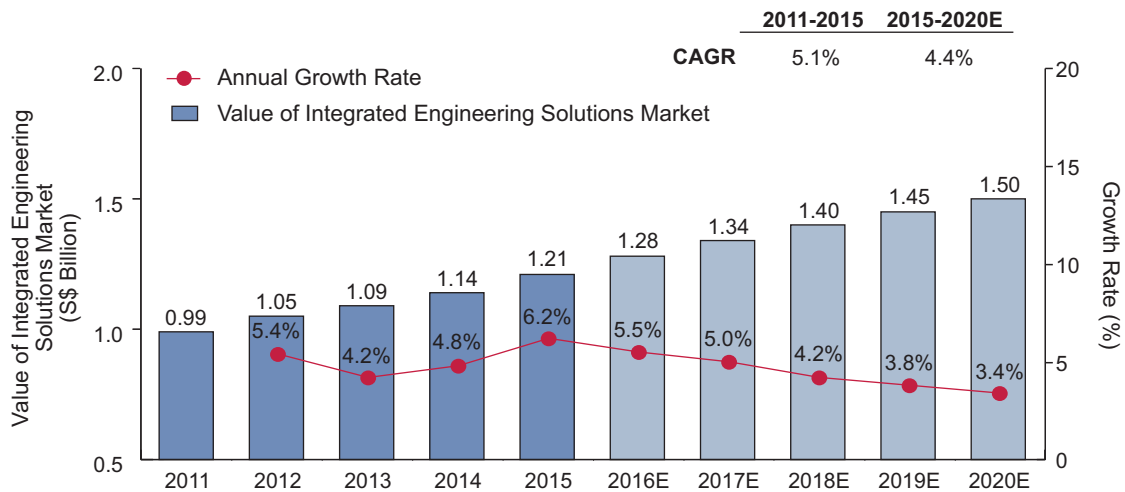
Currently, a larger number of traditional labor-intensive manufacturing enterprises, especially some small to medium enterprises, are still operating at a low level of automation. To survive in the turbulent competitive environment, companies are willing to utilize integrated engineering solutions services to continuously keep their competitive advantages in cost and production. Apart from these traditional manufacturing industries, emerging downstream, such as, energy sector and logistics industry, have higher technical requirements on integrated engineering solutions services to simplify their business operation and promote work efficiency. Given such, integrated engineering solutions market is projected to grow.

F&S considers that a number of well-known foreign enterprises in the PRC, such as Siemens and Rockwell, which are with good reputation, rich experiences, comprehensive products and services, high-technology and large capital, focused on developing the integrated engineering solutions market in the PRC and have gained market shares in this sector and have large potentials. Previously, most local solutions providers in the PRC could only provide certain basic services. However, in the future, the competition from these foreign enterprises creates a positive competition environment for the local players to improve their technology and solution quality to compete with these foreign giants in integrated engineering solutions market.

Size of integrated engineering solutions market in Singapore and Malaysia

Singapore

Value of Integrated Engineering Solutions Market (Singapore), 2011-2020E

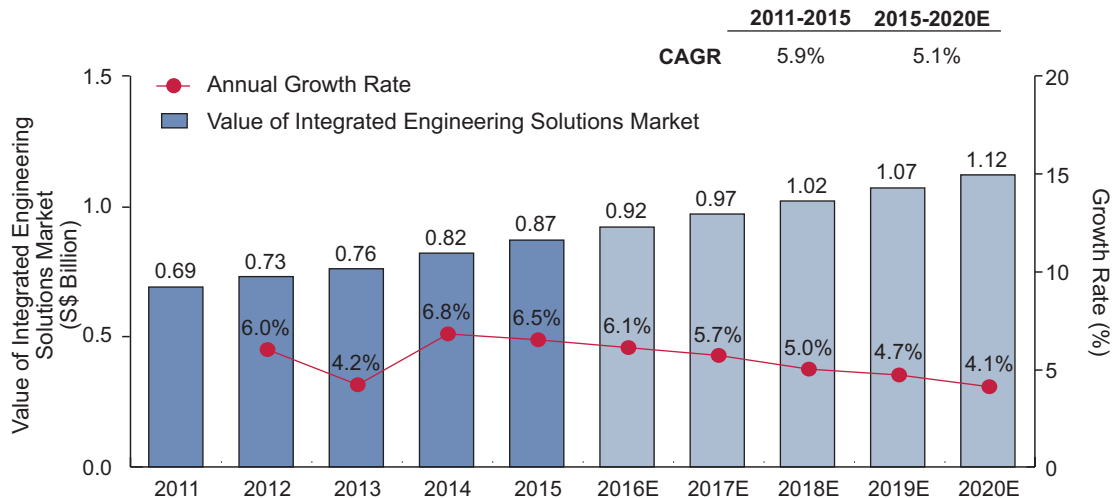


Source: F&S Report

INDUSTRY OVERVIEW

From 2011 to 2015, the value of integrated engineering solutions market in Singapore increased from approximately S\$0.99 billion to approximately S\$1.21 billion, with a CAGR of approximately 5.1%. Driven by the increasing needs from traditional downstream industries new growth opportunities in the emerging downstream industries and government supports for enhancing automation level in Singapore as discussed below, the value of integrated engineering solutions market in Singapore is likely to reach approximately S\$1.50 billion in 2020, representing a CAGR of approximately 4.4% from 2015 to 2020.

Value of Integrated Engineering Solutions Market (Malaysia), 2011-2020E



Source: F&S Report

The value of integrated engineering solutions market in Malaysia increased from approximately S\$0.69 billion to approximately S\$0.87 billion, with a CAGR of approximately 5.9%. Driven by the increasing demand from related downstream industries and government promotions (such as the Malaysian government proposing an allocation of MYR120 million as an integrated package to increase innovation and productivity of small and medium enterprises and the contracted research and development company is eligible to apply for pioneer status with income tax exemption of 100% of statutory income for five years) in Malaysia, the value of integrated engineering solutions market in Malaysia is estimated to reach approximately S\$1.12 billion in 2020, with a CAGR of approximately 5.1%.

Future outlook of integrated engineering solutions market in Singapore and Malaysia

Currently, benefiting from the well-developed economy, the integrated engineering solutions market in Singapore is relatively mature. Therefore, in order for integrated engineering solutions providers in Singapore to expand their business, a number of them are projected to enter into developing economies with a low level of automation in the Southeast Asia, such as Vietnam, Cambodia and Myanmar. Hence, there exists a trend that integrated engineering solutions providers in Singapore establish production bases and introduce products and services to Southeast Asia.

Furthermore, under the positive influence of the idea of "Industry 4.0", the construction of and upgrade to intelligent factories can be regarded as the main trend for many manufacturing industries in Singapore and Malaysia. In the process of establishing and upgrading to intelligent production facilities, integrated engineering solutions providers are able to improve the overall intelligence level of these manufacturing industries. It is expected that integrated engineering solutions providers will be contributing to the construction of and upgrade to intelligent factories in Singapore and Malaysia.

INDUSTRY OVERVIEW

Entry barriers of integrated engineering solutions market in the PRC, Singapore and Malaysia

Large Initial Capital: Integrated engineering solutions market, as a segment of engineering and automation industry, is a capital-intensive industry. Plants construction, equipment purchasing, talent recruitment, marketing promotion and operations require substantial initial investment. Accordingly, requirement of large initial capital can be regarded as one of the major entry barriers for most new entrants. Especially for small to medium size entrants, as they lack large initial capital and sufficient cash flow.

Technical Requirements: Integrated engineering solution providers have professional product development teams with technical knowledge to offer comprehensive and advanced solutions. Moreover, in order to satisfy clients' specific expectations, these market participants provide a certain degree of customized solutions. The solution providers also register their intellectual property rights. Therefore, it is difficult for new entrants to gain solid technical strength and competitiveness in a short period of time.

Comprehensive Service Package: In the fierce competitive market, integrated engineering solutions providers no longer only offer one-off solutions, rather they build a strong service system so as to regularly upgrade solutions according to the client's needs and solve problem without delay. However, such comprehensive service package is hardly provided by the newcomers in the market, mainly due to lack of rich experience, strong capabilities in research and development and sufficient operation capital.

Good Industry Experience and Reputation: Downstream clients prefer to purchase solutions services from integrated engineering solution providers with rich relevant industry experience and good reputation, which they believe that providers with a long history of development are able to offer them better customized solutions and more reliable service package. Thus, it is not easy for new entrants of this industry who have little relevant experience to acquire business from stable clients of current industry players in the short term and establish long-term cooperation relationships.

Reliable Suppliers: It is important for integrated engineering solutions providers to source from reliable suppliers that are capable of offering high quality and wide range of products with low cost. The upstream suppliers are willing to cooperate with integrated engineering solutions providers with long-term development history possessing good brand and reputation. Therefore, new entrants have some difficulties in building mutual trust partnerships with suppliers in the short term.

Sufficient Experienced Labor Force: Sufficient experienced talent is often considered to be crucial for the participants in the integrated engineering solutions market of Singapore and Malaysia. New entrants are not able to build sufficient experienced labor force in a short time because they lack time and projects to train new hires.

MOTION CONTROL SOLUTIONS MARKETS IN THE PRC (INCLUDING HONG KONG), SINGAPORE AND MALAYSIA

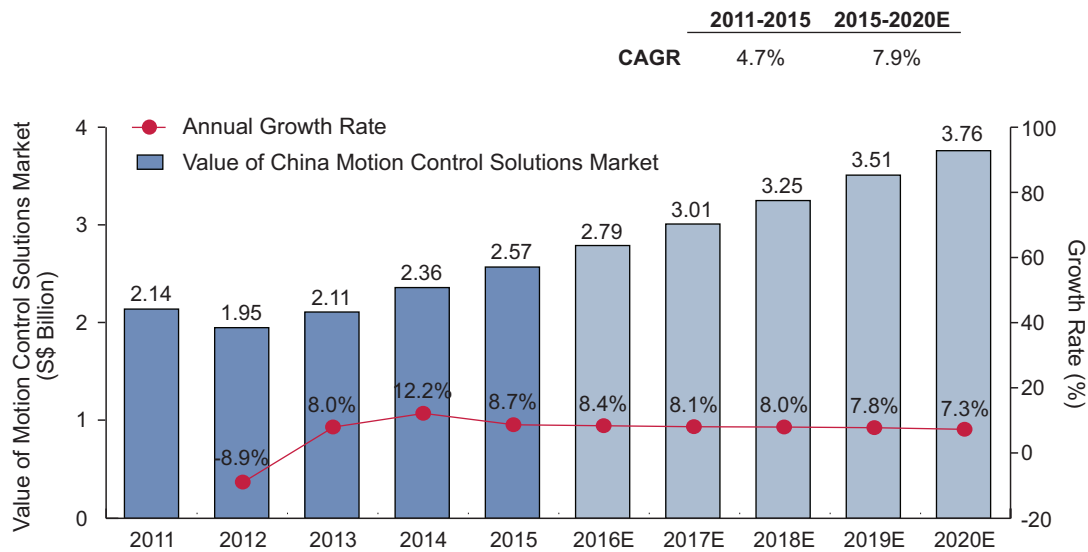
Definition of motion control solutions

Motion control solutions is the accurate control of the movement of an object based on speed, distance, load, inertia or combination of all these factors. Thus a motion control system is a precise electro-mechanical assembly that can be a functional module of a machine or a complete machine by itself. Different from motion control products manufacturers, motion control solutions providers not only distribute products, they may also design, assemble and install motion control systems with components sourced from suppliers for downstream clients as this would enable such client to reduce costs and improve production efficiency. In order to increase their competitiveness, motion control solutions providers are likely to provide comprehensive services with customization. The main downstream industries of motion control solutions market include, among others, machine tools, food & beverage packaging machinery, semiconductor and electronics industry, rubber & plastics machinery, automotive industry, medical device/production machinery, industrial robotics, textile machinery, printing machinery.

INDUSTRY OVERVIEW

Size of motion control solutions market in the PRC

Value of Motion Control Solutions Market (PRC), 2011-2020E



Source: F&S Report

Note: The above does not include the value of motion control solutions market in Hong Kong.

From 2011 to 2015, the value of motion control solutions market in the PRC increased from approximately S\$2.14 billion to approximately S\$2.57 billion, with a CAGR of approximately 4.7%. In 2012, there was a decline in the size of this market by 8.9% which was mainly due to the economic slowdown and over capacity in some downstream industries, especially in middle to low end sectors, such as machine tools, papermaking machinery, etc. Due to the upgrade of manufacturing industries and government supports in the PRC, the motion control solutions market in the PRC is likely to grow in the next few years and the value of this market is expected to reach approximately S\$3.76 billion in 2020, representing a CAGR of approximately 7.9% from 2015 to 2020.

Main drivers of motion control solutions market in the PRC

Recently, apart from satisfying global demand, manufacturing industries in the PRC also need to satisfy demand from its domestic market. Such development increased demand for motion control solutions as this introduce automation components into machinery for production in the manufacturing industries, such as, textile, printing, packaging and electronics. Therefore, the rapid expansion and upgrade of automation in different manufacturing industries in the PRC drives the growth for motion control solutions.

Due to shortage of labor forces and increasing labor costs in the PRC, a large number of enterprises, especially those involving labor-intensive manufacturing, have to rely on advanced automated machinery for production to save cost and improve productivity. Accordingly, this has created opportunity for motion control solutions providers in the PRC.

The PRC government has introduced numerous incentives policies and regulations, for instance, "Made in China 2025", to promote the upgrade of high-end equipment and industrial control industry in the PRC. The 12th Five-year Specialized Plan for High-end Manufacturing Equipment Development (智能製造科技發展“十二五”專項規劃) also promoted the importance of Industry 4.0 and enhanced the development in robotic and automatics system in the manufacturing industries in the PRC. Hence, the motion control solutions market in the PRC is expected to further develop given these favorable policies and regulations in place.

INDUSTRY OVERVIEW

Competitive landscape of motion control solutions market in the PRC

Ranking and Market Share of Top 5 Competitors by Sales Revenue in Motion Control Solutions Market (PRC), 2015

<u>Ranking</u>	<u>Company Name</u>	<u>Market share by sales revenue in 2015 (%)</u>
1	Company A	8.7%
2	Company B	6.8%
3	Company C	6.4%
4	Our Group	5.1%
5	Company D	2.6%
	Top 5	29.6%
	Others	70.4%
	Total	100.0%

Source: F&S Report

Note: The above does not include the motion control solutions market in Hong Kong.

F&S considers that there are a large number of motion control solutions providers in the PRC that mainly distribute motion control products with Japanese brands, such as, Yaskawa, Mitsubishi, Panasonic and Fuji, and European and American brands, such as Siemens, Rockwell and Bosch. They also offer comprehensive services in design, assembling and installation of motion control systems for downstream clients. Meanwhile, those European and American motion control manufacturers who provide high-end products are also offering customized motion control solution services so as to target premium clients in downstream with advanced technology or higher specification requirements. In 2015, the top five players of motion control solutions market in the PRC accounted for in aggregate approximately 29.6% of the total motion control solutions market in terms of revenue. We ranked 4th with a market share of approximately 5.1% in terms of total revenue in motion control solutions market of the PRC in 2015.

We do not manufacture the parts and components for motion control solutions and we do not own production facilities with material production capabilities. Our success is primarily attributable to our clear leading market position as an integrated engineering solution provider in the PRC with a diverse customer base, our business model which is largely built upon the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof, and our experienced and dedicated management. In addition, as a leading player in the PRC motion control solutions market, we took a share of 5.1% in 2015 in terms of revenue.

Hong Kong as a subset of the PRC motion control solutions market

As a subset of the PRC motion control solutions market, currently, most Hong Kong enterprises in machine tools industry, semiconductor and electronics industry, industrial robotics and other main downstream of motion control solutions have shifted their main manufacturing bases to the PRC and even Southeast Asia. Moreover, there are a limited number of local motion control solutions providers in Hong Kong. Therefore, these downstream clients, especially medium to large ones, are likely to choose motion control solutions providers with wide business and geographic coverage relevant to location of

INDUSTRY OVERVIEW

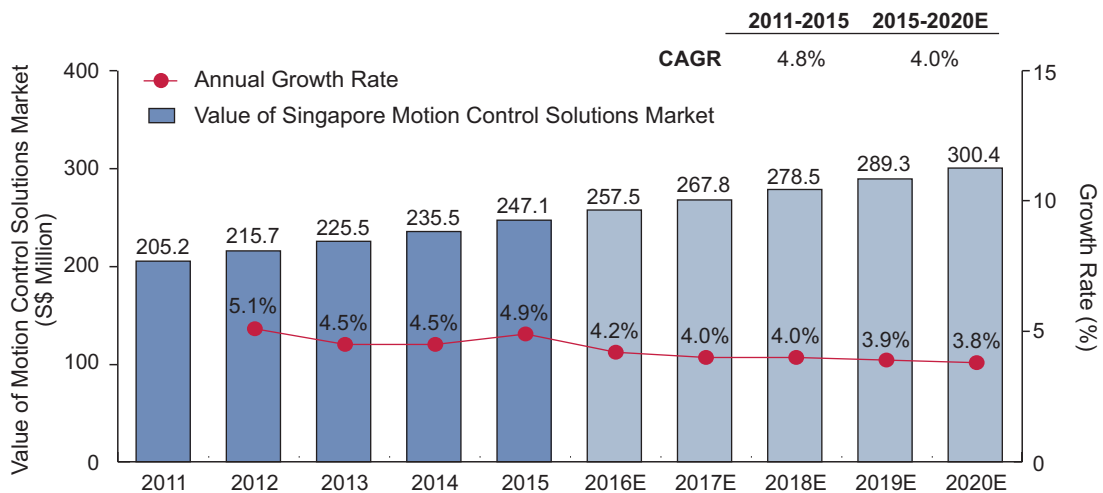
their manufacturing base, good brand image, high-quality service and products. This is because if these downstream clients encounter any issues in relation to the motion control solutions, they could rapidly gain the aids from such motion control solutions providers as they have the necessary professional research and development teams with technical knowledge to offer the comprehensive and advanced solutions services.

Future opportunities of motion control solutions market in the PRC

With the upgrades of most manufacturing industries in the PRC and strong threats from developing Southeast Asian countries with low labor cost, most PRC manufacturing enterprises are not satisfied with offering simple products without advanced technology. A large number of manufacturing enterprises, especially some large ones are projected to shift their labor intensive business model to technology incentive business model. These manufacturers are able to take advantages of customized and comprehensive motion control solutions to enhance their production efficiency and to save labor cost at the same time. Customization is likely to become the key trend of motion control solutions market in the PRC. Moreover, to accelerate the development of intelligent manufacturing industry, the Made in China 2025 was promulgated in 2015 in the PRC to enhance the overall intelligence of the manufacturing sector in the PRC by 2025. The PRC government also launched policies and measures, such as, The 12th Five-year Specialized Plan for High-end Manufacturing Equipment Development and The 12th Five-year Development Plan for High-end Manufacturing Equipment* (高端裝備製造業“十二五”發展規劃) to develop and promote intelligent manufacturing and industrial control industry. With these strong supports from the PRC government, the motion control solutions providers in the PRC are likely to gain a lot of potential opportunities over the next few years.

Size of motion control solutions market in Singapore and Malaysia

Value of Motion Control Solutions Market (Singapore), 2011-2020E

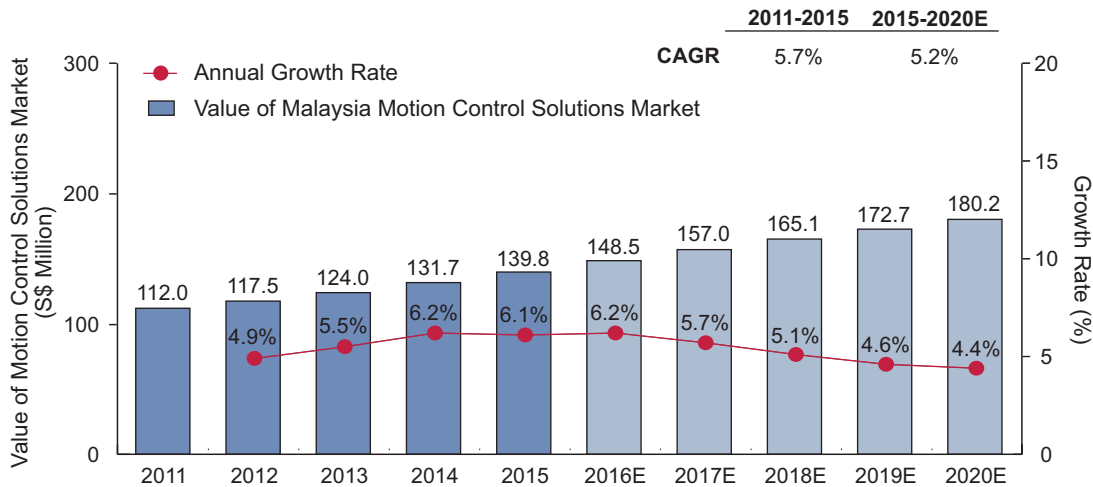


Source: F&S Report

INDUSTRY OVERVIEW

As a developed country with fast development of electronics and the semiconductor industry, Singapore has a relatively mature motion control solutions market. In the period of 2011 to 2015, the value of motion control solutions market in Singapore grew from approximately S\$205.2 million to approximately S\$247.1 million, with a CAGR of approximately 4.8%. Due to the further development of related downstream industries and government investment and supports, the value of the motion control solutions market in Singapore is projected to reach approximately S\$300.4 million in 2020, representing a CAGR of approximately 4% from 2015 to 2020.

Value of Motion Control Solutions Market (Malaysia), 2011-2020E



Source: F&S Report

The value of motion control solutions market in Malaysia grew from approximately S\$112 million in 2011 to approximately S\$139.8 million in 2015, with a CAGR of approximately 5.7%. Driven by the increasing coverage of automation in traditional economic industries and government promotions, the value of the motion control solutions market in Malaysia is expected to reach approximately S\$180.2 million in 2020, representing a CAGR of approximately 5.2% from 2015 to 2020.

Main drivers of motion control solutions market in Singapore and Malaysia

The semiconductor and electronics industry have become the pillars of economy in Singapore and Malaysia. In the recent years, these two countries can be regarded as one of the largest production bases for processing semiconductors and electronic components in the world. Many multinational enterprises in the semiconductor and electronics industry have established their factories in Singapore and Malaysia. Meanwhile, enterprises incorporated in Singapore which conduct business in the semiconductor and electronics industry have gained recognized leading position globally. The semiconductor and electronics industry in Singapore and Malaysia are the main driver for the increasing demand for motion control solutions.

Different from other developing countries in the Southeast Asia, Singapore and Malaysia are faced with issue of aging population and labor shortage. In order to guarantee their business operations and production capabilities, a number of enterprises are willing to choose motion control solutions instead of hiring migrant workers who might potentially put the enterprises at risk of violating relevant laws and regulations in relation to contract, payment, and insurance. Accordingly, the increasing aging population and shortage of labor drives the development of motion control solutions market in Singapore and Malaysia.

INDUSTRY OVERVIEW

Competitive landscape of motion control solutions market in Singapore

Ranking and Market Share of Top 5 Competitors by Sales Revenue in Motion Control Solutions Market (Singapore), 2015

Ranking	Company Name	Market share by sales revenue in 2015 (%)
1	Our Group	10.0%
2	Company E	5.8%
3	Company F	3.6%
4	Company G	3.0%
5	Company H	2.7%
	Top 5	25.1%
	Others	74.9%
	Total	100.0%

Source: F&S Report

The competition in Singapore is relatively concentrated. In 2015, top five players in Singapore motion control solutions market occupied about 25.1% of market share in terms of revenue. We were ranked 1st with a market share of approximately 10.0% in terms of total revenue in motion control solutions market of Singapore. Our competitive strengths includes our clear leading market position as an integrated engineering solution provider in Singapore with a diverse customer base, our business model which is largely built upon the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof, and our experienced and dedicated management.

Future opportunities of motion control solutions market in Singapore and Malaysia

With the rapid development of the motion control solutions market and relevant technologies, many more small to medium local enterprises in the Singapore and Malaysia are willing to choose and utilize motion control solutions in their production lines so as to ease the pressure of labor shortage and improve production efficiency. Meanwhile, manufacturing enterprises that are focusing on developing automation systems in their manufacturing sites are able to obtain government subsidies. Motion control solutions providers are likely to offer customized solutions that are mainly targeted for medium to small enterprises in the following years.

Virtually, the governments of Singapore and Malaysia insist in promoting idea of automation for most manufacturing industries. Meanwhile, they are likely to introduce stimulus programs for research and development in automation in the future. Due to the supports and trainings offered by the governments in Singapore and Malaysia, more manufacturing enterprises are expected to recognize the importance of the motion control solutions in their manufacturing processes. Accordingly, government promotions and supports, such as “The Automation Package” of Singapore and reinvestment allowance introduced in the 2016 Budget (Malaysia), have a strong impact on further development of motion control solutions market in Singapore and Malaysia.

INDUSTRY OVERVIEW

Entry barriers of motion control solutions markets in the PRC (including Hong Kong), Singapore and Malaysia

Established reputation: Established reputation as a credible and reliable motion control solutions provider is an important factor. Most upstream products suppliers and downstream clients prefer motion control solutions providers who have established reputation. A well established reputation relies on years of management and accumulation of technical knowledge thus the reputation of a player built over the years cannot be easily caught up by the new participants in the motion control solutions industry.

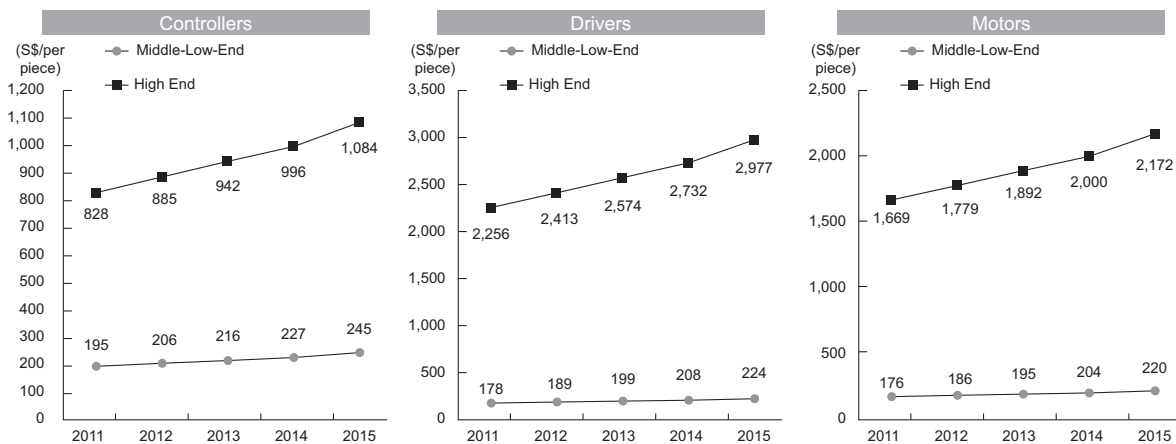
Long-term relationship: Downstream clients prefer to choose those motion solutions providers who have built up long-term cooperation with them so as to guarantee the overall solutions provided to ensure good and stable performance and reliable follow-up services. Also, long term players in the industry who develop relationship with wide array of suppliers can offer wider variety of products to customers. Accordingly, these existing motion control solutions providers, especially the long-term market players, have gained first-entry advantage in comparison with the new players. Therefore, new entrants have difficulties in attracting good business opportunities at the start of their businesses.

Technical knowledge: Motion control solutions providers generally offer advices to their clients to facilitate them to choose appropriate parts and components when customizing motion control solutions for their clients. Thus, motion control solutions providers have a high requirement for the technical knowledge. It covers a wide range of subjects, such as, mathematics, automation, computer software and hardware. It also requires relevant industry knowledge in machinery for processing techniques. It is necessary for new entrants to have experienced design and engineering teams and the accumulation of motion control technologies to develop the customized solutions for their clients. It is difficult for new companies to gain the competitiveness in technical knowledge, especially in the recruitment of talents, in the short run.

Professional talents: The capabilities of professional talents have a direct impact on the quality and performance of motion control solutions. Thus, these people in the motion control solutions market are required to have specific knowledge and rich industry experience. However, it is not easy to find qualified talents with comprehensive knowledge in motion control solutions market. New entrants lack the time and money to hire top tier talents. Furthermore, new entrants will not be able to provide relevant trainings to their employees in the short run as they may not have the necessary client base to provide on the job training to their employees in areas, such as, engineering, system design and system upgrade.

PRICE TREND OF MOTION CONTROL PARTS IN THE PRC AND SINGAPORE

Price of Motion Control Parts (PRC), 2011-2015

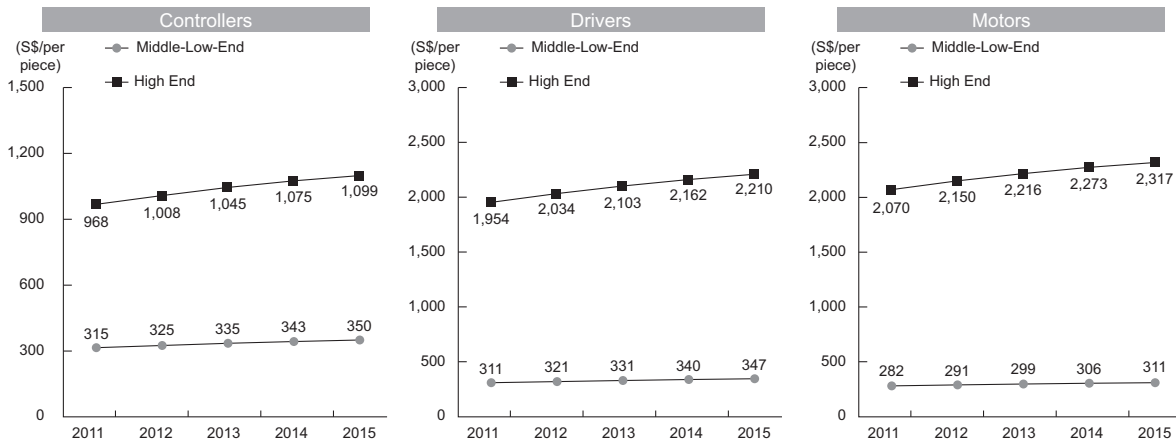


Source: F&S Report

INDUSTRY OVERVIEW

Motion control parts mainly include controllers, drivers and motors. According to the different configurations and specifications each type of products can be divided into high-end products and middle-low-end products. Therefore, there exists a certain price gap between different levels of products. For instance, in 2015, the average price of middle-low-end drivers was approximately S\$224 per piece. However, the average price of high-end drivers was more than ten times that of middle-low-end ones. In summary, the middle-low-end motion control parts reached a CAGR of approximately 5.8% from 2011 to 2015 and the high-end products enjoyed a CAGR of approximately 7% during the same period. In the following years, the average price motion control parts are projected to keep a stable growth.

Price of Motion Control Parts (Singapore), 2011-2015



Source: F&S Report

For the average price of motion control parts in Singapore, there also have a certain price gap between middle-low-end products and high-end products. For instance, in 2015, the average price of middle-low-end drivers was about S\$347 per piece. However, the average price of high-end drivers was more than six times that of middle-low-end ones. From 2011 to 2015, the middle-low-end products reached a CAGR about 2.6% and the high-end products enjoyed a CAGR around 3.0%. In the near future, the average price of motion control parts in Singapore is expected to maintain a stable growth.

REGULATORY OVERVIEW

This section is a summary of the material laws and regulations related to our business and industry of our principal places of operations as at the Latest Practicable Date.

OVERVIEW OF SINGAPORE LAWS AND REGULATIONS

(a) Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A) (“**WSHA**”) provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

- (i) providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;
- (ii) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees;
- (iii) ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;
- (iv) developing and implementing procedures for dealing with emergencies that may arise while the employees are at work; and
- (v) ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

More specific duties imposed by the relevant regulatory body, the Ministry of Manpower (“**MOM**”), on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations of Singapore (“**WSHR**”).

Pursuant to the WSHR, the following equipment are required to, amongst others, be tested and examined by an authorised examiner (“**Authorised Examiner**”) before they can be used and thereafter, at specified intervals:

- (i) hoists or lifts;
- (ii) lifting gears; and
- (iii) lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the occupier of a workspace in which the equipment is used to comply with the foregoing provisions of the WSHR, and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

For hoists and lifts not powered with mechanical power, a thorough examination of the hoist or lift shall be carried out at least once every year by an Authorised Examiner. For other hoists and lifts used in a workplace, they shall be thoroughly examined by an authorised examiner at least once every 6 months or at such other intervals as the Commissioner for Workplace Safety and Health (“**CWSH**”) may determine.

REGULATORY OVERVIEW

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, among others, enter, inspect and examine any workplace, inspect and examine any machinery, equipment, plant, installation or article at any workplace, make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and require any person to produce any article which is relevant to any investigation or inquiry under the WSHA and to take into custody any such article.

Any person who breaches his duty under the WSHA shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a body corporate has on at least one previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, punish the body corporate with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that:

- (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work;
- (ii) any person has contravened any duty imposed by the WSHA; or
- (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work and specify the date on which any step required by the order shall be taken, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations 2006, the employer in a workplace is supposed to, amongst others, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise any foreseeable risk, and where it is not reasonably practicable to eliminate the risk, implement measures and safe work procedures to control the risk, specify the roles and responsibilities of persons involved in the implementation of any measure or safe work procedure and inform workers of the same, maintain records of such risk assessments and measures or safe work procedure implemented for a period of not less than 3 years, and submit such records to the CWSH when required by the CWSH from time to time.

REGULATORY OVERVIEW

(b) Work Injury Compensation Act

Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354) (“WICA”), and is administered by the MOM. The WICA applies to employees (who are engaged under a contract of service or apprenticeship) in respect of injury suffered by them in the course of their employment and sets out, amongst others, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

Further, the WICA provides that, amongst others, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any employee employed (by the employer) in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S\$1,600 or less a month. An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

(c) Employment Act

The Employment Act (Chapter 91) of Singapore (“EA”) is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,000 a month.

Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, section 38(5) of the EA provides that an employee is not permitted to work overtime for more than 72 hours a month.

Employers may seek the prior approval of the Commissioner for Labour (“CL”) for exemption if they require an employee or class of employees to work for more than 12 hours a day or overtime for more than 72 hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing exempt such employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

REGULATORY OVERVIEW

(d) Central Provident Fund Act

In Singapore, employers are required by law to contribute to the Central Provident Fund (“CPF”). Under the scheme, employers are to ensure that CPF contributions are paid monthly for its employees, who are Singapore citizens or Singapore permanent residents, at the rates set out in the Central Provident Fund Act (Chapter 36) of Singapore.

(e) Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) of Singapore (“EFMA”) and is administered by the MOM.

In Singapore, under section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has a valid work pass. In addition, the employment of a foreign employee must be in accordance with the conditions of the foreign employee’s work pass. Any person who fails to comply with or contravenes section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

An employer of foreign workers is also subject to, amongst others, the provisions set out in the EA, the EFMA, the Immigration Act (Chapter 133) of Singapore and the regulations issued pursuant to these Acts.

(f) Company laws and regulations

Our Company is a public company limited by shares, incorporated and governed under the provisions of the Companies Act and its regulations.

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the constitution of the company. The constitution of a company contains, *inter alia*, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

(g) Taxation

Income Tax

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are generally subject to Singapore income tax on all Singapore source income, and on foreign source income received or deemed received in Singapore (unless specified conditions for exemption are satisfied). Foreign income in the form of dividends, branch profits and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer may however be exempt from Singapore tax if specific conditions are met.

REGULATORY OVERVIEW

The prevailing corporate income tax rate is 17.0% with partial tax exemption for normal chargeable income of up to S\$300,000 as follows:

- (i) 75.0% exemption of up to the first S\$10,000; and
- (ii) 50.0% exemption of up to the next S\$290,000.

If a newly incorporated Singapore tax resident company (whose principal activity is not that of investment holding or that of developing properties for sale, investment, or both) is not limited by guarantee, its total share capital is beneficially held directly by no more than 20 individual shareholders throughout the basis period for that year of assessment and at least one individual is holding at least 10.0% of the total number of issued ordinary shares throughout the basis period for that year of assessment, then the following exemptions for normal chargeable income will apply for the first three (3) years of assessment:

- (i) 100.0% exemption of up to the first S\$100,000; and
- (ii) 50.0% exemption of up to the next S\$200,000.

A company is regarded as a tax resident in Singapore for a year of assessment if its business is exercised in Singapore.

Dividend Distributions

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

Under the one-tier corporate tax system in Singapore, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to its shareholders as tax exempt (one-tier) dividends.

As our Company is a Singapore tax resident company, the dividends distributed by our Company will be tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Withholding Tax

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Gains on Disposals of Ordinary Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

REGULATORY OVERVIEW

For any disposal of our ordinary Shares from 1 June 2012 to 31 May 2022 (both dates inclusive) by a company, upfront “non-taxation” certainty may however be granted on any gains derived by the divesting company if immediately prior to the date of share disposal, the divesting company has held at least 20% of our Shares for a continuous period of at least 24 months.

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/losses that may arise from the disposal of shares (i.e. whether the gains/losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

In addition, corporate shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the provisions of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our Shares have been made.

Stamp Duty

No stamp duty is payable on the subscription and issuance of our Shares. Stamp duty is also not applicable to electronic transfers of our Shares through the CDP.

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares. For the sale of Shares executed before 22 February 2014, stamp duty is payable at the rate of S\$0.20 for every S\$100.00 or any part thereof of the amount of consideration or market value of the Shares. As for the sale of Shares executed on and after 22 February 2014, stamp duty is payable at 0.2% of the amount of the consideration or market value of the Shares. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scrippless shares, the transfer of which does not require an instrument of transfer to be executed) or if the instrument of transfer is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently brought into Singapore.

Estate Duty

Singapore estate duty was abolished with effect from 15 February 2008.

Goods and Services Tax (“GST”)

The sale of our Shares by a GST-registered investor belonging in Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Any GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply will generally become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero rate. Consequently, any GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.

REGULATORY OVERVIEW

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of our Shares will be subject to GST at the prevailing rate (currently 7.0%). Similar services rendered contractually to an investor belonging outside Singapore are subject to GST at zero-rate provided that the investor is not physically present in Singapore at the time the services are performed and the services do not directly benefit a person who belongs in Singapore.

(h) Regulatory approvals and Shareholders' approval

Our Company had submitted a circular in relation to the Share Offer and Listing to SGX-ST. Our Company had on 18 November 2016, received clearance letter from the SGX-ST regarding the circular for the following corporate actions, *inter alia*:

- (i) the Share Offer and Listing;
- (ii) the proposed adoption of new Constitution of the Company;
- (iii) the proposed amendments to the ISDN ESOS 2016;
- (iv) the proposed amendments to the ISDN EPSP 2012;
- (v) the proposed grant of award to Mr. Teo under the ISDN EPSP 2012;
- (vi) the proposed grant of award to Mrs. Teo under the ISDN EPSP 2012; and
- (vii) the proposed adoption of the Chinese name 億仕登控股有限公司 as the Company's secondary name.

(collectively, the “**Corporate Actions relating to the Share Offer and Listing**”).

The SGX-ST had on 18 November 2016, granted its approval in-principle (“**AIP**”) for the listing of and quotation for the Offer Shares on the main board of SGX-ST. The AIP for the listing of and quotation for the Offer Shares is subject to the following:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Share Offer;
- (c) announcement of the Offer Price via SGXNET as soon as practicable after the Offer Price is determined;
- (d) submission of the following documents:
 - (i) A written undertaking from our Company that it will comply with Rule 704(30) and Rule 1207(20) of the Singapore Listing Manual in relation to the use of the proceeds from the Share Offer and where proceeds are to be used for working capital purposes, our Company will disclose a breakdown with specific details on the use of proceeds for working capital in our Company's announcements on use of proceeds and in the annual report;
 - (ii) A written undertaking from our Company that it will comply with Rule 803 of the Singapore Listing Manual;

REGULATORY OVERVIEW

- (iii) a written undertaking from the underwriter(s) that they will ensure that our Company will comply with Rule 803 of the Singapore Listing Manual;
- (iv) a written confirmation from our Company that it will not issue the Offer Shares to persons prohibited under Rule 812(1) of the Singapore Listing Manual; and
- (v) a written confirmation from the underwriter(s) that the Offer Shares will not be placed out to persons prohibited under Rule 812(1) of the Singapore Listing Manual.

The approval-in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Share Offer, the Offer Shares, our Company and/or our subsidiaries.

At the extraordinary general meeting of our Company held on 16 December 2016, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given for the Corporate Actions relating to the Share Offer and Listing.

OVERVIEW OF THE PRC LAWS AND REGULATIONS

(a) Foreign investment in the PRC

Foreign investment in the PRC is, among others, subject to the filing with or approval of the MOFCOM or its local counterparts and registration with the State Administration for Industry and Commerce (“AIC”) or its local counterparts. An FIE in the PRC shall only be deemed as being established upon obtaining the business license issued by the AIC.

An FIE could be in the form of wholly foreign owned enterprise (外商獨資企業, “WFOE”), Sino-foreign equity joint venture (中外合資經營企業, “EJV”), Sino-foreign contractual joint venture (中外合作經營企業, “CJV”) or foreign invested partnership enterprise (外商投資合夥企業). Our PRC subsidiaries are either in the form of WFOE or EJV or a limited liability company invested by such WFOE and/or EJV.

A WFOE is subject to, among others, the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》), promulgated on 12 December 1990, amended on 12 April 2001 and 19 February 2014. An EJV is subject to, among others, the Sino-foreign Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) promulgated on 8 July 1979, and amended on 4 April 1990, 15 March 2001 and 3 September 2016, and the Implementation Regulation of the Sino-foreign Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》) promulgated on 20 September 1983, and amended on 15 January 1986, 21 December 1987, 22 July 2001, 8 January 2011 and 19 February 2014.

Pursuant to the PRC Company Law (《中華人民共和國公司法》) promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, limited liability companies (有限責任公司) or corporation limited by shares (股份有限公司) with foreign investment shall be subject to the PRC Company Law as well unless otherwise provided in the relevant laws (法律 in terms of legislation level) in respect of foreign investment.

REGULATORY OVERVIEW

The proposed business of foreign investment is subject to the industry review by relevant PRC authorities. Pursuant to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Industry Catalogue**”) jointly promulgated and amended from time to time by the NDRC and MOFCOM. The latest Industry Catalogue was issued on 10 March 2015 and took effect on 10 April 2015, pursuant to which, foreign investment industries are classified into the following four categories:

1. **Encouraged industries:** foreign investors are encouraged to invest in the industries falling under the encouraged industry catalogue. There will be no legal requirements in terms of equity holding percentages for most encouraged industries.
2. **Restricted industries:** there will be various restrictions in terms of equity holding percentages, or governmental approving levels, enterprise forms (either EJV or CJV) for foreign investors to invest in the industries falling under the restricted industry catalogue.
3. **Prohibited industries:** foreign investors are not allowed to invest in the industries falling under the prohibited industry catalogue.
4. **Permitted industries:** industries other than those under the above three categories are permitted industries. Permitted industries are not explicitly set out in the Industry Catalogue.

On 8 October 2016, the MOFCOM issued the Interim Measures on Record Filing Administration of the Establishment and Changes of FIE (《外商投資企業設立及變更備案管理暫行辦法》) and a supplemental Circular was issued by the NDRC and MOFCOM on the same date, which changed the prior approval system for FIE establishment and relevant changes to foreign investment record filing if the proposed business scope of FIE does not fall under Foreign Investment Access Special Administrative Measures (外商投資准入特別管理措施). Industries that fall under Foreign Investment Access Special Administrative Measures mean those under the above categories of restricted industries or prohibited industries or under the category of encouraged industries but with legal requirements in respect of equity holding or senior management. Under these Measures, all investors of an FIE, after obtaining name approval of the FIE, shall complete the record-filing procedures through the online filing system before its business license is issued, or the FIE shall complete them within 30 days after its business license is issued. Record filing for FIE changes shall be carried out within 30 days of the occurrence of the relevant changes, i.e., the date the internal resolution or decision of the FIE is made, unless otherwise provided by other laws and regulations on effectiveness of such changes. Authorities handling the record filing shall only verify the completeness and accuracy of the filed information and documents and shall conduct screening on whether or not the information filed falls within the scope of record filing. Within three working days after online submission, the applicant will obtain the filing receipt from the competent authority.

Our PRC Legal Advisers have advised that pursuant to the business licences of our PRC subsidiaries, the business engaged by our PRC subsidiaries falls under the scope of either encouraged catalogue or permitted catalogue without legal requirement of equity holding or senior management.

(b) Product quality and consumer protection

Manufacturers and distributors in the PRC shall comply with, among others, the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987 and amended on 27 August 2009, The PRC Product Quality Law (《中華人民共和國產品質量法》), the “**Product Quality Law**”), which was promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009, and the Law on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), the “**Consumer Protection Law**”), which was promulgated on 31 October 1993, became effective on 1 January 1994 and was amended on 27 August 2009 and 25 October 2013. Manufacturers and distributors shall take proper measures to guarantee the quality of their products and protect consumers from property loss or personal injury.

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The PRC Product Quality Law provides that manufacturers and distributors of products (other than construction projects) in the PRC shall be liable for defects of products. Manufacturers and distributors shall have an obligation to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock; adopt measures to keep products for sale in good quality; sell products with labels in accordance with the relevant provisions; must not forge the origin of a product or falsely use the name and address of another manufacturer; must not forge or falsely use another manufacturer's authentication marks, marks of famous/premium brand names or other product quality marks; and must not mix impurities or imitations into products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Violations of any abovementioned obligations may result in the imposition of fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

Furthermore, pursuant to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the manufacturer as well as the distributor.

Consumer Protection

Pursuant to the Consumer Protection Law, a consumer is any person who purchases or uses commodities for the purpose of consumption or receives services. All manufacturers, distributors and service providers have the obligation to ensure that their products or services will not cause any personal injury or property damage to consumers.

(c) Workplace safety and health

By virtue of the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated on 29 June 2002, became effective on 1 November 2002 and was further amended on 31 August 2014, every enterprise which carries out manufacturing activity shall satisfy requirements of production safety set up by PRC laws or national or industry standards. The person in charge of such enterprise shall be responsible for safety of manufacturing activities.

The Production Safety Law of PRC also imposes a duty on every enterprise which carries manufacturing activity to ensure the safety and health of its employees. These measures include, amongst others, clearly stating its obligation of ensuring production safety in the labor contract with its employees, preventing its employees from occupational hazards and paying for its employees' medical insurance premium. Enterprises are also required to arrange for trainings for production safety for their employees and to purchase protective equipment for its manufacturing activities.

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》, the "**Labor Law**"), which was promulgated on 5 July 1994 and amended on 27 August 2009, every employer must draw up a regime regarding workplace safety and ensure the workplace safety facility is designed, constructed or used simultaneously with the main project and such facility shall be subject to the relevant national standards. The Labor Law also imposes a duty on every employer to ensure the safety and health of its employees.

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(d) Import and export

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the National People's Congress (the "NPC") (全國人民代表大會常務委員會) on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, foreign trade operators in the business of goods or technology import and export shall file with the authority in charge of foreign trade or other authorized institutions for registration unless otherwise provided by laws, administrative regulations and the competent department of foreign trade under the State Council of the PRC. A legally registered foreign trade operator is entitled to be as an agency on commission (as stated in its business scope) of other parties for their import and export business. The Customs shall refuse to process the declaration and clearance of goods imported or exported made by the foreign trade operators that fail in doing so.

On 25 June 2004, the MOFCOM issued the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which sets out formalities and requirements for application of foreign trade operator registration. On 17 August 2004, the MOFCOM issued a Circular on Relevant Issues Concerning the Record Keeping and Registration of Right to Foreign Trade of Foreign-funded Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》). This circular provides that for FIEs established before 1 July 2004 that did not apply for change of business scope to include other import and export business operation and FIEs established after 1 July 2004 that are in the business of import and export of goods and technology produced by the said enterprises or for their own use, there is no need to apply for registration as a foreign trade operator.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated on 13 March 2014, registration of Customs declaration entity is classified into registration of Customs declaration enterprise and registration of consignors and consignees of imported and exported goods. The Customs declaration entity shall file a Customs declaration entity registration information annual report before 30 June of each year. The duration of Customs declaration entity registration certificate of a Customs declaration enterprise is 2 years and renewable before expiration, while the duration of Customs declaration entity registration certificate of a consignors and consignees of imported and exported goods is indefinite.

Pursuant to the Measures for the Administration of Entry-Exit Inspection and Quarantine Enterprises (《出入境檢驗檢疫報檢企業管理辦法》) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) on 15 February 2015 and taking effect on 1 April 2015, the legal entities for inspection and quarantine are classified as entity for own inspection and quarantine (自理報檢企業) and agent for inspection and quarantine (代理報檢企業). The legal entities for inspection and quarantine shall register with the administrative authority in charge of inspection and quarantine.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated by the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 and 7 November 2016, the consignors of imported goods and consignees of exported goods shall declare with the competent Customs actual information, failing in which may result in relevant punitive measures imposed by the Customs. If a criminal offense is committed, the offender may be subject to criminal liabilities.

(e) Labor protection, social insurance and housing fund

Employers in the PRC shall comply with relevant laws and regulations in relation to the labor protection, social insurance and housing fund payment.

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Pursuant to the Labor Law, every employer (including FIE) must enter into employment contracts with its employees, based on the principles of equality, consent and agreement through consultation. Every employer must establish and effectively implement a system for ensuring occupational safety and health, educating employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Every employer must also pay for their employees' social insurance premiums. Every employer is also required to provide for statutory holidays, sick leave, maternity leave, wedding and funeral leave, workplace-injury leave and other welfare benefits in accordance with the relevant state laws and regulations, which include, among others, the following:

1. the Regulation of Insurance for Labor Injury (《工傷保險條例》) issued on 27 April 2003, taking effect on 1 January 2004 and further amended on 20 December 2010;
2. the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995;
3. the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on 16 July 1997;
4. the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued on 14 December 1998;
5. the Unemployment Insurance Measures (《失業保險條例》) issued on 22 January 1999; and
6. the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011.

Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the “**Labor Contract Law**” was promulgated by the Standing Committee of the NPC on 29 June 2007, which took effect on 1 January 2008 and was subsequently amended on 28 December 2012. The Labor Contract Law is intended to improve the protection of employees' benefits and rights, and it includes the following provisions, amongst others:

1. An open-ended employment contract shall be signed with the employees whose employment term has been renewed twice based on previous fixed-term employment contract and is to be renewed again unless the employees request for a fixed-term employment contract;
2. Severance payment shall be paid based on the standard of one-month salary for one working year at the employer when an employment contract expires in accordance with its terms unless the employees decline the offer of contract renewal based on the same or higher offer of the employer as the previous employment contract (full details of severance payment shall be referred to the Labor Contract Law);

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3. If an employer prematurely terminates the contract unilaterally without justified reasons provided in the PRC labor protection laws and regulations, double of the severance payment shall be paid as compensation to the employees unless agreed with the employees or other circumstances provided in the Labor Contract Law of PRC;
4. If an employer fails in the entering into an employment contract with the employees for more than 1 month from the factual establishment of employment, the employer shall pay double of salary to the employees from the second month. If the status of factual establishment employment without an employment contract continues for more than 1 year, an open-ended employment contract shall be deemed entered into with the employees.

On 18 September 2008, the State Council promulgated the Implementation Regulations of the PRC Labor Contract Law (《中華人民共和國勞動合同法實施條例》), the “**Implementation Regulations**”) which took effect on the same day. Pursuant to the Implementation Regulations, the conclusion or dissolution of a non-fixed term employment contract were formulated intensively and special provisions on the labor dispatch were also instituted.

According to the Regulation on Management of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999, became effective on the same day and was further amended on 24 March 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

(f) Environment protection

The latest PRC Environmental Protection Law (《中華人民共和國環境保護法》) was promulgated on 26 December 1989 by the Standing Committee of the NPC amended on 24 April 2014 and took effect on 1 January 2015. The administration supervisory authority of environmental protection of the State Council shall be responsible of national wide supervision and administration of environment protection. The local environment protection supervisory departments at or above county level shall be responsible of local supervision and administration of environment protection.

A company which causes environmental pollution and discharges other polluting materials which endangers the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state.

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Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit. If a company fails to report and/or register the environmental pollution it caused, it will receive a warning or be penalised. Companies that fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies that have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

Pursuant to the PRC Law on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002, took effect on 1 September 2003 and was further amended on 2 July 2016, a project construction entity shall engage a qualified environment impacts appraisal institution to prepare environment impacts documents pursuant to the degree of environment impacts of its construction project. The construction project shall only start after the environment impact appraisal documents have been approved by or filed with the competent environment protection authority.

Pursuant to the Construction Project Completion Environment Protection Acceptance Administrative Rules (《建設項目竣工環境保護驗收管理辦法》) issued by the State Environment Protection Administration (國家環境保護總局, now known as Ministry of Environment Protection (環境保護部)) on 27 December 2001, which took effect on 1 February 2002 and was amended on 22 December 2010, the environment protection authority shall carry out environment protection acceptance for the construction projects that are subject to previous administration of environment impacts appraisals. The construction projects shall only start formal operation after such acceptance procedure is completed.

(g) Taxation

Our PRC subsidiaries are mainly subject to, among others, enterprise income tax (“EIT”) and value added tax according to their business nature. The foreign investor of our PRC subsidiaries shall be subject to the withholding tax for the profits therefrom, and indirect transfer of our PRC subsidiaries’ equity interest by their overseas holding companies may incur imposition of EIT on the transferor.

Income tax on FIE

Our PRC subsidiaries shall comply with Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法, the “EIT Law”) promulgated by the NPC on 16 March 2007 and taking effect on 1 January 2008 and the Implementing Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) promulgated by the State Council 6 December 2007 and taking effect on 1 January 2008.

According to the EIT Law, a uniform EIT rate of 25% has been applied to legal entities which have set up institutions or facilities within the territory of China and domestic enterprises.

Small meagre-profit enterprises complying with certain criteria may be entitled to a reduced EIT rate of 20% and high-tech enterprises which need key support from the State may be entitled to a reduced EIT rate of 15% upon confirmation of competent taxation authority. Furthermore, Pursuant to the Notice of the State Council on Providing Transitional Preferential Tax Treatments to High-tech Enterprises Newly Established in Special Economic Zones and in Pudong New District of Shanghai (國務院關於經濟特區和上海浦東新區新設立高新技術企業實行過渡性稅收優惠的通知) issued on 26 December 2007 and taking effect on 1 January 2008, high-tech enterprises which need national key support that established on or after 1 January 2008 in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area shall be exempted from the EIT for the first two taxable years and a 50% reduction in the EIT for the next three years.

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Upon approvals by the people's government of provinces, autonomous regions and municipalities directly under the central government, the people's governments of autonomous organizations in autonomous areas may grant exemptions from or reduce EIT in the part which is shared by the local governments for an enterprise in the autonomous region.

EIT on Indirect Transfer of Non-resident Enterprises

The PRC State Administration (國家稅務總局) issued the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises' Equity Transfer Income (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("Circular 698") on 10 December 2009. Circular 698 provides in details on how a non-resident enterprise shall pay EIT in respect of its transfer of equity of a Chinese resident enterprise. It also provides how to determine whether EIT is payable in the PRC for an indirect transfer of equity of a Chinese resident enterprise by transferring the offshore holding enterprise.

On 3 February 2015, the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的通告) ("Circular 7") was promulgated by the PRC State Administration of Taxation. Circular 7 repealed certain articles in Circular 698. It is provided in Circular 7 that where a non-resident enterprise indirectly transfers assets such as equity interest etc. of a Chinese resident enterprise by an arrangement without reasonable commercial purpose so as to evade EIT payment obligation, such an indirect transfer transaction shall be reclassified and recognized as a direct transfer of assets such as equity interest etc. of a Chinese resident enterprise in accordance with the article 47 of the EIT Law. Circular 7 also provides in more details, among others, about the determination of "reasonable commercial purposes".

Value Added Tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中華人民共和國增值稅暫行條例) was promulgated by the State Council on 13 December 1993 and was amended on 5 November 2008 and 6 February 2016. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中華人民共和國增值稅暫行條例實施細則) promulgated on 1 January 2009 and amended on 28 October 2011, value added tax is applied on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

Tax on Dividends from FIE

According to the EIT Law, dividends derived by a foreign enterprise which has no establishment in China or has an establishment but whose dividends have no relationship with such establishment, from an FIE shall pay income tax at the rate of 20%. In addition, according to the Implemental Regulations of the EIT Law, the aforesaid dividend tax on foreign enterprise which has no establishment in China or has an establishment but whose dividends have no relationship with such establishment is reduced to 10%.

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According to the Agreement between the Government of the People's Republic of China and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《中華人民共和國政府和新加坡共和國政府關於對所得避免雙重徵稅和防止偷漏稅的協定》) dated 11 July 2007 which became effective on 18 September 2007, where the foreign enterprise is a resident of Singapore, the applicable income tax rate of this foreign enterprise shall not exceed 5% (if it holds directly at least 25% of the capital of the Chinese enterprise) or 10% (in all other cases) of the gross amount of the dividends.

The PRC government and the Hong Kong government have entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on 21 August 2006, which became effective on 8 December 2006, where the offshore enterprise is a resident of Hong Kong, the applicable income tax rate of this Hong Kong enterprise shall not exceed 5% (if it holds directly at least 25% of the capital of the Chinese enterprise) or 10% (in all other cases) of the gross amount of the dividends.

The State Administration of Taxation (國家稅務總局) has issued relevant implementing rules in respect of application and determination of the tax treatment under various tax treaties, agreements or arrangement with other countries or districts. Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009, when a tax resident of the counter party to a tax treaty applies for tax treatment under the said tax treaty for the dividends paid by a Chinese resident company, all of the following conditions shall be satisfied:

1. such a tax resident who acquires dividends shall be limited to a company as provided in the tax treaty;
2. the equity interests and shares with voting rights directly held by such a tax resident in the Chinese resident company reaches specified percentage(s); and
3. the capital ratio directly owned by such a tax resident in the Chinese resident company shall be in compliance with the percentage(s) provided in the tax treaty at any time within 12 consecutive months prior to acquiring the dividends.

Pursuant to the Notice of on how to Understand and Determine the “Beneficial Owners” in Tax Agreements (《關於如何理解和認定稅收協定中“受益所有人”的通知》) issued on 27 October 2009, specific conditions are set out for the PRC tax authorities to determine a beneficial owner so as to rule out certain intentional arrangement for such purposes as tax reduction or evasion, or profit transfer or accumulation etc.

Pursuant to the Taxation Rules for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》) issued on 27 August 2015, when a non-resident taxpayer needs to enjoy the tax treatment under a tax treaty, it shall, or through its withholding agent, submit the relevant documents specified in the rules to the tax authorities. There is no need for the non-resident taxpayer to submit documents repeatedly for the same tax treatment within three years from the year it submits required documents if there is no change to its conditions for tax treatment and filed information. When there is a change of relevant circumstances that makes the non-resident taxpayer unqualified for tax treatment further, the non-resident taxpayer shall, by itself or through its withholding agent, stop the tax treatment adoption and make further tax filing in accordance with Chinese tax laws and regulations.

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(h) Foreign exchange administration

The basic foreign exchange administration requirements are set out in the Foreign Exchange Administration Regulations (《外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008. It is provided in the Foreign Exchange Administration Regulations currently in effect that international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Please note that a number of matters that are subject to administrative approvals under the Foreign Exchange Administration Regulations have been abolished by the State Council.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated on 20 June 1996 by the People's Bank of China and which became effective on 1 July 1996, the FIE, may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE. Please note that a number of matters that are subject to administrative approvals under the Regulation of Settlement, Sale and Payment of Foreign Exchange have been abolished by the State Council.

Foreign Exchange Registration of Foreign Direct Investment

Pursuant to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by the SAFE 13 February 2015 and taking effect on 1 June 2015, the required foreign exchange registration of foreign direct investment with the SAFE was abolished. An FIE shall complete foreign exchange registration with a qualified commercial bank at the place it is registered and obtain a form of foreign exchange affair registration (外匯業務登記憑證) for the subsequent foreign exchange bank account opening and foreign exchange capital related affairs.

Foreign Exchange Conversion and Use in the PRC by the FIE

FIE used to be restricted from converting its paid up capital freely or using the paid up capital for equity investment purpose. The SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of FIEs (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “**SAFE Circular 142**”) on 29 August 2008, to regulate the conversion by a FIE of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a FIE may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of FIEs (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**SAFE Circular 19**”), which became effective on 1 June 2015 and annulled the SAFE Circular 142. Under the SAFE Circular 19, the restriction is abolished that the using the Renminbi fund converted from foreign currency registered capital of a FIE for equity investments within the PRC. The notice mainly regulates the conversion of foreign currency into RMB by foreign invested enterprises and sets out guidelines how the converted RMB may be used. The notice requires that the RMB converted from foreign currency capital of a FIE may only be used for purposes falling under the approved business scope and the equity investment approved by relevant governmental authorities. In addition, SAFE

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strengthens its oversight of the flow and use of RMB converted from foreign currency capital. Pursuant to the notice, a FIE is entitled to convert its whole or partial foreign currency capital at its own discretion according to its actual operational need but shall, when using the converted RMB, submit supporting documents to the bank to get an approval. Foreign currency capital or its converted RMB of a foreign-invested company shall not be used for the following purposes:

1. payment out of the approved business scope or payment being prohibited by the PRC laws;
2. security investment, unless otherwise provided by the PRC laws;
3. directly or indirectly granting RMB entrusted loans (unless permitted by its business scope); repayment of loans from other enterprises (including advances paid by the third party) or RMB bank loan which has been transferred to a third party;
4. purchase of non-self-used real estate, unless it is a foreign-invested real estate company.

Dividend Distribution

The principal law governing dividend distribution by PRC companies is the PRC Company Law (《中華人民共和國公司法》). Dividend distribution by WFOE and EJV is further governed by the PRC Wholly Foreign Invested Enterprise Law (《中華人民共和國外資企業法》) and its Implementation Regulations (《中華人民共和國外資企業法實施細則》), the PRC Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and its Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》).

Under these laws and regulations, shareholders are entitled to share dividends according to the percentages of registered capital they have contributed. PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC domestic companies are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory reserve fund until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. WFOEs and EJVs shall, subject to adoption in their articles of association, pay statutory reserve fund according to the same standard and principles as domestic companies or pay reserve fund (applicable to WFOEs and EJVs) and enterprise development fund (applicable to EJVs) at the rates that are in compliance with the above laws and regulations. WFOEs and EJVs may also set aside employee bonus and welfare fund if provided in their articles of association or according to the resolution of shareholder(s) or board of directors (as the case may be). These funds are not distributable as cash dividends.

WFOEs and EJVs shall also comply with, among others, the foreign exchange administration for the dividend distribution in accordance with the Foreign Exchange Administration Regulation (《外匯管理條例》), and the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) and the Operating Guidelines for Foreign Exchange Business under the Capital Account (《資本項目外匯業務操作指引》) issued on 26 August 2013. The banks in China shall review such documents as resolution of board of directors or shareholder(s) (as the case may be) and tax filing forms etc. for the remittance of dividend out of China.

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Cross Border Guarantee

Despite the above mentioned relaxation of foreign exchange controls, the prior registration with SAFE is still required for certain types of cross border guarantee. The cross border guarantee of domestic guarantee for offshore borrowing (內保外貸) and offshore guarantee for domestic borrowing (外保內貸) is subject to prior registration with SAFE as well. Other types of cross border guarantee specified in the Operation Guideline of Cross Border Guarantee Foreign Exchange Administration (《跨境擔保外匯管理操作指引》) issued by the SAFE on 12 May 2014, which took effect 1 June 2014, are not subject to prior registration with SAFE as long as such cross-border guarantee does not contravene the PRC law and pertinent foreign law and the relevant foreign exchange administration in respect of cross border indebtedness.

(i) Intellectual property

Registered Trademark(s)

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013 and taking effect on 1 May 2014, and the Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) issued by the State Council on 3 August 2002, amended on 29 April 2014 and taking effect on 1 May 2014. The Trademark Office of the SAIC (the “**Trademark Office**”) shall be responsible for the registration and administration of trademarks in the PRC. Trademark owners shall only enjoy an exclusive right to use the trademark and license other legal entities or persons to use the registered trademark upon registration with the Trademark Office, which shall be protected by law. The validity duration of trademark registration is 10 years from the date of registration approval, which is renewable within 12 months before expiration of validity duration.

Patent Registration

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008, and taking effect on 1 October 2009, and its implementation rules (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001, amended on 28 December 2002 and 9 January 2010, and taking effect on 1 February 2010. Patent is classified into three types, “invention,” “utility model” and “design”.

The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application. The patent owners shall start to pay patent annual fee from the year of patent authorization, failure in which may result in the early termination of patent duration.

Domain Names

Pursuant to the Internet Information Services Administrative Rules (互聯網信息服務管理辦法) issued by the State Council on 25 September 2000 and amended on 8 January 2011, the internet information services are classified into operational and non-operational services. Operational Internet information services refer to such service activities of providing information or webpage designing etc. with service charges to Internet users, which non-operational Internet information services refer to such service activities of providing public or shared information free of charge to Internet users. The operational Internet information services are subject to prior approval. A value added telecom operation license shall be obtained for operational Internet information services from the telecom administrative authority at provincial level or information industry administrative authority under the State Council. The non-operational Internet information services are subject to registration with the telecom administrative authority at provincial level or information industry administrative authority under the State Council. No Internet information services shall be conducted before obtaining prior approval or completing registration.

REGULATORY OVERVIEW

OVERVIEW OF THE MALAYSIAN LAWS AND REGULATIONS

(a) Companies Act 1965 (“CA 1965”)

Our subsidiaries were incorporated under the CA 1965 and, accordingly, the companies and its directors and officers are subject to the provisions under the CA 1965. The CA 1965 is intended to ensure proper conduct of the affairs of companies and to protect the interests of the members and creditors of companies. The CA 1965 specifies requirements which our subsidiaries have to comply with, which include, amongst other things:

- (a) operational requirements such as the requirements to hold annual general meetings, to keep accounts and to have at least two directors who each has a principal or only place of residence within Malaysia;
- (b) operational requirements such as the calling of meetings by notice in writing and the removal of auditors or directors; and
- (c) reporting obligations such as the filing of certain documents with the Companies Commission of Malaysia.

A person is guilty of an offence against the CA 1965 if (a) he does that which he is forbidden to do under the CA 1965; (b) he does not do that which he is required or directed to do under the CA 1965; or (c) if he otherwise contravenes or fails to comply with any provision of the CA 1965. Upon conviction, he shall be liable to a penalty or punishment not exceeding the expressed penalty or punishment for the offence, or if a penalty or punishment is not so mentioned, to a penalty not exceeding MYR5,000.

Under the CA 1965, in the event the directors and shareholders of a company decide to terminate the company, they may choose to realise the investment of the shareholders by selling all the assets of the company before distributing the proceeds thereof to the shareholders under the members’ voluntary winding up process. It is significant to note that the members’ voluntary winding up process is one which is initiated by the company itself through its directors and shareholders and does not involve the courts at all though the company has to prove that it is solvent.

The benefits of a members’ voluntary winding up process, among others, are as follows:–

- (a) the reputation of the directors and shareholders of the company are unaffected as creditors are paid in full;
- (b) the conduct of the directors are not subject to scrutiny as examination of directors’ conduct for possible disqualification proceedings only occur in the context of involuntary winding up;
- (c) the company has the prerogative to appoint a liquidator of its choice;
- (d) the company has the discretion to fix the remuneration payable to the appointed liquidator; and
- (e) the company can impose close supervision on the conduct of the appointed liquidator in respect of the latter’s handling of its affairs.

REGULATORY OVERVIEW

The effects of commencement of a members' winding up process on the affairs of the company, among others, are as follows:–

- (a) avoidance of any transfer of the shares of the company;
- (b) avoidance of any uncompleted execution relating to the company;
- (c) prohibition of enforcement of existing executions against the company;
- (d) stay of any legal proceeding against the company;
- (e) cessation of the powers of the directors of the company;
- (f) termination of employment contracts entered into by the company; and
- (g) avoidance of any disposition of the company's property.

(b) Personal Data Protection Act 2010 (“PDPA 2010”)

Our subsidiaries are also subject to the PDPA 2010 which is a set of laws to regulate the processing of personal data by the user in a commercial transaction data and protect personal data of common interest. Section 2 of the PDPA 2010 generally states that the Act applies to any person who processes; any person who has control over or authorizes the processing of, any personal data in respect of commercial transactions.

Data under the PDPA are classified into two categories, as follows:–

- (1) “Personal data” means any information pertaining to commercial transactions, which are:–
 - (a) being processed wholly or partly by means of equipment operating automatically in response to instructions given for that purpose;
 - (b) recorded with the intention that it should be processed wholly or partly by means of such equipment; or
 - (c) recorded as part of a relevant filing system or with the intention that it should be part of a relevant filing system, relating directly or indirectly to a data subject, who is identified or can be identified from that information or from that information and other information in the possession of a user's data, including any sensitive personal data and the expression of opinion about the data subject; but does not include any information that is processed for the purposes of a credit reporting business carried on by a credit reporting agency under the Credit Reporting Agencies Act 2010.
- (2) “Sensitive Personal Data” means any personal data which contains information about health or physical or mental condition of a data subject, political opinions, religious beliefs or other beliefs of a similar nature, the commission or alleged commission of any offense by any other personal data may be determined by the Minister by order published in the Gazette.

The principles for the protection of data under the PDPA 2010 shall be in compliance with the following principles, as stipulated in Section 5 of the Act:–

- (a) the General Principle;
- (b) the Notice and Choice Principle;

REGULATORY OVERVIEW

- (c) the Disclosure Principle;
- (d) the Security Principle;
- (e) the Retention Principle;
- (f) the Data Integrity Principle; and
- (g) the Access Principle.

Subject to Sections 45 and 46, a data user who contravenes prescribed principles is deemed to commit an offence and shall, on conviction, be liable to a fine not exceeding three hundred thousand Ringgit or to imprisonment for a term not exceeding two years or to both.

(c) Workmen’s Compensation Act 1952 (“WCA 1952”)

The WCA 1952 generally applies to persons within the meaning of Section 2 of the WCA 1952, which includes any person who entered into or works under a contract of service or of apprenticeship with an employer, whether by way of manual labour or otherwise, whether the contract is expressed or implied or is oral or in writing, whether the remuneration is calculated by time or by work done and whether by the day, week, month or any longer period. The WCA 1952 is applicable to our subsidiaries in relation to their employees.

The instrumental aspect of the WCA 1952 is contained in Part II, which sets out the employer’s liability for workmen’s compensation for injury or diseases arising out of the workplace, in and out of the course of his/her employment.

(d) Employment Act 1955 (“EA 1955”)

The EA 1955 is administered by the Ministry of Human Resource (MOHR) and generally sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA 1955. The Act generally governs the employer-employee relations within our subsidiaries and is treated as a guideline by our subsidiaries to ensure that minimum terms and conditions of employment are provided in employment contracts.

Section 2 of the EA 1955 stipulates that an employee within the definition of the Act means any person or class of persons, irrespective of his occupation, who has entered into a contract of service with an employer under which such person’s wages do not exceed two thousand Ringgit a month.

In brief, Part II of the EA 1955 sets out the general conditions for contract of service, Part III of the EA 1955 sets out the conditions for payment of wages, Part XII of the EA 1955 sets out the basic requirements for rest days, hours of work, holidays and other conditions of service and Part XIIA of the EA 1955 sets out termination, lay off and retirement benefits. It is worthy to also note that employees within the scope of the EA 1955 who are retrenched are entitled to receive termination benefits as stated in the Employment (Termination & Lay-off Benefits) Regulations 1980.

Brief guidelines for the employment of foreign workers are provided under Part XIIB of the EA 1955. Generally, Department of Labour of Peninsular Malaysia is responsible for employment and labour matters concerning foreign workers who are legally employed and entitled to enjoy the protection and benefits stipulated by labour laws.

An employer who breaches any of the provisions in the EA 1955 shall be guilty of an offence and shall be liable for penalty under Part XVII of the EA 1955.

REGULATORY OVERVIEW

(e) Industrial Relations Act 1967 (“IRA 1967”)

The IRA 1967 provides for the prevention and settlement of disputes arising out of the contract of employment, whether on an individual or collective bargaining basis. Section 2 of the IRA 1967 defines collective agreements as an agreement in writing concluded between an employer or a trade union of employers on the one hand and a trade union of workmen on the other relating to the terms and conditions of employment and work of workmen or concerning relations between such parties.

One of the main aspects of IRA 1967 is Section 20(1) on the representation for dismissals. It provides that where a workman has been dismissed without just cause or excuse, he/she may make a representation to the Director-General of the Industrial Relations in writing within 60 days of the dismissal to be reinstated to his former position. References under this section will then be heard before a judge sitting as the Chairman of the Industrial Court.

(f) Trade Unions Act 1959 (“TUA 1959”)

The TUA 1959 governs the formation of trade unions and regulates their composition as well as the registration of trade unions.

Trade Unions are defined under Section 2 of the TUA 1959 as any association or combination of workmen or employers, being workmen whose place of work is in West Malaysia, Sabah or Sarawak as the case may be, or employers employing workmen in West Malaysia, Sabah or Sarawak, as the case may be, within any particular establishment trade, occupation or industry or within any similar trades occupations or industries, whether temporary or permanent; and having among its objects one or more of the following objects:–

- (i) the regulation of relations between workmen and employers, for the purposes of promoting good and harmonious industrial relations between workmen and employers, improving the working conditions of workmen or enhancing their economic and social status, or increasing productivity;
- (ii) the regulation of relations between workmen and workmen, or between employers and employers;
- (iii) the representation of either workmen or employers in trade disputes;
- (iv) the conducting of, or dealing with, trade disputes and matters related thereto; or
- (v) the promotion or organisation or financing of strikes or lock-outs in any trade or industry or the provision of pay or other benefits for its members during a strike or lock-out.

The trade union within one month of the date it is officially established must be registered under Section 8 of TUA 1959 via an application to the Director-General. A failure to do so would result in its application being rejected, withdrawn or cancelled under Section 19 of TUA 1959 and the Union could be deemed an unlawful organization and it would not enjoy any of the benefits given to a registered trade union.

Some of the relevant Trade Unions in Malaysia to take note of include the Electrical Industry Workers Union and the Machinery Manufacturing Employees Union, both of which comes under the umbrella of Malaysian Trades Union Congress, a federation of trade unions and registered under the Societies Act, 1955.

In addition to that, Section 3 of the Farmers’ Organization Act 1973 provides that an area Farmers’ Organization may be formed in accordance with the provisions of the Act or any regulations made for any area in any State by not less than fifty persons who fulfil the requirements stated in subsection 9(1) of the Act and who have before such formation assembled at a meeting for the purpose of forming a Farmers’ Organization.

REGULATORY OVERVIEW

(g) Employees Provident Fund Act 1991 (“EPF 1991”)

The EPF 1991 Act regulates the Employees Provident Fund in Malaysia which is applicable to our subsidiaries. The Employees Provident Fund is a compulsory savings scheme in Malaysia. The main aim of the EPF is to provide a measure of security (for old age retirement) to its members. It also entitles members to utilize part of their savings for house ownership and other withdrawal schemes.

Section 43(1) of the EPF 1991 states that both employee and employer are liable to pay monthly contribution to the employee’s EPF Fund based on the amount of wages at the rate respectively set out in Schedule 3. The common rate is for the Employer to pay 13% and the Employee to contribute 8% of the wages.

(h) Employees’ Social Security Act 1969 (“SOCSO Act”)

The SOCSO Act which is applicable to our subsidiaries in Malaysia provides for the framework that allows for free medical treatment, facility for physical or vocational rehabilitation, and financial assistance to employees if they have lost their abilities due to accidents or diseases that have reduced their abilities to work or rendered them incapacitated. If an employee has died, their dependants are provided for financially through pensions enforced by the SOCSO Act.

A person that takes employment under an employer under contract of a service or apprenticeship contract is defined as an employee under the SOCSO Act. SOCSO Act coverage and protection however is only limited to Malaysian citizens and permanent residents. All employees are eligible to register regardless of employment status either temporary, part-time, probation including those employees who are not confirmed in their employment.

(i) Occupational Safety and Health Act 1994 (“OSHA 1994”)

The OSHA 1994 serves as a guideline and framework to our subsidiaries for the standards imposed to ensure safety, health and welfare of people at work as well as protecting other people from the safety and health hazards arising from the activities sectors. The implementation and enforcement of OSHA 1994 comes under the purview of Department of Occupational Safety and Health, under the Ministry of Human Resource.

Section 4 of the OSHA 1994 sets out the objectives of the Act, as follows:–

- (a) to secure the safety, health and welfare of persons at work against risks to safety or health arising out of the activities of persons at work;
- (b) to protect persons at a place of work other than persons at work against risks to safety or health arising out of the activities of persons at work;
- (c) to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs; and
- (d) to provide the means whereby the associated occupational safety and health legislations may be progressively replaced by a system of regulations and approved industry codes of practice operating in combination with the provisions of this Act designed to maintain or improve the standards of safety and health.

REGULATORY OVERVIEW

(j) Municipal Licensing Requirements

All companies having an office in Malaysia are required to obtain a business premise or signboard licence from the respective local authorities.

There are 179 local authorities in Malaysia which are responsible for approving business premise and signboard licences. The requirements for obtaining a business premise or signboard licence may vary according to the conditions requirements set by each local authority. In this respect the fees to each of our subsidiary may vary according to the relevant local authority.

(k) Foreign Exchange Control in Malaysia

The following is a description of the exchange controls framework in Malaysia to which the Malaysian subsidiary companies are subject:–

The foreign exchange control framework in Malaysia is governed by the Financial Services Act 2013 (the “FSA”), which came into effect on 30 June 2013 and repealed the Exchange Control Act 1953. The Malaysian foreign exchange policies and rules are administered by Bank Negara Malaysia (“BNM”), which is the Central Bank of Malaysia. These policies and rules regulate both residents and non-residents of Malaysia.

As at the date hereof, non-residents are free to repatriate funds from Malaysia, including any income earned or proceeds from divestment of Ringgit asset, provided that the repatriation is made in a currency other than Ringgit (“foreign currency”).

BNM’s Notice on Import and Export of Currencies, Securities, Islamic Securities, Financial Instruments and Islamic Financial Instruments 2013 states that a person is allowed to import into and export from Malaysia any foreign currency.

Further, pursuant to Notice 4 (Payment) issued by BNM, payments in Ringgit between a non-resident and a resident may be undertaken for, *inter alia*, the settlement of a Ringgit asset, including any income and profit due therefrom, the settlement of trade in goods and services and income earned or expense incurred in Malaysia.

In respect of borrowings in foreign currency, pursuant to Notice 2 (Borrowing and Guarantee) issued by BNM, a resident company is free to borrow any amount in foreign currency from (a) licensed onshore banks; (b) its resident or non-resident entities within its group of entities; (c) its resident or non-resident direct shareholder; and (d) through issuance of foreign currency debt securities to another resident. However, (b) and (c) do not apply to borrowing in foreign currency by a resident entity from (i) a non-resident financial institution; or (ii) a non-resident special purpose vehicle which is set-up to obtain borrowing from any person which is not part of the resident entity’s group of entities. In addition, a resident company is allowed to borrow in foreign currency up to MYR100 million equivalent in aggregate from other non-residents. The MYR100 million equivalent is, however, based on the aggregate borrowing of the resident company and other resident entities within its group of entities with parent-subsidiary relationship.

For the purposes of the foreign exchange administration rules in Malaysia, “group of entities” means a resident entity’s ultimate holding company, parent or head office, branches, subsidiaries (where the resident entity owns more than 50% of shares in the subsidiaries), associated companies (where the resident entity owns between 10% and 50% of shares in the associate companies) and sister companies (where the resident entity and its sister companies have common shareholder). “Parent-subsidiary relationship” on the other hand means direct or indirect relationship where a resident entity is (a) a holding entity or ultimate holding entity of another resident entity; (b) a subsidiary of another resident entity; or (c) a subsidiary of a non-resident entity, where the ultimate holding entity is a resident entity.

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With respect to borrowings in Ringgit, a resident entity is allowed to borrow in Ringgit up to MYR1 million in aggregate for use in Malaysia from any non-resident other than a non-resident financial institution and the MYR1 million shall be based on the aggregate borrowing of the resident entity and other resident entities within its group of entities with parent-subsiary relationship. Notwithstanding the foregoing, a resident entity is allowed to borrow in Ringgit in any amount to finance activities in the real sector in Malaysia from a non-resident entity within its group of entities or its non-resident direct shareholder. However, the borrowings in Ringgit in any amount to finance such activities in the real sector shall not apply to borrowing in Ringgit by a resident entity from:– (a) a non-resident financial institution, or (b) a non-resident special purpose vehicle which is used to obtain borrowing from any person which is not part of the resident entity’s group of entities.

In addition, a resident entity is allowed to borrow in Ringgit in any amount from a non-resident through the issuance of:– (a) Ringgit debt securities or Islamic debt securities by the Federal Government, or (b) Ringgit private debt securities or Islamic private debt securities under the Private Debt Securities Guidelines or Islamic Private Debt Securities Guidelines issued by the Securities Commission Malaysia. Such private debt securities or Islamic private debt securities referred to in (b) shall exclude non-tradable private debt securities or Islamic private debt securities issued to:– (i) a non-resident which is not part of its group of entities, or (ii) a non-resident entity within its group of entities or its non-resident direct shareholder other than for the purpose of financing activities in the real sector in Malaysia.

For the purpose of the Notices issued by BNM, the phrase “activities in the real sector” means activities relating to:– (a) the construction or purchase of a residential or commercial property excluding the purchase of land only, or (b) the production or consumption of goods or services other than (i) activities in the financial services sector, whether Islamic or otherwise; (ii) the purchase of security or Islamic security; (iii) the purchase of financial instrument or Islamic financial instrument.

With respect to borrowings in Ringgit, a non-resident entity other than a financial institution is allowed to borrow in Ringgit from, *inter alia*, (i) licensed onshore banks (excluding licensed international Islamic banks) for any amount only to finance real sector activities in Malaysia, the settlement for the purchase of goods or services with a resident, or the purchase of residential and commercial properties in Malaysia except for the purchase of land; (ii) resident entity with stockbroking license under the Malaysian Capital Markets and Services Act 2007 for margin financing to finance the purchase of securities, Islamic securities, financial instruments or Islamic financial instruments traded on Bursa Malaysia; and (iii) resident companies and individuals for any amount to finance real sector activities in Malaysia.

Pursuant to the Notice on Export of Goods (Notice 7) issued by the BNM, a resident company shall receive the full value of export proceeds in Malaysia either in Ringgit or foreign currency and earlier than or in accordance with the payment date of the export contract which in any case shall not exceed six months from the date of export. Notwithstanding the foregoing, the resident company is allowed to receive less than the full value of the export proceeds due to:– (i) adjustments for agency commission, handling charges including freight and insurance rates and other fees related to the export; (ii) administrative errors; (iii) discounts; (iv) loss in quantity due to pilferage; (v) quality claims or partial rejection by buyers; (vi) short-shipment; or (vii) shut-out. The resident company is also allowed to not receive export proceeds arising from goods exported:– (i) under a border trade agreement entered into by the Government of Malaysia with any foreign government; or (ii) which are not for sale, as follows: (aa) gift or donation; (bb) personal effects; (cc) business sample; (dd) goods that are exported for further processing, testing, repairing, exchange or exhibition, and will be subsequently imported; or (ee) goods belonging to a non-resident that are exported after an exhibition in Malaysia or upon expiry of the lease or rental period.

REGULATORY OVERVIEW

OVERVIEW OF THE HONG KONG LAWS AND REGULATIONS

(a) Companies Ordinance

Our Company is incorporated under the laws of Singapore and is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Our Company is subject to provisions under the Companies Ordinance, including but not limited to, registration of names used to carry on business in Hong Kong, registration of the details of an authorised representative with the Companies Registry and delivery of annual return for registration.

(b) Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person who carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Hence, in respect of our operation in Hong Kong, we are required to obtain business registration certificates.

(c) Consumer Goods Safety Ordinance

Manufacturers and suppliers of defective products in Hong Kong may be subject to liability for loss or any injury caused by such products. Pursuant to the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), manufacturers, importers and suppliers of consumer goods are required to comply with a general safety requirement and any approved standard that applies to such products. The general safety requirement for consumer goods is that the consumer goods are reasonably safe having regard to all of the circumstances. Where an approved standard applies to consumer goods, the consumer goods shall be taken as complying with the general safety requirement if they comply with the approved standard. The Consumer Goods Safety Ordinance imposes criminal penalties for breach of safety requirements. Any person who sells unsafe goods commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of 1 year on first conviction, and HK\$500,000 and 2 years' imprisonment on subsequent conviction.

Besides the imposition of criminal liability for unsafe products, the Consumer Goods Safety Ordinance empowers the Commissioner of Customs and Excise to serve a recall notice requiring the immediate withdrawal of any consumer goods, which the Commissioner of Customs and Excise believes to be unsafe or may have a significant risk to cause serious injury, from being supplied and the retrieval of those items already supplied.

(d) Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which aims to codify the law relating to the sale of goods provides that:

- (a) under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;
- (b) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

REGULATORY OVERVIEW

- (c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defects, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Where any right, duty or liability arises under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

(e) Control of Exemption Clauses Ordinance

The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise, among others, provides that:

- (a) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirements of reasonableness;
- (b) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach, or (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him, or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;
- (c) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and
- (d) under section 11, as against a person dealing as consumer, the liability for breach of the obligations arising under sections 15, 16 and 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against person dealing otherwise than as consumer, the liability arising under sections 15, 16 and 17 of the Sale of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the terms satisfy the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to, among others, any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purpose of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regarded to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

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(f) Inland Revenue Ordinance

Pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), profits tax shall be charged for each year of assessment at the standard rate on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong for that year from such trade, profession or business. The standard rate of profits tax for the years of assessment of 2012/2013, 2013/2014, 2014/2015 and 2015/2016 is 16.5%.

(g) Regulations relating to Employment

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides for various employment related benefits and entitlements to employees. Pursuant to the Employment Ordinance, all employees covered, irrespective of their hours of work, are entitled to basic protections, including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

A no-fault, non-contributory employee compensation system for work injuries is established under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees, employed in Hong Kong by local employers, are also covered if they are injured while working outside Hong Kong. An employer is liable to pay compensation in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees; or in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment.

Mandatory Provident Fund Schemes Ordinance

Employers are required to enrol their regular employees (except for certain exempt persons) aged between 18 but under 65 years of age and employed for 60 days or more in a mandatory provident fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 per month on or after 1 June 2014).

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

“ISDN” stands for “International Servo Dynamics Network”. We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2016 marks the 30th anniversary since the inception of our Group. Over the years under the helmship of Mr. Teo who is our president, managing Director and Controlling Shareholder with a bachelor of mechanical engineering degree, we have developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof. Further details of Mr. Teo are set out in the section headed “Directors and Senior Management – Board of Directors – Executive Directors” in this prospectus. Our Group was founded when Servo Dynamics was incorporated in October 1986. Further details of Servo Dynamics are set out in the section headed “History and Corporate Structure – Establishment and Major Changes Concerning Our Company and Major Subsidiaries – (2) Servo Dynamics” in this prospectus.

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC.

OUR CORPORATE HISTORY AND DEVELOPMENT

<u>Year</u>	<u>Milestone</u>
1986	We start out in Singapore supplying servo motors through Servo Dynamics.
1990	We get a foothold in Kuala Lumpur for the provision of our motion control solutions in Malaysia.
1995	Maxon Suzhou is established to penetrate into the PRC motion control solution market by supplying quality engineering products sourced from Maxon Motor AG (“ Maxon Motor ”) in Switzerland. We get a foothold in Bangkok for the provision of our motion control solutions in Thailand. We establish our sales office in Hong Kong for the provision of our motion control solutions.
1996	We establish our business relationship with Supplier A and Supplier E, two of our major suppliers, further details of which are set out in the section headed “Business – Suppliers” in this prospectus.
1997	Portwell is incorporated in Singapore for the provision of our industrial computing solutions.
2001	We begin to provide our other specialised engineering solutions in the PRC with quality products sourced from Dirak Holding GmbH (“ Dirak ”) in Germany.

HISTORY AND CORPORATE STRUCTURE

Year	Milestone
2005	Our Shares were listed on the main board of the SGX-ST (stock code: I07).
2007	We get a foothold in Taipei for the provision of our other specialised engineering solutions in Taiwan.
2011	We get a foothold in Jakarta for the provision of our motion control solutions in Indonesia.
2012	We penetrate into the motion control solution market in Vietnam.

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets respectively.

As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers' engineering needs in different offices.

ESTABLISHMENT AND MAJOR CHANGES CONCERNING OUR COMPANY AND MAJOR SUBSIDIARIES

The establishment and major changes concerning our Company and major subsidiaries (which commenced business from their respective dates of incorporation/establishment) that made material contribution to our revenue during the Track Record Period are set out below:

(1) Our Company

Our Company was incorporated in Singapore on 28 December 2004 as a private company limited by shares with an initial authorized share capital of S\$100,000 divided into 100,000 Shares of S\$1 each. Upon incorporation, one share was allotted and issued to each of Mr. Teo and Mrs. Teo and our Company was beneficially owned as to 50% by each of Mr. Teo and Mrs. Teo. For the purposes of our 2005 Listing in Singapore, our Company became the ultimate holding company of our Group and immediately prior to completion of the 2005 Listing in Singapore, our Company was owned as to approximately 92.25% by Assetraise, 0.1% by Ms. Thang Yee Lee (the sister-in-law of Mr. Teo), 0.4% by Mr. Tay Gim Sin Leonard (a then independent non-executive Director) and 7.25% by certain employees of our Group. Our Company was converted to a public company on 11 November 2005 and was listed on the main board of the SGX-ST on 24 November 2005.

Save as disclosed in the section headed "History and Corporate Structure – Issuance of New Shares and Convertibles" in this prospectus, there were no significant changes in the number of our issued Shares during the Track Record Period. Please refer to the corporate charts under the section headed "History and Corporate Structure – Corporate and Shareholding Structures" in this prospectus for details of our shareholdings as at 30 September 2016 and upon Listing.

HISTORY AND CORPORATE STRUCTURE

(2) Servo Dynamics

Servo Dynamics was incorporated under the laws of Singapore on 2 October 1986 with an authorized share capital of S\$50,000 and an issued and paid up share capital of S\$2 divided into two shares. Servo Dynamics is principally engaged in the provision of motion control solutions and industrial computing solutions. The initial shareholders on incorporation were Mr. Koh Bee Leong and Ms. Chan Kwee Hiong, both of whom were Independent Third Parties and to the best of the knowledge of our Directors, Servo Dynamics was involved in general trading of servo motors upon its incorporation. On 4 August 1987, Ms. Teo York Eng, the mother of Mr. Teo, paid S\$10,000 for the allotment and issue of 10,000 shares in Servo Dynamics representing approximately 33.3% of the then entire issued share capital of Servo Dynamics. Such shares were registered in the name of Ms. Teo York Eng and were held on trust for Mr. Teo.

Pursuant to various share transfers and an increase in the issued and paid up share capital of Servo Dynamics after August 1987, Servo Dynamics was wholly owned as to 50% by Mr. Teo and 50% by Ms. Teo York Eng since May 1990. On 11 October 2005, each of Mr. Teo and Ms. Teo York Eng transferred his/her entire interest in the issued share capital of Servo Dynamics to our Company, and Servo Dynamics became wholly owned by our Company. During the Track Record Period, there was no change in the issued and paid up share capital of Servo Dynamics. As at the Latest Practicable Date, Servo Dynamics was a direct wholly owned subsidiary of our Company.

(3) Maxon Suzhou

Maxon Suzhou was established under the laws of the PRC on 4 September 1995 with an approved registered capital of US\$210,000. Maxon Suzhou is principally engaged in the provision of motion control solutions. The initial shareholders on establishment were Servo Dynamics and Suzhou 267 who held 70% and 30% of the equity interests in Maxon Suzhou respectively.

Pursuant to various transfers of equity interests after the date of establishment, Maxon Suzhou was owned as to 50% by Servo Dynamics and 50% by Interelectric AG (“**Interelectric**”) since September 2002. During the Track Record Period, there was no change in the equity interests of Maxon Suzhou. As at the Latest Practicable Date, Maxon Suzhou was an indirect non-wholly owned subsidiary of our Company and was owned as to 50% by Servo Dynamics and 50% by Interelectric.

(4) Servo Suzhou

Servo Suzhou was established under the laws of the PRC on 24 August 2001 with an approved registered capital of US\$210,000. Servo Suzhou is principally engaged in the provision of motion control solutions. The initial shareholders on establishment were Mr. Teo and Suzhou Yangming Automatic Control Technology Co., Ltd. (蘇州市揚鳴自動控制科技有限公司), an Independent Third Party, who held 75% and 25% of the equity interests in Servo Suzhou respectively.

On 4 July 2005, each of Mr. Teo and Suzhou Yangming Automatic Control Technology Co., Ltd. (蘇州市揚鳴自動控制科技有限公司) transferred his/its entire equity interests in Servo Suzhou to MCG, and Servo Suzhou became wholly owned by MCG. In 2012, Servo Suzhou underwent certain demerger procedures in the PRC so as to split its assets and liabilities into two separate entities. As part of such demerger, SD Suzhou was established, the registered capital of Servo Suzhou was reduced from US\$3,000,000 to US\$600,000 and the demerger was completed on 14 June 2012. During the Track Record Period, there was no change in the equity interests of Servo Suzhou. As at the Latest Practicable Date, Servo Suzhou was an indirect wholly owned subsidiary of our Company.

HISTORY AND CORPORATE STRUCTURE

(5) SD Suzhou

SD Suzhou was established under the laws of the PRC on 14 June 2012 with an approved registered capital of US\$2.4 million pursuant to the demerger of Servo Suzhou and was wholly owned by MCG. SD Suzhou is principally engaged in the provision of motion control solutions. Please refer to the section headed “History and Corporate Structure – Establishment and Major Changes Concerning Our Company and Major Subsidiaries – (4) Servo Suzhou” in this prospectus for further details of the demerger.

During the Track Record Period, there was no change in the equity interests of SD Suzhou. As at the Latest Practicable Date, SD Suzhou was an indirect wholly owned subsidiary of our Company.

(6) SD Shenzhen

SD Shenzhen was established under the laws of the PRC on 28 May 2002 with an approved registered capital of RMB500,000. SD Shenzhen is principally engaged in the provision of motion control solutions. The initial shareholders on establishment were Servo Suzhou and Zhao Ye (趙業), who is currently an employee of our Group, who held 65% and 35% of the equity interests in SD Shenzhen respectively.

On 11 March 2005, Zhao Ye transferred his entire equity interests in SD Shenzhen to SD Beijing, and SD Shenzhen became owned as to 65% by Servo Suzhou and 35% by SD Beijing. Pursuant to the demerger of Servo Suzhou, 65% equity interests in SD Shenzhen then held by Servo Suzhou was allocated to SD Suzhou on 14 January 2013, and SD Shenzhen became owned as to 65% by SD Suzhou and 35% by SD Beijing. On 23 August 2013, the registered capital of SD Shenzhen was increased from RMB2 million to RMB6 million, by additional cash contribution for an aggregate sum of RMB4 million, contributed by the then shareholders proportional to their then respective shareholding. Such increase in registered capital was duly accepted by Shenzhen Market Supervision Administration Bureau (深圳市市場監督管理局) on 22 August 2013. Save as disclosed in this section, there was no change in the equity interests of SD Shenzhen during the Track Record Period. As at the Latest Practicable Date, SD Shenzhen was an indirect wholly owned subsidiary of our Company.

(7) SD Beijing

SD Beijing was established under the laws of the PRC on 30 May 2002 with an approved registered capital of RMB500,000. SD Beijing is principally engaged in the provision of motion control solutions. The initial shareholders on establishment were Servo Suzhou and Beijing NCAT which held 65% and 35% of the equity interests in SD Beijing respectively.

Pursuant to various transfers of equity interests and a change in registered capital after the date of establishment, SD Beijing was 91.25% owned by SD Suzhou and 8.75% owned by SD Shenzhen since November 2012. During the Track Record Period, there was no change in the equity interests of SD Beijing. As at the Latest Practicable Date, SD Beijing was an indirect wholly owned subsidiary of our Company.

HISTORY AND CORPORATE STRUCTURE

ISSUANCE OF NEW SHARES AND CONVERTIBLES

Upon completion of the First 2013 Placement in April 2013, the issued share capital of our Company (excluding treasury Shares) increased by approximately 11.99% from 300,214,950 Shares to 336,214,950 Shares. The net proceeds from the First 2013 Placement were primarily utilized for strengthening our capital base.

Upon completion of the Second 2013 Placement in May 2013, the issued share capital of our Company (excluding treasury Shares) increased by approximately 7.06% from 336,214,950 Shares to 359,944,950 Shares. The net proceeds from the Second 2013 Placement were primarily utilized for strengthening our capital base.

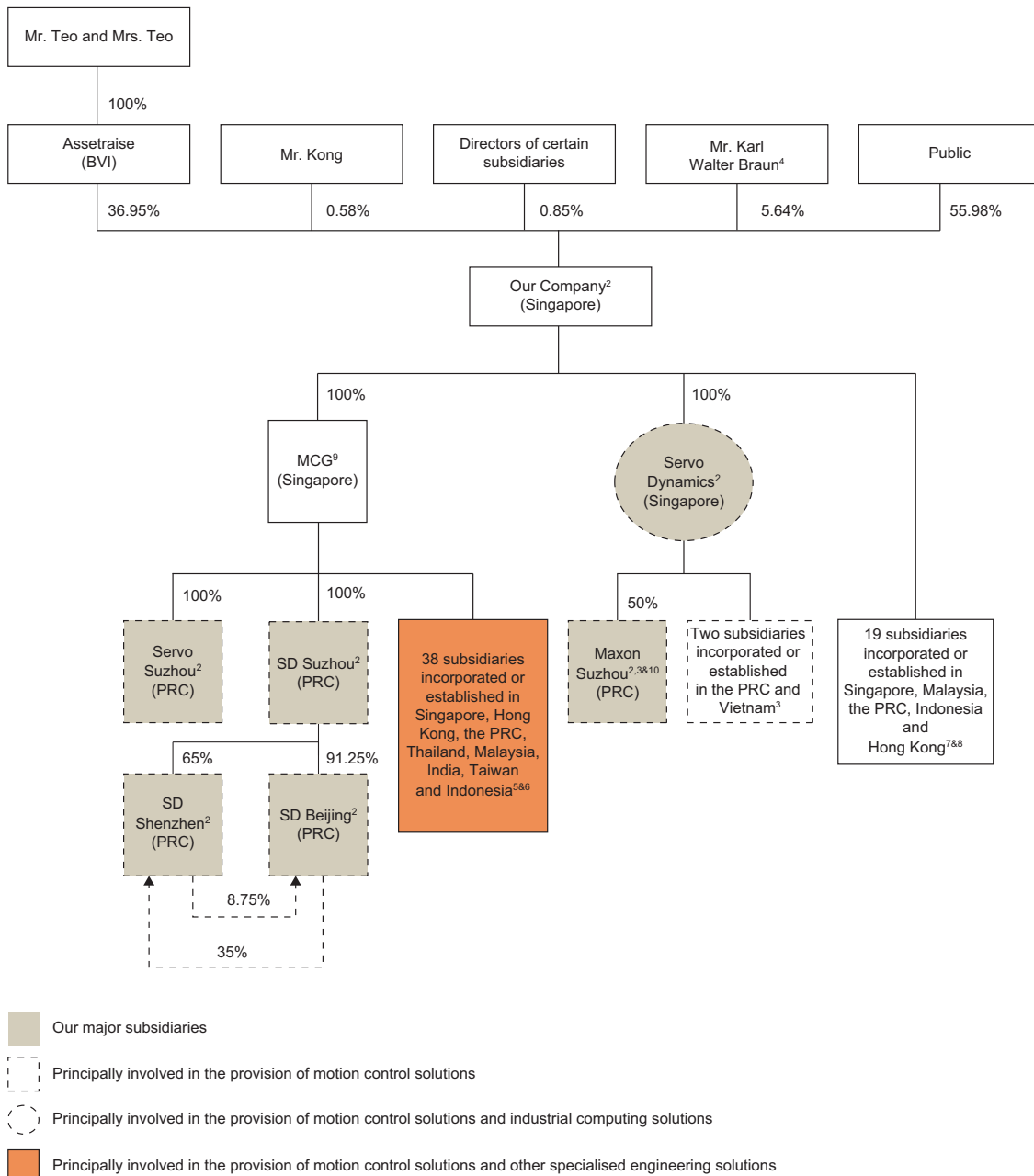
In November 2013, our Company completed a renounceable non-underwritten rights issue of Warrants on the basis of one warrant for every two then existing Shares, where 179,972,475 Warrants were issued and allotted at the issue price of S\$0.02 for each Warrant. Each Warrant is listed on the SGX-ST and carries the right to subscribe for one new Share at an exercise price of S\$0.60 for each new Share. The net proceeds of the Warrants Issue of approximately S\$3.4 million were primarily utilized for our general working capital. Since completion of the Warrants Issue, no Warrants had been exercised up to the Latest Practicable Date. As at 30 September 2016, our Group had 179,972,475 outstanding Warrants expiring on 9 November 2018.

HISTORY AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURES

Save for the dilution arising from the First 2013 Placement and the Second 2013 Placement as disclosed in the section headed “History and Corporate Structure – Issuance of New Shares and Convertibles” in this prospectus, there had been no material change to the shareholdings of our Controlling Shareholders, namely Mr. Teo, Mrs. Teo and Assetraise, in our Company during the Track Record Period and up to the Latest Practicable Date. Our Group has a number of subsidiaries primarily due to (i) the scale of our business which spans across a number of countries; and (ii) our business strategy that we tend to align interests with our suppliers who may become strategic shareholders of certain of our subsidiaries. Please refer to the below corporate charts for details of the structures of our Group as at 30 September 2016 and upon Listing.

(i) The simplified structure of our Group as at 30 September 2016 was as follows:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) The legend for our major subsidiaries needs to be read in conjunction with other applicable legends in the chart.
- (2) The table below sets out the details of our Company and six major subsidiaries as at 30 September 2016:

No.	Name	Date of incorporation (or establishment)	Place of incorporation (or establishment)	Principal business activities
1.	Our Company	28 December 2004	Singapore	Investment holding
2.	Servo Dynamics	2 October 1986	Singapore	Provision of motion control solutions and industrial computing solutions
3.	Maxon Suzhou	4 September 1995	PRC	Provision of motion control solutions
4.	Servo Suzhou	24 August 2001	PRC	Provision of motion control solutions
5.	SD Suzhou	14 June 2012	PRC	Provision of motion control solutions
6.	SD Shenzhen	28 May 2002	PRC	Provision of motion control solutions
7.	SD Beijing	30 May 2002	PRC	Provision of motion control solutions

- (3) As at 30 September 2016, three (3) non-wholly owned subsidiaries (including one major subsidiary) were held directly by Servo Dynamics and are principally involved in the provision of motion control solutions. The table below sets out the identity of the other shareholder which held the remaining equity interests of such non-wholly owned major subsidiary as at 30 September 2016:

Name	Name of the other shareholder/percentage of equity interests	Other existing relationships
Maxon Suzhou	• Interelectric (50%)	<ul style="list-style-type: none"> • Maxon Motor, one of our major suppliers, is an associate of Interelectric; and • A substantial shareholder of (i) Maxon Shanghai and (ii) Maxon Taiwan

Save as aforesaid, the above other shareholder is an Independent Third Party.

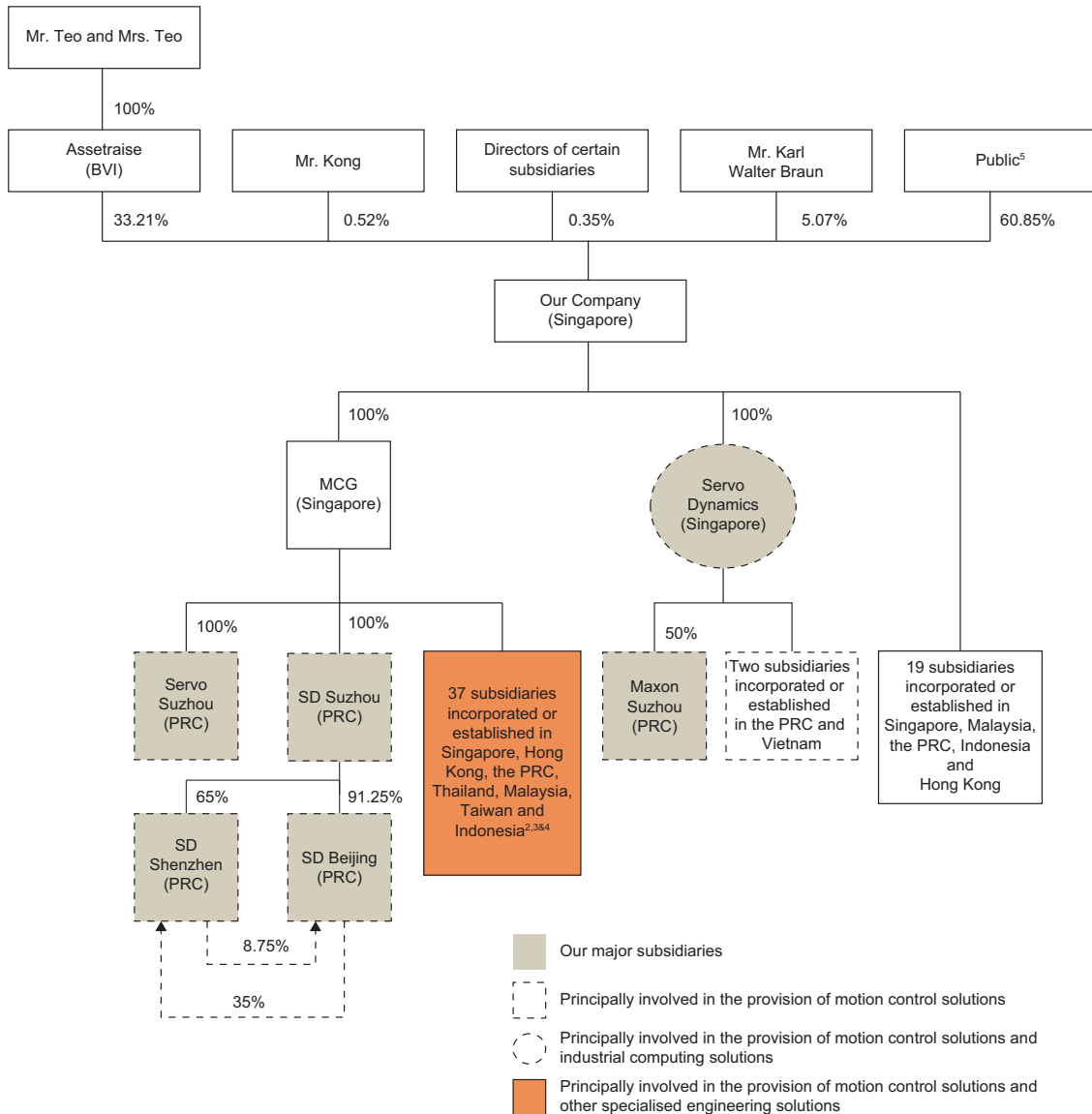
- (4) Mr. Karl Walter Braun and his immediate family control the entire shareholding interests in Interelectric. Interelectric is a substantial shareholder of certain members of our Group.
- (5) As at 30 September 2016, 14 wholly owned subsidiaries (including four (4) of our major subsidiaries) were held directly or indirectly by MCG. Nine (9) of which were principally involved in the provision of motion control solutions, one (1) of which was principally involved in the provision of other specialised engineering solutions, two (2) of which were principally involved in property holding, one (1) of which was principally involved in investment holdings and one (1) of which was inactive.
- (6) As at 30 September 2016, 28 non-wholly owned subsidiaries were held directly or indirectly by MCG. 10 of which were principally involved in the provision of motion control solutions, 13 of which were principally involved in the provision of other specialised engineering solutions, two (2) of which were principally involved in investment holdings, two (2) of which were inactive and one (1) of which was in the process of winding-up.

HISTORY AND CORPORATE STRUCTURE

- (7) As at 30 September 2016, 13 other wholly owned subsidiaries were held directly or indirectly by our Company. Five (5) of which were principally involved in investment holdings and four (4) of which were inactive. There was one (1) carrying out hydroponic growing with the application of our in-house motion control solutions, which did not generate any revenue for our Group during the Track Record Period. Further, one (1) of which did not generate any revenue for our Group during the Track Record Period, one (1) of which was principally involved in the provision of industrial computing solutions and one (1) of which was principally involved in the provision of other specialised engineering solutions.
- (8) As at 30 September 2016, six (6) non-wholly owned subsidiaries were held indirectly by our Company. One (1) of which was principally involved in land holding in Malaysia, one (1) of which was principally involved in investment holdings and four (4) of which were inactive.
- (9) This company was an investment holdings company.
- (10) Our Company has also accounted for entities in which we hold shareholdings of equal to or less than 50% as subsidiaries in accordance with HKFRS 10 “Consolidated Financial Statements” as our Company can exercise control over these entities from the accounting perspective. Our such control is evidenced through, among others, (i) our ability of directing and managing the entities’ relevant business, sales, customers, and other operating and financing activities on a day to day basis; (ii) our ability of affecting the entities’ returns as a whole by exercising our control; and/or (iii) having more than half of the board of directors of these entities being represented by our Company’s representatives.
- (11) Please refer to Notes 15 and 16 of Section II in the Accountant’s Report for further information of our subsidiaries and associated companies.

HISTORY AND CORPORATE STRUCTURE

- (ii) Immediately following the completion of the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that have been or may be granted under the ISDN ESOS 2016, the vesting of share awards that have been or may be granted under ISDN EPSP 2012 or the exercise of the rights to subscribe for Shares under the Warrants Issue), the simplified structure of our Group will be as follows:



Notes:

- (1) The legend for our major subsidiaries needs to be read in conjunction with other applicable legends in the chart.
- (2) Suzhou TRACE, an indirect non-wholly owned subsidiary of our Company held via MCG, was established on 13 October 2016. Please refer to the section headed "Definitions – Group companies" in this prospectus for further details.
- (3) IDI India, an indirect non-wholly owned subsidiary of our Company held via MCG, had been struck off as at the Latest Practicable Date.
- (4) Dbasix Aluminium, an indirect non-wholly owned subsidiary of our Company held via MCG, was wound up on 7 November 2016.
- (5) Upon Listing, without taking into account any removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register, the public shareholders in Singapore shall hold 200,206,000 Shares and the public shareholders in Hong Kong shall hold 40,000,000 Shares, representing approximately 50.72% and 10.13% of the issued share capital of our Company, respectively.

HISTORY AND CORPORATE STRUCTURE

OUR 2005 LISTING IN SINGAPORE AND THE DUAL PRIMARY LISTING

To raise our corporate profile, capitalize on our resources and expand our sources of funding, our Shares were listed on the main board of the SGX-ST on 24 November 2005 and had continued to be listed on the main board of the SGX-ST as at the Latest Practicable Date. Given the significance of our revenue source from the PRC together with Hong Kong, our Board adopts the dual capital market strategy whereby the Listing is expected to attract investors from the region which opens up another capital market for us and provides us with an excellent opportunity to further enhance our Group's profile internationally. We intend to maintain the listing status of our Shares on the main board of the SGX-ST following the dual primary listing of our Shares on the Main Board of the Stock Exchange. Since the date of our 2005 Listing in Singapore and up to the Latest Practicable Date, our Directors and Singapore Legal Advisers confirm that we had no instances of non-compliance with the Singapore Listing Manual in any material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the main board of the SGX-ST.

BUSINESS

OVERVIEW

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2016 marks the 30th anniversary since the inception of our Group. Over the years under the helmship of Mr. Teo who is our president, managing Director and Controlling Shareholder with a bachelor of mechanical engineering degree, we have developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof.

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC. In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced which revenue from the products we made in Wujiang accounts for less than 8% of our total revenue during the Track Record Period. As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers’ engineering needs in different offices.

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solutions markets respectively.

Set forth below is our revenue by each of (i) type of solutions and (ii) geographic location during the Track Record Period:

Revenue by type of solutions

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
Integrated engineering solutions:										
– Engineering solutions – motion control	124,592	73.5	172,861	75.0	184,101	78.2	93,525	78.4	95,020	78.9
– Other specialised engineering solutions	40,599	23.9	51,988	22.6	46,127	19.6	23,077	19.3	21,861	18.1
– Industrial computing solutions	4,360	2.6	5,601	2.4	5,071	2.2	2,665	2.3	3,578	3.0
Total	<u>169,551</u>	<u>100.0</u>	<u>230,450</u>	<u>100.0</u>	<u>235,299</u>	<u>100.0</u>	<u>119,267</u>	<u>100.0</u>	<u>120,459</u>	<u>100.0</u>

BUSINESS

Revenue by geographic location

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
PRC	119,207	70.3	165,874	72.0	165,638	70.4	84,220	70.6	83,129	69.0
Singapore	27,573	16.3	35,472	15.4	35,004	14.9	18,365	15.4	18,419	15.3
Malaysia	6,240	3.7	7,911	3.4	5,723	2.4	3,225	2.7	3,768	3.1
Hong Kong	7,092	4.2	10,821	4.7	10,932	4.6	5,328	4.5	7,154	6.0
Others ^(note)	9,439	5.5	10,372	4.5	18,002	7.7	8,129	6.8	7,989	6.6
Total	<u>169,551</u>	<u>100.0</u>	<u>230,450</u>	<u>100.0</u>	<u>235,299</u>	<u>100.0</u>	<u>119,267</u>	<u>100.0</u>	<u>120,459</u>	<u>100.0</u>

Note: We derived revenue from over 40 other countries and region including Vietnam, Thailand, Germany, Indonesia, the United States and Taiwan during the Track Record Period.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success:

Our clear market position as an integrated engineering solution provider

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. In light of the immense number of components and parts and/or readily available products in the market as well as the diverse dimensions, models and functions of each of such items, our customers come to us for engineering solutions usually in terms of what, when and where and/or how to source in order to gain specific functionality for particular machinery and machine tools. Our sales and engineering staff serve our customers by designing and customising professional engineering solutions inclusive of assembling components and parts and/or readily available products sourced from a variety of suppliers. Over the years, we have developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to a wide range of engineering needs of our customers under one roof.

Our dedicated management team

Our president, managing Director and Controlling Shareholder, Mr. Teo, has approximately 30 years of experience in the engineering industry. He is well versed in the technical know-how of the engineering solutions that our Group offers and possesses extensive knowledge of our Group’s business. Through his foresight, Mr. Teo was able to recognise the growing demand for our products and services in the overseas markets and in particular, the PRC. Through his leadership and guidance, we first entered the PRC market in 1995 and was able to build up a significant presence in the integrated engineering solution market in the PRC throughout the years. During the Track Record Period, we derived over 69% of our total revenue from the PRC.

Our executive Director, Mr. Kong, is in charge of our PRC operations. He has been with our Group for more than 20 years. He began his career as a senior engineer in a manufacturer of optical equipment. He possesses both the necessary technical skills and business experience and has contributed to the growth of the PRC operations and business of our Group.

BUSINESS

Most of our senior management have, on an average, more than 20 years' experience in the engineering industry and have been employed with our Group for an average period of 20 years. The loyalty and experience of our senior management have been an integral part of our success. Please refer to the section headed "Directors and Senior Management" in this prospectus for details.

Our significant presence in the PRC and other Asian countries and regions

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC.

We have established a number of subsidiaries in the PRC, which also reflects the relationships we have built with our suppliers who have become strategic shareholders in our certain subsidiaries. We believe that our strong network in the PRC and in Asia provides our customers with the confidence and assurance of our availability to provide integrated engineering solutions in an expedient manner which we believe contributes to our continued success.

Our established and transparent track record

2016 marks the 30th anniversary since the inception of our Group. As a major milestone in our history, our Shares have been listed on the main board of the SGX-ST since 24 November 2005. We have established a reputation as a credible and reliable solutions provider among our customers and ability to meet our customers' requirements. We believe that our technical expertise and understanding of our customers' needs are essential to our continued success. Further, we have had a transparent and profitable track record and have never recorded a net loss in our audited consolidated financial statements since our 2005 Listing in Singapore.

BUSINESS STRATEGIES

We intend to continue to build on our competitive strengths by implementing the following business strategies:

Leveraging the dual capital market strategy to enhance our Group's profile internationally

Built on our existing base in Singapore where we have our Shares listed on the main board of the SGX-ST since 2005, our Board considers that the Listing is expected to attract investors from the region given the significance of our revenue source from the PRC together with Hong Kong, which opens up another capital market for us and provides us with an excellent opportunity to further enhance our Group's profile internationally.

Aligning interests with our suppliers who may become strategic shareholders of certain of our subsidiaries

We intend to focus on strengthening our ties with our suppliers who have business strategies compatible with ours and may become strategic shareholders of certain of our subsidiaries, in order to ensure that we are able to integrate and offer the latest technologies to our customers in our engineering solutions proposals. Hence, certain of our minority shareholders are also our suppliers. These strategic relationships allow us long-term access to our suppliers' high quality products which we may procure for our customers and propose to our customers as part of our integrated engineering solutions proposal based on their requirements and needs.

Diversifying into markets in different geographical locations

As at 30 September 2016, we had 66 subsidiaries with 65 sales offices which spanned across Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia. During the Track Record Period, we derived revenue from over 40 countries and regions. We intend to be on the lookout to diversify our revenue source into markets in different geographical locations in order to capture business opportunities that may arise.

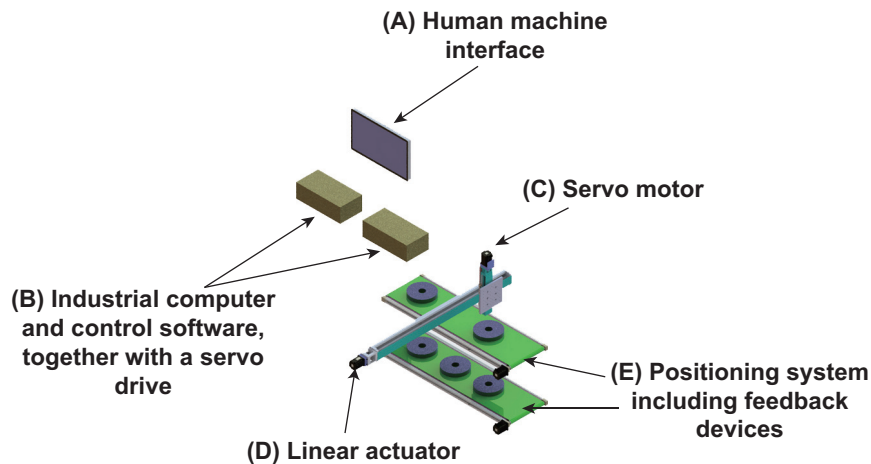
Keeping abreast of the latest technological changes relevant to our industry

We intend to maintain and continue to build our knowledge base and expertise of engineering solutions and latest technologies to improve the quality of the engineering solutions that we may offer to our customers, and to increase the value that we add to our customers' requirements. We will continue to keep our product offerings and market intelligence up-to-date, and to keep close contact with our customers, so as to develop and introduce new designs and engineering solutions based on our understanding of customers' needs.

ENGINEERING SOLUTIONS – MOTION CONTROL

Motion control is the accurate control of the movement of an object (by a combination of mechanical movements) based on speed, distance, load, inertia or a combination of all these factors. Thus, a motion control system is a precise electro-mechanical assembly that can be a functional module of a machine or a complete machine.

Our motion control system which is typically used in factory automation is shown below:



- (A):** Commands to a typical motion control system may be input through a human machine interface, PLC or a software from a computer.
- (B) & (C):** Through an industrial computer and the relevant software, a command is sent to the servo drive which in turn creates rotary movement in the servo motor.
- (D):** If a linear motion is required, a linear actuator may be used to convert the rotary movement of the motor to a linear motion.
- (E):** When applications require high precision of motion, feedback devices like encoders or electronics sensors will be added to close the loop. If there is a system inertial mismatch or an increase in the output torque, gearboxes of different design with different accuracy specification will be added to the motion control system to prevent unwanted oscillation affecting the precision of the motion control system.

We serve as a one-stop solutions provider for our customers. Our customers approach us with their expectations on design, functionality, technical specifications and/or compatibility, and we recommend and procure the necessary combination of engineering parts, systems and components to address their specific industrial environment or for their specific requirements on motion control systems. Our motion control solutions business segment is engaged in a wide range of activities ranging from conceptualisation, designs and development, prototyping, procurement, assembly, systematic controls and testing. If so required, we will also design and customise software for our customers' use with the motion control systems we provide.

BUSINESS

We focus on meeting our customers' individualised needs and tailor our solutions to specific customer demand and requirements. We are also able to reduce operating costs for our customers as we have the technical expertise to design motion control systems which are efficient and reliable, and incorporate a comprehensive range of components such as servo motors, drives and other mechanical parts sourced from our comprehensive network of suppliers.

Specialised machine tools and machinery: Our customers include manufacturers, machine tool makers and industrial players of diverse sizes who may:

- (i) use our motion control systems to build machine tools, which are in turn used to manufacture other electronic parts and components to be used, for instance, in smartphones, semiconductors and hard disks.

The machine tools built by our customers include welding systems, bonding systems, power tools, wafer processing equipment, inspection systems, semiconductor equipment and special purpose cutting machines.

- (ii) incorporate our motion control systems as a component in specialised equipment. These manufacturers are from various industries including medical, robotics, automotive and life science equipment.

Examples of equipment manufactured by these customers are:

- industrial robots
- medical devices such as prosthetic limbs and surgical beds
- medical equipment such as radiation equipment
- electrical instruments such as microscopes
- production shop floor monitoring systems
- life science equipment such as deoxyribonucleic acid (DNA) testing stages





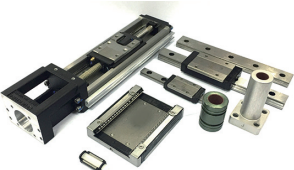
General automation: Our customers may also use our motion control systems for general automation of their operations. Our motion control systems may, for example, be used for general automation of processes across various industries, and may be utilised as follows:

- a component subsystem used in system integration for the oil and gas industries for general automation of processes
- general automation in the manufacturing process of paper packaging, recurring spare parts and other products

Our products

Our typical products are broadly divided into servo motors, servo drives, encoders, controllers and bearings which may be used as a functional module or submodule of a machine or a complete machine. We offer numerous varieties of such products, which are sourced from different suppliers from different countries and with different technical specifications to address a variety of requirements. Further, we may customise our products to suit the needs of our customers. Our products and solutions are utilised for a variety of industrial processes and products which require precision control on motion.

For illustrative purposes only, we set out below some examples of our typical products:

Our typical product	Photo and description	Use	Application
Servo motor	 <p>A servo motor is a rotary actuator or a linear actuator that comes with a feedback sensor and allows for precise control of angular or linear position, velocity and acceleration.</p>	<p>A servo motor converts the current and voltage that comes from the drive into mechanical motion and is the main component of a motion control system.</p>	<p>Our typical products are parts which are used as a functional module or submodule of a machine or a complete machine in a variety of industrial processes and products requiring motion control.</p> <p>These include:</p>
Servo drive	 <p>The servo drive is an amplifier that converts the signal from the controller into the correct current and voltage to drive the motor.</p>	<p>Servo drives translate the low energy reference signals from the controller into high energy power to the motor.</p>	<ul style="list-style-type: none"> • machine tools used in a wide range of manufacturing processes including those in the semiconductor and mobile phone industries; • medical equipment such as insulin pumps, prosthetic limbs, aortic pumps, and life science testing equipment; and • precision surgery robots.
Encoder	 <p>An encoder is a position sensor that outputs a signal telling the controller where the motor is and how fast it is moving.</p>	<p>An encoder immediately detects a change in the motor position and is utilised as a feedback to control a motor.</p>	<ul style="list-style-type: none"> • precision surgery robots.
Controller	 <p>The controller is the mastermind of a motion control system that commands the position, speed and torque of the motor.</p>	<p>The controller constantly monitors the encoder signal and applies torque to the motor to control it, in order to hold a specific position.</p>	
Bearing	 <p>Bearings offer low friction motion to track and guide applications.</p>	<p>Bearings are utilised to constrain the relative motion in a machine to the desired position and to reduce friction between moving parts.</p>	

BUSINESS

Other than our typical products, we also design, customise and assemble motion control systems for our customers. For illustrative purposes only, some of our customised products are set out below:

Our customised product

Photo and description

Use

Application

Precision gearbox integrated with a modular servo motor and feedback sensor



(Direct drive motor, gear, brake and feedback sensor)

Precision gearboxes reduce the speed of motion, improve precision and enhance stiffness of a motion control system.

Precision gearboxes are utilised in robotics as a basic element of each robotic axis to meet the form factor of a robotic arm and also to produce the required torque and accuracy.

Our customised products may be used in a variety of robots such as astronaut robots and industrial robots.

Customised robotic joint



(Customised heat sink, gear head, servo motor, brake and feedback sensor)

This robotic joint incorporates a heat sink to enhance the efficiency of the motor by dissipating heat from the motor.

Utilised in a variety of robots which require a higher force, higher torque with smaller form factors, such as robots used in the aerospace industry.

Customised special linear actuators



(Servo motor, feedback and screw)

Linear actuators create motion in a straight line, as compared to the circular motion of a conventional rotary motor.

Customised linear actuators are used in machine tools and industrial machinery and in many other instances where linear motion is required.

We customise linear actuators for a variety of applications including rehabilitation robots and driving mechanism for surgical beds in the medical industry.

BUSINESS

According to the F&S Report, each type of motion control products may be divided according to the different configurations and specifications. Therefore, there exists a certain price gap between different levels of products. We set out in the table below the typical price ranges and product life cycles of general categories of products we supply in our motion control solutions business:

Product category	Approximate price range per unit (S\$)	Approximate product life cycle
Servo motors	300 – 2,600	} 8 – 25 years
Servo drives	500 – 3,200	
Encoders	300 – 800	
Controllers	900 – 1,900	
Bearings	40 – 600	

There are an immense number of components and parts and/or readily available products in the motion control solutions market as well as the diverse dimensions, models and functions of each of such items. Each of our typical products in our motion controls solutions business set out above may vary based on a number of factors including the model, functionality, technical specifications, country of manufacture, as different industry players require such products of different specifications for their specific needs.

The price range of our typical products in our motion control solutions business thus varies greatly depending on the above factors, as well as the selling price of the products sold by our suppliers to us. Therefore, our typical products in the motion control solutions business may be priced from less than a hundred Singapore dollars to more than a few thousand Singapore dollars.

For example, the price range of our servo motors varies depending on the power rating and the technical specification to address the particular requirements and sophistication of that motion control solution for which the servo motor is used. A servo motor and servo drive used for a complex robot may be of a higher grade and power and cost more compared to a basic servo motor and servo drive used in a simple electronic system. Similarly, the price of a controller, which is the mastermind of a motion control system, will vary depending on the size, complexity and other requirements of the particular motion control system.

The price range of our customised products may also vary based on the level of customisation, technical sophistication and other requirements as may be required from our customers from a wide range of industries.

During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have a material impact on our business, financial condition or results of operations. Please refer to the section headed “Industry Overview” in this prospectus for details in relation to past and future price trends of our products in our motion control solutions business.

OTHER SPECIALISED ENGINEERING SOLUTIONS

Our other specialised engineering solutions business segment provides specialised engineering solutions including standard modular construction components for use in industrial automation systems and hardware components such as industrial locks, fasteners and hinges, as well as aluminium profiles and related accessories.

Our customers may require our expertise to provide engineering solutions tailored to their particular or specialised needs, and we provide value-added proposals according to our customers' requirements. Our hinges and locks are specialised fitting components for construction which function mechanically or electronically and can be used for demanding applications in the energy sector, machine construction, and the railway and transportation industries, etc.

Our customers in the other specialised engineering solutions business are mainly manufacturers, machine tool makers and industrial players from the following industries:

Industries requiring general automation: Our customers from various industries, including the food industry and machine construction, may also require our industrial hardware products for their use as part of their general automation requirements or as part of general production and/or assembly lines. For instance, we supply modular aluminium frames and structures, conveyor systems and accident-prevention guards for process machinery and other parts and components used in conveyor systems. Such products are employed by manufacturers in their manufacturing processes such as automatic machinery and handling lines in general. Based on our customers' requirements, we are able to supply kits containing all necessary components (cut to size and ready for assembly into structures), or supply pre-assembled structures.

Telecommunications: Our customers who are in the telecommunications industry are industrial enclosure manufacturers, telecommunications system owners and developers as well as data centre service providers. Products required by customers in these industries are shelf products such as quick and easy release hinges and locks and electronic locking systems, and customised solutions based on specific customers' requirements.

Railway and transportation: Customers who are in railway, subway and transportation industries are manufacturers or contractors of railway and other transportation means and heavy utility equipment, among others. Products required by customers in these industries include industrial hinges and locks.

BUSINESS

Our products



Our typical products in our other specialised engineering solutions business segment broadly include hinges, locks, latches, fasteners, aluminium profiles and accessories, and other industrial hardware with quick latching snap technology. Further, we may customise some of our products depending on the actual requirements of our customers.

For illustrative purposes only, some of our typical products in our other specialised engineering solutions business segment are set out below:

Our typical product	Photo and description	Use	Application
Hinges, locks and latches		<p>Our hinges and locks are durable for use in industrial environments and our latches allow for convenient and quick access.</p>	<p>Our typical products are applicable to industrial process and products where durable hardware such as hinges, locks and latches are required, or in the case of snap technology fasteners, for ease of dismantling of larger components.</p>
Fasteners and other hardware with quick latching snap technology	 <p data-bbox="411 1300 863 1432">These fasteners quick latching snap and other hardware employ our proprietary quick latching snap technology, which allows users to quickly put together sheet metal pieces and/or other larger components.</p>	<p>These latches and other hardware with quick latching snap technology allows our customers to enjoy cost savings in areas of storage and transportation, as larger pieces of equipment or parts may be split into and stored and shipped as smaller pieces, to be put together only at the destination. For instance, large pieces of network enclosures employed in server rooms, which may exceed 2 metres at the longest side, may be split into small components and assembled at its final destination.</p>	<p>These include:</p> <ul style="list-style-type: none"> • automobiles and locomotives which require durable and vibration resistant components; • computer server racks for easy locking and releasing in the telecommunications industry; and • latches to allow quick access to inspection components in various industries.

BUSINESS

Other than typical locks, hinges, fasteners and latches, we also customise some of our products in our other specialised engineering solutions business segment for our customers' specific needs. For illustrative purposes only, some examples of such customised products are set out below:

Our customised product	Photo and description	Use	Application
Vibration resistant lock	 <p data-bbox="411 789 866 917">Locks with a safety feature of an easily identifiable cover that cannot be closed unless the underlying latch is securely fastened. These latches are also made to withstand severe vibration.</p>	Used in industrial applications under environments with severe vibration to ensure that the locks do not loosen.	<p data-bbox="1161 431 1412 559">Generally utilised in the automotive industry and other industries requiring resistance to severe vibration.</p> <p data-bbox="1161 602 1412 761">For example, both the vibration resistant lock and the snap/push lock may be utilised to fasten the panels and other parts of high-speed trains.</p>
Snap/push lock	 <p data-bbox="411 1198 866 1325">The snap/push lock is an adjustable compression latch which, when pushed into alignment (whether slowly or quickly), snaps into place with a sound and locks the position of the part it is attached to.</p> <p data-bbox="411 1368 866 1691">This removes the need for the part to be manually pushed and secured in place by way of using screws to secure the connection, which may result in: (i) misalignment of the parts not being detected; (ii) insecure connections as the screws have not been fully tightened; and (iii) the connections becoming loose as the screws loosen due to stress arising from severe vibration environments, such as on railway tracks, thereby minimising the likelihood of the connection coming apart after being reconnected following inspection of the part.</p>	Used in industrial applications under environments with severe vibration to ensure that the locks do not loosen.	

BUSINESS

Our customised product

Photo and description

Use

Application

Dust-proof safety lock



This lock requires a special key to open and cannot be opened with normal tools. Further, the key to the lock cannot be pulled out of the keyhole until the door has been fully opened or closed. Both these unique features ensure that the door is secured from unauthorised intrusion and prevents situations when the door may be accidentally left unlocked.

Used in areas requiring high security as a safety lock for doors.

High security areas such as wind powered farms.

The design of the lock also makes it dust-proof, which is a useful feature in areas where strong winds may result in keyholes of normal locks being prone to dust blockage.

Aluminium profile modular structure system



This compact lifter is an integrated system utilising our aluminium profile and other accessories.

This compact lifter system may be utilised by customers to create different lifters and handle systems in the production shop floor.

This customised aluminium structure system was developed to meet the specific requirements of manufacturers in the automotive industry to improve their time-to-market and productivity.

There are an immense number of components and parts and/or readily available products in the other specialised engineering solutions market as well as the diverse dimensions, models and functions of each of such items. Each of our typical products in our other specialised engineering solutions business set out above may vary based on a number of factors including the type of hardware, durability, size and complexity and level of customisation of such products to meet a variety of requirements of our customers. The price range of our typical products in our other specialised engineering solutions business thus varies greatly depending on the above factors, as well as the selling price of the products sold by our suppliers to us.

For example, our hinges, locks, latches and fasteners typically cost between approximately S\$1 and S\$100, depending on the type of product and level of customisation. Our simple hinges and latches usually cost less compared to customised purpose-specific locks such as our dust-proof safety locks.

For our aluminium profile structure systems and related accessories, the costs vary widely depending on the size and complexity of the system and are typically made-to-measure depending on our customers' needs. For example, our aluminium profile structure systems may cost as low as approximately S\$700 for a simple system utilised for standard conveyor belts and as high as approximately S\$406,000 for a complex aluminium profile structure system utilised for a large conveyor belt used in the automotive industry. Our other aluminium profile accessories typically cost between approximately S\$1 and S\$400 depending on the type and dimension of such accessories.

For each of our abovementioned products in our other engineering solutions business, the product life cycle is approximately 30 years.

During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have a material impact on our business, financial condition or results of operations.

BUSINESS



INDUSTRIAL COMPUTING SOLUTIONS

Our industrial computing solutions business provides a wide range of industrial hardware and software to our customers to meet their industrial computing needs. Under this business segment, we formulate a cost-efficient and effective solution to assemble the various industrial computing hardware and software based on the needs of our customers. Our industrial computer systems may be used for the manufacturing and production processes in a broad range of industries including the oil and gas, medical, water treatment, telecommunications and semiconductor industries.

We provide: (i) hardware and industrial computing products; and (ii) “Wonderware” software, an easy to use human machine interface and supervisory control and data acquisition system, according to our customers’ requirement using various components and parts which we source from various suppliers. Our industrial computing solutions business is operated through our subsidiary, Portwell, which is equipped with assembly and testing capabilities, and Servo Dynamics, which distributes the “Wonderware” software, an award-winning software for visualisation and automation process control which offers ease of use, simple-to-configure graphics and almost unlimited scalability.

We are also engaged in the provision of system integration services for industrial computing systems. We provide training, consultation, feasibility studies, and supply hardware and software to our end users. Our system integration services team works closely with our customers, who are mostly system integrators.

Our system integration services team has requisite experience and technical know-how in systems integration. With the increase of their competency, our systems integration services team is able to offer better designs to our customers which will result in more cost efficient processes.

<u>Our customised product</u>	<u>Photo</u>	<u>Use</u>	<u>Application</u>
Customised industrial computing hardware		Customised hardware for process control and data acquisition in a variety of industries	Manufacturers, and industrial players in a variety of industries, such as telecommunications and semiconductor industries.
Customised integrated panel computers and display		Customised hardware for display systems based on environment-specific requirements	Panel displays in public transportation

BUSINESS

There is a wide range of specifications, dimensions, models and functions of industrial computing hardware and each of our products in our industrial computing solutions business is customised according to our customers' needs in a variety of industries.

The prices of our customised industrial computing hardware may typically cost from approximately S\$1,200 to approximately S\$6,400 based on the complexity and specifications of such products. The product life cycle of our customised industrial computing hardware is approximately 5 to 10 years.

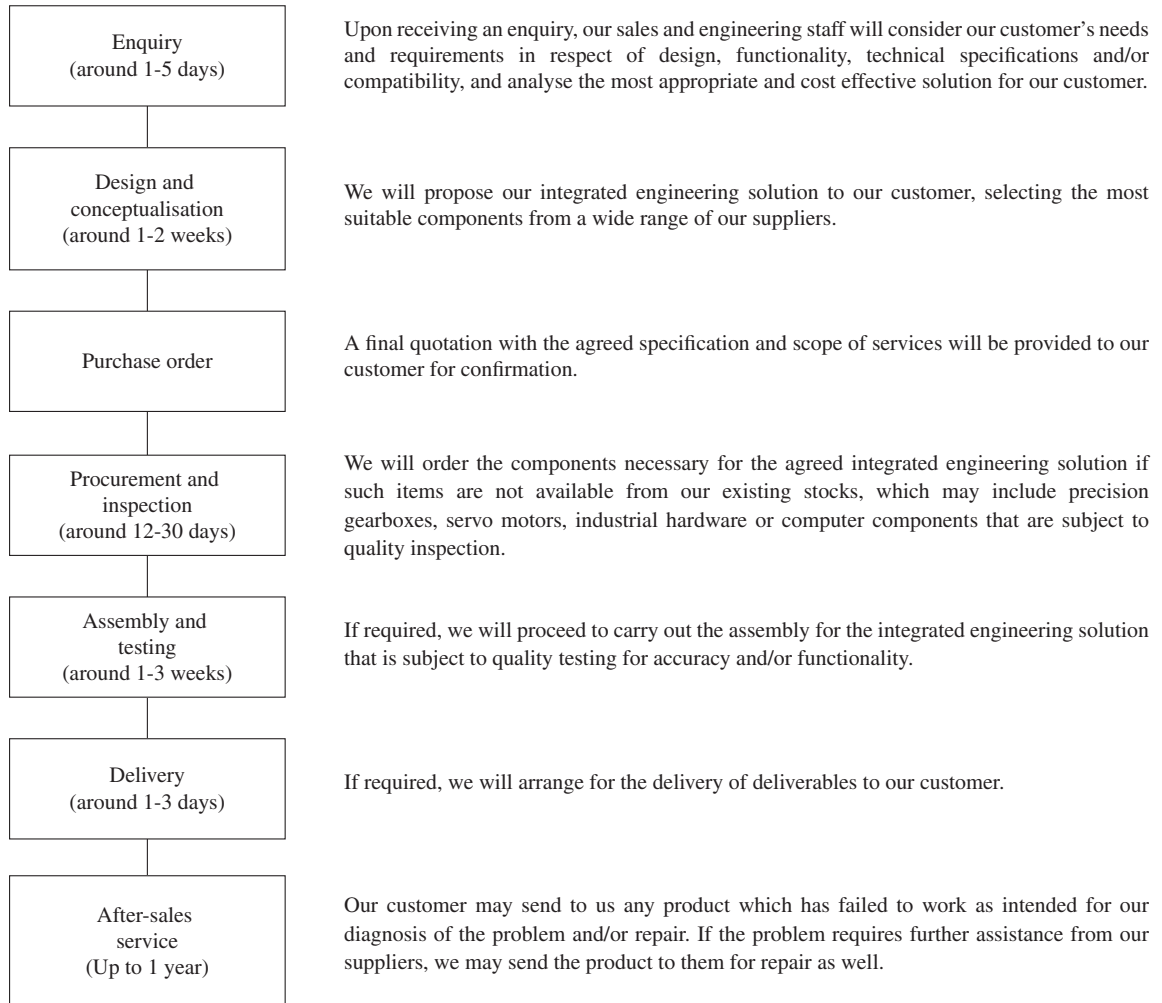
The prices of our "Wonderware" software typically costs approximately S\$2,500 per license and may vary based on the number and type of add-ons, modules and features. Our "Wonderware" software does not have a product life cycle.

During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have a material impact on our business, financial condition or results of operations.

BUSINESS

BUSINESS WORKFLOW

Our business workflow is typically as follows:



The entire workflow typically takes about 1 to 2 months until delivery, but may take up to several months depending on the complexity of and how usual the solutions are, in light of the immense number of components and parts in the integrated engineering solutions market and the diverse dimensions, models and functions of such items. A variety of factors determine the duration of each work process, and the aforementioned work processes may commonly overlap. For example, the length of the enquiry stage depends on factors such as the complexity of our customers' needs, the length of the design and conceptualisation stage depends on the technical specification and complexity of the required solution, and the procurement and inspection stage primarily depends on the type and number of components and products required to be sourced for the particular solution. We provide assembly, testing and/or delivery services depending on the requests and needs of each customer and the nature of each product or solution. For example, assembly and delivery services are typically required when the deliverables are bulky and/or complex in nature, such as our aluminium structures for conveyor belts, and testing services are typically required for our complex motion control systems for specialised equipment.

Depending on the business segment, the workflow may differ slightly. For example, for our other specialised engineering solutions business, we may make some components ourselves instead of sourcing such components from our suppliers. For our industrial computing solutions business, we also distribute "Wonderware" software to our customers and provide training services if required.

SALES AND MARKETING

Multi-national sales network

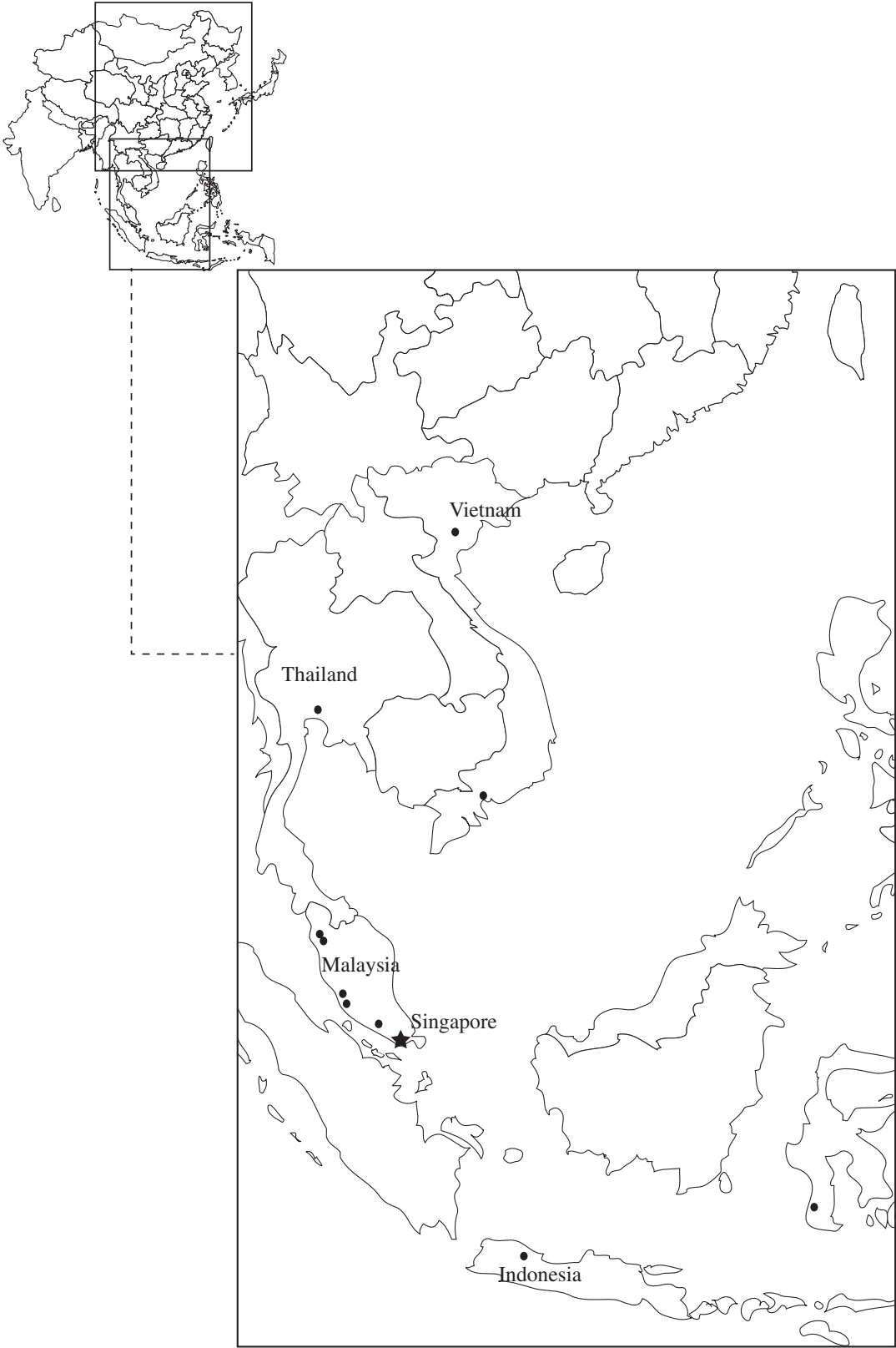
Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC and the rest from over 40 countries and regions including Singapore, Malaysia, Hong Kong, Vietnam, Thailand, Germany, Indonesia, the United States and Taiwan.

Our sales offices network coverage is set out below:



- ◎ Our ISDN Hightech Industrial Park in Wujiang district, Suzhou in Jiangsu of the PRC
- Our sales offices

BUSINESS



- ★ Our headquarters and two other sales offices in Singapore
- Our sales offices

BUSINESS

Set out below is where our sales offices were located as at 30 September 2016:

<u>Country or region</u>	<u>Number of cities in which we have sales offices</u>	<u>Number of sales offices</u>
Singapore ^(note 1)	1	3
PRC:		
– Central area	5	10
– Eastern area ^(note 2)	5	11
– Northern area	6	13
– Southeastern area	5	12
– Southwestern area	2	4
Malaysia	4	5
Hong Kong	1	1
Vietnam	2	2
Thailand	1	1
Taiwan	1	1
Indonesia	2	2
Total	<u>35</u>	<u>65</u>

Notes:

(1) Includes our headquarters in Singapore.

(2) Includes our ISDN Hightech Industrial Park in Wujiang district, Suzhou in Jiangsu province of the PRC.

Our large spread of sales offices in various parts of the PRC and other Asian countries and regions enable us to maintain close contact with our customers, and to understand and meet the needs of our customers in a more efficient manner.

BUSINESS

Marketing

We regularly reach out to our customers to provide them with our updates on new product offerings, and also addresses our customers' queries on how such product offerings may be employed to serve their needs. Our sales and marketing department maintains close contact with our engineering department to ensure that they are kept abreast of new technological advances and/or product offerings, and to ensure that customers are provided with the most up-to-date and relevant information.

As part of our marketing activities, our sales and marketing team also organises promotions for our Group's products through the Internet, advertises regularly in publications and participates regularly in international trade fairs to showcase our range of engineering products and systems.

Set out below is a summary of the number of trade fairs we participated in during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	Total
	2013	2014	2015	2016	
PRC	–	–	3	2	5
Singapore	2	1	2	–	5
Malaysia	1	2	–	–	3
Indonesia	–	1	1	–	2
Vietnam	1	–	–	–	1
Total	<u>4</u>	<u>4</u>	<u>6</u>	<u>2</u>	<u>16</u>

SEASONALITY

Our nature of business does not exhibit any particular seasonality trend on an annual basis other than that demand for our engineering solutions may be lower during the Chinese New Year holidays and the end-of-the-year festive period.

BUSINESS

CUSTOMERS

Our customers are primarily manufacturers, machine tool makers and industrial players located in over 40 countries and regions who have a wide range of engineering needs. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our five largest customers accounted for approximately 12.1%, 9.7%, 7.5% and 10.4% of our total revenue, and our largest customer accounted for approximately 4.0%, 2.5%, 2.2% and 3.1% of our total revenue, respectively.

For the year ended 31 December 2013

Customer	Country	Nature of the main business of the customer	Products sold	Length of relationship with our Group as at 31 December 2013	Credit terms	Payment method	Percentage of total revenue of our Group
Customer A	PRC	Smartphone and automation production OEM	Motion control systems and products	3 years	90 days	Telegraphic/bank transfer	4.0%
Customer B	PRC	Manufacturing automation	Motion control systems and products	2 years	60 days	Telegraphic/bank transfer	3.4%
Customer C	Hong Kong/Singapore	Semiconductors OEM	Motion control systems and products	26 years	30 to 150 days	Telegraphic/bank transfer	2.1%
Customer D	PRC	Textile machinery control systems	Motion control systems and products	2 years	Deposit of RMB500,000, balance amount to be paid within 15 business days	Telegraphic/bank transfer	1.5%
Customer E	PRC	Smartphone and automation production OEM	Motion control systems and products	7 years	90 days	Telegraphic/bank transfer	1.1%
						Total	12.1%

BUSINESS

For the year ended 31 December 2014

Customer	Country	Nature of the main business of the customer	Products sold	Length of relationship with our Group as at 31 December 2014	Credit terms	Payment method	Percentage of total revenue of our Group
Customer A	PRC	Smartphone and automation production OEM	Motion control systems and products	4 years	90 days	Telegraphic/bank transfer	2.5%
Customer E	PRC	Smartphone and automation production OEM	Motion control systems and products	8 years	90 days	Telegraphic/bank transfer	2.5%
Customer C	Hong Kong/Singapore	Semiconductors OEM	Motion control systems and products	27 years	30 to 150 days	Telegraphic/bank transfer	2.1%
Customer F	Singapore	Smartphone production equipment OEM	Motion control systems and products	9 years	60 days	Telegraphic/bank transfer	1.3%
Customer B	PRC	Manufacturing automation	Motion control systems and products	3 years	60 days	Telegraphic/bank transfer	1.3%
						Total	9.7%

BUSINESS

For the year ended 31 December 2015

Customer	Country	Nature of the main business of the customer	Products sold	Length of relationship with our Group as at 31 December 2015	Credit terms	Payment method	Percentage of total revenue of our Group
Customer C	Hong Kong/ Singapore	Semiconductors OEM	Motion control systems and products	28 years	30 to 150 days	Telegraphic/ bank transfer	2.2%
Customer G	PRC	Robot OEM	Motion control systems and products	4 years	80 days	Telegraphic/ bank transfer	1.5%
Customer H	PRC	Smartphone and robot OEM	Motion control systems and products	11 years	180 days	Telegraphic/ bank transfer	1.3%
Customer F	Singapore	Smartphone production equipment OEM	Motion control systems and products	10 years	60 days	Telegraphic/ bank transfer	1.3%
Customer I	PRC	Manufacturing of CNC machine tools	Motion control systems and products	10 years	45 days	Telegraphic/ bank transfer	1.2%
						Total	7.5%

BUSINESS

Six months ended 30 June 2016

Customer	Country	Nature of the main business of the customer	Products sold	Length of relationship with our Group as at 30 June 2016	Credit terms	Payment method	Percentage of total revenue of our Group
Customer C	Hong Kong/ Singapore	Semiconductors OEM	Motion control systems and products	28 years	30 to 150 days	Telegraphic/ bank transfer	3.1%
Customer J	PRC	Solar panel manufacturing	Motion control systems and products	9 years	45 to 120 days	Telegraphic/ bank transfer	2.4%
Customer K	PRC	Distribution of motion control products	Motion control systems and products	2 years	Advance payment	Telegraphic/ bank transfer	1.7%
Customer L	PRC	Lithium battery manufacturing	Motion control systems and products	3 years	60 to 90 days	Telegraphic/ bank transfer	1.6%
Customer E	PRC	Smartphone and automation production OEM	Motion control systems and products	9 years	90 days	Telegraphic/ bank transfer	1.6%
						Total	10.4%

Each of our five largest customers during the Track Record Period was an Independent Third Party. To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period. None of our five largest customers during the Track Record Period were our suppliers. During the Track Record Period, we did not enter into any long-term agreements with our five largest customers.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we generated our total revenue from approximately 6,800, 7,200, 7,200 and 5,000 customers respectively. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we generated approximately 6.6%, 5.1%, 6.4% and 4.2% of our total revenue from new customers respectively.

BUSINESS

Sales and payment

We have no long-term agreements with our customers that would have a material impact on our business, financial condition or results of operations. We accept purchase orders from our customers for our sales to them. The purchase orders typically include the following:

- the description of the product(s) ordered;
- the quantity of each product;
- the price of the product(s) individually and on an aggregated basis; and
- the date of delivery.

We typically offer payment terms between 30 – 90 days to our customers. For some customers, we require that they prepay the full amount to us prior to delivery.

Our customers usually make payment to us in SGD or RMB and is typically settled by way of telegraphic or bank transfer.

During the Track Record Period, we did not experience any bad and doubtful debts or disputes with our customers that would have had a material impact on our business, financial condition or results of operations.

Pricing

We charge our customers on an “all-in” basis primarily based on how much it costs us to source for the requisite components and parts and/or readily available products, and our expected profit margin on the engineering solutions we provide to them. Due to the competition and transparency of the market these days, we compete with our rivals on product offerings and quality of our expertise in satisfying our customers’ engineering needs. We command a profit margin on the engineering solutions we provide taking into account such factors as the expertise we are able to deliver, the effectiveness of our solutions to satisfy our customers’ engineering needs, our customers’ acceptability, how remote our customers are located and the market pricing on specific products. It is our practice that we do not charge assembly, testing and/or delivery services as a separate item but instead charge our customers with an “all in” price. Given such practice, we are unable to attribute revenue or profit separately to any assembly, testing and/or delivery services provided. With our pricing policy in mind, we did not suffer any losses as a result of the assembly, testing and/or delivery services provided that would have had a material impact on our business, financial condition or results of operations during the Track Record Period.

AFTER SALES SERVICE

Our engineering staff are available to assist our customers with their complaints and any products which may not be working as intended. However, we do not provide any warranty to our customers. If we identify that a fault is attributable to our supplier as opposed to a fault arising from the customer’s improper use of the product or wear and tear, we will return the same to our supplier for repair to, or replacement of, the defective component or system.

During the Track Record Period, there were no product returns or product quality issues or complaints from our customers which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

PRODUCTION

In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced which revenue from the products we made in Wujiang accounts for less than 8% of our total revenue during the Track Record Period.

We do not own or run mass production lines. We generally operate our machinery and equipment for die casting or stamping in one shift of approximately eight hours. Due to (i) the lack of production lines as such; and (ii) the diverse dimensions, models and functions of items we make, it is not feasible for us to supply statistics in respect of the production capacity and utilisation rates for our industrial base where we merely make certain of our products for our other specialised engineering solutions.

Machinery and equipment

Our machinery and equipment were generally sourced from manufacturers in the PRC and the US and primarily comprise CNC machines as well as sawing and milling machines for die casting or stamping. Their ages range from less than one year old to around 10 years old. We conduct regular cleaning and maintenance to our machinery and equipment. During the Track Record Period, we did not experience any insufficiency of machinery or equipment failure which would have had a material impact on our business, financial condition or results of operations.

SUPPLIERS

We recognise the importance of using reputable suppliers which offer reliable, cost-effective and technologically advanced products in order to meet the engineering needs of our customers who are engaged in a broad range of industries such as medical equipment, robots, mobile phones and transportation.

We typically select our suppliers based on the suitability and value of components and parts and/or readily available products they supply based on our customers' specifications. We assess our suppliers based on factors including their reputation, the quality of their products and their receptiveness to our feedback.

We generally source for supplies from the subsidiary or branch office of our suppliers which are located in the PRC. The parent companies of the groups to which such suppliers belong are usually located in Asia or North America. Nonetheless, our Group uses maxon motors supplied by Maxon Motor AG ("**Maxon Motor**") in Switzerland and servo drives supplied by Supplier G in the US for the high precision motion control engineering solutions.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our purchases from our five largest suppliers accounted for approximately 58.3%, 53.4%, 55.6% and 55.5% of our total purchase costs and our purchases from our largest supplier accounted for approximately 35.5%, 31.6%, 26.9% and 28.2% of our total purchase costs, respectively. We are exposed to a certain degree of concentration risk and counterparty risk as a result of our reliance on our major suppliers for the supply of motion control components. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our procurement capability and therefore our business may be materially and adversely affected in the event that we lose some or all of our major suppliers" in this prospectus for further details.

BUSINESS

For the year ended 31 December 2013

Supplier	Country	Nature of the main business of the supplier	Products purchased	Length of relationship with our Group as at 31 December 2013	Credit terms	Payment method	Percentage of total purchase costs of our Group
Supplier A	PRC	Sale of drives, motors and other engineering products	Servo motors, drives and other motion control components	18 years	30 days	Telegraphic/bank transfer	35.5%
Maxon Motor	Switzerland	Manufacture and sale of drivers and motors	Servo motors, drives, gearboxes, encoders, controllers and other motion control components	25 years	60 days	Telegraphic/bank transfer	14.7%
Supplier B	PRC	Sale of mechanical components	Linear bearings and actuators	2 years	Cash on delivery	Telegraphic/bank transfer	4.4%
Supplier C	PRC	Sale of drivers, motors and other engineering products	Servo motors and drives	8 years	Advance payment	Telegraphic/bank transfer	1.9%
Supplier D	PRC	Sale of controller systems	Motion controllers	7 years	15 days	Telegraphic/bank transfer	1.8%
						Total	58.3%

BUSINESS

For the year ended 31 December 2014

Supplier	Country	Nature of the main business of the supplier	Products purchased	Length of relationship with our Group as at 31 December 2014	Credit terms	Payment method	Percentage of total purchase costs of our Group
Supplier A	PRC	Sale of drives, motors and other engineering products	Servo motors, drives and other motion control components	19 years	30 days	Telegraphic/bank transfer	31.6%
Maxon Motor	Switzerland	Manufacture and sale of drivers and motors	Servo motors, drives, gearboxes, encoders, controllers and other motion control components	26 years	60 days	Telegraphic/bank transfer	13.8%
Supplier E	Hong Kong	Sale of encoders and measuring equipment	Encoders and measuring equipment	19 years	60 days	Telegraphic/bank transfer	2.8%
Supplier F	PRC	Sales of motion control products	Gearboxes and motion control components	19 years	30 days	Telegraphic/bank transfer	2.6%
Supplier C	PRC	Sale of drivers, motors and other engineering products	Servo motors, and drives	9 years	Advance payment	Telegraphic/bank transfer	2.6%
						Total	53.4%

BUSINESS

For the year ended 31 December 2015

Supplier	Country	Nature of the main business of the supplier	Products purchased	Length of relationship with our Group as at 31 December 2015	Credit terms	Payment method	Percentage of total purchase costs of our Group
Supplier A	PRC	Sale of drivers, motors and other engineering products	Servo motors, drives and other motion control components	20 years	30 days	Telegraphic/bank transfer	26.9%
Maxon Motor	Switzerland	Manufacture and sale of drivers and motors	Servo motors, drives, gearboxes, encoders, controllers and other motion control components	27 years	60 days	Telegraphic/bank transfer	16.4%
Supplier F	PRC	Sales of motion control products	Gearboxes and motion control components	20 years	30 days	Telegraphic/bank transfer	7.8%
Supplier C	PRC	Sale of drivers, motors and other engineering products	Servo motors and drives	10 years	Advance payment	Telegraphic/bank transfer	2.4%
Supplier E	Hong Kong	Sale of encoders and measuring equipment	Encoders and measuring equipment	20 years	60 days	Telegraphic/bank transfer	2.1%
						Total	55.6%

BUSINESS

For the six months ended 30 June 2016

Supplier	Country	Nature of the main business of the supplier	Products purchased	Length of relationship with our Group as at 30 June 2016	Credit terms	Payment method	Percentage of total purchase costs of our Group
Supplier A	PRC	Sale of drivers, motors and other engineering products	Servo motors, drives and other motion control components	20 years	30 days	Telegraphic/bank transfer	28.2%
Maxon Motor	Switzerland	Manufacture and sale of drivers and motors	Servo motors, drives, gearboxes, encoders, controllers and other motion control components	27 years	60 days	Telegraphic/bank transfer	18.8%
Supplier E	Hong Kong	Sale of encoders and measuring equipment	Encoders and measuring equipment	20 years	60 days	Telegraphic/bank transfer	3.1%
Supplier F	PRC	Sales of motion control products	Gearboxes and motion control components	20 years	30 days	Telegraphic/bank transfer	2.9%
Supplier G	US	Manufacture and sale of drivers	Servo drives	26 years	60 days	Telegraphic/bank transfer	2.5%
						Total	55.5%

As at the Latest Practicable Date, Mr. Karl Walter Braun held 20,000,000 Shares, representing approximately 5.64% of our issued Shares. Mr. Karl Walter Braun and his immediate family control the entire shareholding interests in Interelectric AG, which in turn controls Maxon Motor. Set out in the section headed “Continuing Connected Transactions – Relationship between Our Group and Our Connected Persons” in this prospectus are further details in this regard. Save as disclosed above, to the best of the knowledge of our Directors, none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period.

We subcontract no part of our business process that would have a material impact on our business, financial condition or results of operations. Save as disclosed in the section headed “Continuing Connected Transactions – B. Non-exempt Continuing Connected Transactions – 1. License agreement with Maxon Motor” in this prospectus, we do not have long-term supply agreements in respect of minimum order quantity with our suppliers.

BUSINESS

Purchases and payment

The purchase prices of products we purchase from our suppliers are typically based on the standard price lists maintained by our suppliers (to which they may make changes from time to time), or as further agreed between us and our suppliers. Our suppliers do not restrict the prices we charge to our customers.

In most cases, transportation costs of the goods supplied to us and the risk of the products being damaged during transit are borne by us.

Our suppliers usually grant us credit terms ranging from 30 to 60 days. Payment is usually made primarily in either SGD, RMB, USD, CHF or EUR and is typically settled by way of telegraphic or bank transfer.

During the Track Record Period, we did not experience any shortage of supply, price fluctuation on products sourced or product delivery issues which would have had a material impact on our business, financial condition or results of operations.

Please refer to the section headed “Financial Information – Principal Income Statement Components – Cost of sales” in this prospectus for further details on the sensitivity analysis in respect of the impact of hypothetical fluctuations in our cost of sales.

QUALITY CONTROL

We continuously strive to provide well-suited and appropriate engineering solutions with quality service that consistently meet or exceed our customers’ requirements. To this end, we focus on the needs and expectations of our customers, improve our operations and services, introduce the latest technology and products, develop our employees’ skills, competency and commitment and establish strategic relationships with our suppliers.

We have established a strict quality assurance and control system to ensure the consistency and quality of our engineering solutions in compliance with the standards of the International Organisation for Standardisation:

<u>Certification</u>	<u>Recipient</u>	<u>Certified since</u>	<u>Quality control area</u>	<u>Issuing organisation</u>	<u>Expiry date</u>
ISO 9001:2008	Servo Dynamics	11 December 2000	Factory automation solutions	SGS United Kingdom Ltd	18 August 2018
ISO 9001:2008	Precision Motion	11 December 2000	Factory automation products	SGS United Kingdom Ltd	18 August 2018
ISO 9001:2008	Portwell	11 December 2000	Industrial information technology products	SGS United Kingdom Ltd	18 August 2018
ISO 9001:2008	Dirak Asia	11 December 2000	Industrial hardware accessories	SGS United Kingdom Ltd	18 August 2018
GB/T19001-2008/ ISO9001:2008	Servo Suzhou	13 February 2015	Control series – mechanical and electrical equipment	Guardian Independent Certification Ltd	12 February 2018

BUSINESS

We adopt the following measures as part of our quality assurance system:

(i) In-coming quality assurance

In relation to the procurement of engineering systems and components, we conduct appraisals for new suppliers based on strict criteria such as the market reputation of the quality of their products and their financial soundness, and assess our existing suppliers based on factors including the quality of their products and their timeliness of delivery.

(ii) In-process quality assurance

In-process quality assurance is implemented throughout the assembly process of our engineering solutions to ensure that defect is identified and corrected at an early stage. Our prototypes undergo a series of temperature, load and functionality stress tests and simulation runs to ensure that they meet our customers' specific requirements and needs. For instance, customers in the military industry may require for our engineering systems to be able to withstand certain extreme temperatures, while customers in the medical industry may require for our engineering systems to have a low power consumption rate.

(iii) Out-going quality assurance

After our engineering systems have been assembled, they are subjected to another quality inspection before delivery to our customers. If the conditions of the engineering systems are found to be acceptable, they will be packed and labelled according to our strict internal packing standards and are then delivered to our customers.

(iv) Total quality management

As part of our total quality management approach, our management has implemented continuous improvement processes for our business operations. These processes are designed to improve all aspects of our operations including internal controls that incorporate preferred financial practices and procedures such as inventory and accounts receivable management.

AWARDS

We have received numerous awards from our various industry associations and industrial publications. The table below sets out certain of the awards we received in respect of our operations:

Award	Recipient	Year(s) awarded	Issuing organisation
Singapore 1000 company – public listed companies	Our Company	2008 to 2016	DP Information Group
Year-to-year turnover growth rate award – 1st place	Servo Dynamics	2010	Maxon Motor
Supplier appreciation certificate	Servo Dynamics	2012	Manufacturing Integration Technology Ltd
ASEAN best over-achiever award	Servo Dynamics	2013	Invensys

BUSINESS

INVENTORY

We usually purchase products from our suppliers from time to time having considered: (i) our forecast of customers' needs; (ii) our inventory levels; and (iii) the availability of stocks from our suppliers. We employ enterprise resource planning (ERP) systems to track inventory levels as well as ensure adequate levels of products. As our products are bar-coded, we are able to monitor the outflow of products from our warehouses. We perform a monthly stock count at random locations to test check the accuracy of our inventory system. In addition, we perform a full stock take on an annual basis.

We usually maintain an adequate supply of stocks, taking projected sales into account. We review the inventory ledger on a quarterly basis to identify any technologically obsolete inventories which would be provided for after review by our management. We would also make full provision for inventories that are more than five years old which is in line with the industry norm.

MARKET AND COMPETITION

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets respectively.

Notwithstanding our competitive strengths as set out in the section headed "Business – Competitive Strengths" in this prospectus, we operate in a competitive environment as referred to in the F&S Report:

	<u>PRC</u>	<u>Singapore</u>
<u>Integrated engineering solution market</u> Market size (inclusive of the motion control solution market) in 2015	S\$24.6 billion	S\$1.2 billion
<u>Motion control solution market</u> Market size in 2015	S\$2.6 billion	S\$0.2 billion
Percentage of market share of the five (5) largest players including our Group (%)	29.6%	25.1%
Percentage of market share of our Group (%)	5.1%	10.0%

There are a number of players with diverse background and scale of operations in the market, which is fragmented. We compete with rivals on product offerings and quality of our expertise in satisfying our customers' engineering needs. If we lose out our competitive strengths or the competition intensifies in the market, our revenue and profitability may be materially and adversely affected.

INSURANCE

We carry insurance covering risks including (i) loss and theft of, and damage to, property (such as our fixed assets and inventories); (ii) product liability; (iii) third party liability; and (iv) health insurance for our employees. We believe our insurance coverage is adequate for our operations and in line with the industry norm. Please refer to the section headed "Risk Factors" in this prospectus for more details on the risks relating to our insurance coverage. During the Track Record Period, we did not experience any claims from third parties nor did we make any insurance claims that would have a material impact on our business, financial condition or results of operations.

BUSINESS

HEALTH AND WORK SAFETY

We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accidents in our operations that would have had a material impact on our business, financial condition or results of operations.

ENVIRONMENTAL MATTERS

Our operations at ISDN Hightech Industrial Park are subject to the environmental laws in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), details of which are set out in the section headed “Regulatory Overview – Overview of the PRC Laws and Regulations – (f) Environment protection” in this prospectus.

Save as disclosed in the section headed “Business – Compliance” in this prospectus, we had (i) secured the necessary opinions on environmental impact assessment and the necessary environment protection acceptance for our relevant operations from the competent environment protection administrative authorities in accordance with the relevant PRC laws and regulations; and (ii) complied with applicable environmental laws and regulations in the PRC, during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we incurred no compliance cost in this regard that would have had a material impact on our business, financial condition or results of operations.

INTELLECTUAL PROPERTY

The details of the intellectual property rights owned by our Group are set forth in the section headed “B. Further Information about Our Business – 3. Intellectual property rights” in Appendix VI to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights.

RESEARCH AND DEVELOPMENT

We operate as an integrated engineering solution provider and do not engage in and have not engaged in any significant research and development activity in the course of our business. During the Track Record Period, we did not incur any research and development expenses which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

EMPLOYEES

As at 30 September 2016, we had 825 employees. Set out below is the number of our employees by geographic location and function as at 30 September 2016:

	Singapore	PRC	Malaysia	Hong Kong	Vietnam	Thailand	Taiwan	Indonesia	Total
Management	19	58	4	1	3	2	–	–	87
Administration	26	114	8	1	10	2	–	–	161
Accounting and finance	15	37	5	1	4	3	–	1	66
Sales and engineering <i>(note)</i>	53	219	10	–	14	2	1	7	306
Procurement, inventory management and quality control	17	71	1	2	1	1	–	1	94
Marketing	3	7	–	1	–	–	–	–	11
Others	7	90	3	–	–	–	–	–	100
Total	140	596	31	6	32	10	1	9	825

Note: 294 of these sales and engineering staff have at least a diploma or above. Our sales and engineering staff on average possess over five years of relevant work experience in the integrated engineering solutions industry. As at 30 September 2016, we had 117 engineering staff, and 111 of them had at least a diploma or above. Our engineering staff on average possess over four years of relevant work experience in the integrated engineering solutions industry.

Recruitment and remuneration

Our success in the engineering industry is highly dependent on our employees. We recruit and employ our employees directly from the open market, having regard to their educational qualifications, industry experience and interpersonal skills. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. We generally pay our employees a fixed salary and a performance based bonus. We determine salaries of our employees based on their qualifications, experience, position and seniority. We offer discretionary performance-based bonuses and/or commissions for staff with sales roles based on their contribution to revenue to incentivise their performance. In addition, we offer variable annual bonuses to our employees based on the overall financial performance of our Group. Our total staff cost amounted to S\$25.0 million, S\$28.9 million, S\$31.4 million and S\$14.9 million for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively.

Welfare or mandatory contributions

Save as disclosed in the section headed “Business – Compliance” in this prospectus, we complied with the applicable labour laws and regulations in all material respects in respect of statutory welfare or mandatory contributions required of us as an employer in the jurisdictions where we had business operations during the Track Record Period. Please refer to the section headed “Regulatory Overview” in this prospectus for further details of applicable labour laws and regulations of our principal place of operations.

Training

We believe our employees are the most valuable resources to achieve our success. We offer our employees formal training to enhance their customer handling skills and awareness of quality control, internal policy, procedures and safety related issues.

BUSINESS

Labour union

Our employees were not unionised during the Track Record Period. Our Directors consider that we have maintained good relationships with our employees. During the Track Record Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes which would have had a material impact on our business, financial condition or results of operations.

PROPERTIES

We have self-owned properties in Singapore, the PRC and Malaysia and a number of leased properties in the same countries and other Asian countries and regions.

Self-owned properties

Self-owned properties as at 30 September 2016	Approximate gross floor area (sq.m)	Usage
Singapore		
Our headquarters at 4 units in KB Industrial Building, No. 10 Kaki Bukit Road 1	1,876	Headquarters, sales office, workshop and storage facilities. A portion of the storage facilities is leased to JM Vistec Singapore, one of our associated companies.
2 units in Guan Hua Warehouse Building, No. 85 Genting Lane #05-01 and #05-01A	265	Both are leased to Independent Third Parties.
PRC		
Our ISDN Hightech Industrial Park comprising eight buildings with gross floor areas of:	40,657	Approximately 22,370 sq.m are for our sales office, production and warehouse. Approximately 13,496 sq.m are leased to Independent Third Parties. Approximately 4,791 sq.m are leased to Sand Profile (Suzhou) Co. Ltd, a related party.
<ul style="list-style-type: none"> • 36,986 sq.m held by Excel Best ^(note) • <u>3,671 sq.m</u> held by Suzhou PDC <p style="margin-left: 20px;"><u>40,657 sq.m</u></p>		
Malaysia		
An office unit in Mukim Senai-Kulai, Johor	270	Leased to an Independent Third Party.
A piece of farmland of a site area of approximately 26,630 sq.m in Mukim Pengkalan Raja, Pontian, Johor	–	For our own farm use in respect of hydroponic growing with the application of our in-house motion control solutions
Total	<u><u>43,068</u></u>	

BUSINESS

Note: Please refer to Appendix III to this prospectus for the full text of the relevant property valuation report. Except for the property interest the details of which are set out in Appendix III to this prospectus, our Directors confirm that no single property interest that formed part of our Group's non-property activities had a carrying amount of 15% or more of our consolidated total assets as at 30 June 2016.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we generated rental related income of approximately S\$0.5 million, S\$0.9 million, S\$1.2 million and S\$0.5 million respectively.

Leased properties

As at 30 September 2016, we operated a total of 65 sales offices all over in Singapore, the PRC, Malaysia, Hong Kong, Vietnam, Thailand, Taiwan and Indonesia, two of which were self-owned in Singapore and Wujiang district, Suzhou in Jiangsu province of the PRC and all others were leased from Independent Third Parties. Set out below is an analysis of our leased properties as at 30 September 2016:

Country or region	City	Number of leased properties	Approximate gross floor area (sq.m)	Usage
Singapore	Singapore	2	. . . . .1,285	Sales offices with storage facilities
		1	. . . . .221	Warehouse
PRC:				
– Central area	Wuhan, Xian, Zhengzhou, Changsha and Zhuzhou	10	. . . . .781	Sales offices
– Eastern area	Suzhou, Shanghai, Nanjing, Hangzhou and Changzhou	9	. . . . .544	Sales offices
		1	. . . . .227	Sales office with storage facilities
		1	. . .2,269 ^(note 1)	Warehouse, workshop and canteen
		2	. . . . .236	Staff accommodation
– Northern area	Beijing, Tianjin, Harbin, Shenyang, Tsingtao and Jinan	10	. . . . .634	Sales offices
		3	. . .2,124 ^(note 2)	Sales offices with storage facilities
– Southeastern area	Guangzhou, Dongguan, Shenzhen, Xiamen and Quanzhou	11	. . . . .1,030	Sales offices
		1	. . . . .601	Sales office with storage facilities
		2	. . . . .94	Staff accommodation
– Southwestern area	Chengdu and Chongqing	4	. . . . .185	Sales offices
Malaysia	Johor, Pulau Pinang, Shah Alam and Petaling Jaya	2	. . . . .273	Sales offices
		3	. . . . .1,201	Sales offices with storage facilities
Hong Kong	Hong Kong	1	. . . . .304	Sales office with storage facilities

BUSINESS

Country or region	City	Number of leased properties	Approximate gross floor area (sq.m)	Usage
Vietnam	Hanoi and Ho Chi Minh City	1	.59	Sales office
		1	.428	Sales office with storage facilities
		1	.129	Staff accommodation
Thailand	Bangkok	1	.521	Sales office with storage facilities
Taiwan	New Taipei City	1	.434	Sales office with storage facilities
Indonesia	Bekasi and Makassar	1	.62	Sales office
		1	.71	Sales office with storage facilities
Total		70	13,713	

In summary:

Country or region	Number of leased properties	Approximate gross floor area (sq.m)	Usage
All countries and regions	63	.10,764	Sales offices (inclusive of 15 with storage facilities)
Singapore and PRC	2	.2,490	Warehouses (inclusive of one with workshop and canteen)
PRC and Vietnam	5	.459	Staff accommodation
Total		70	13,713

Our leases were expiring:

	Number of leased properties	Approximate gross floor area (sq.m)
– within one year	43	6,070
– over one year	27	7,643
Total	70	13,713

Notes:

- (1) Lease term is expiring on 14 November 2017.
- (2) The earliest lease term is expiring on 14 June 2017 with the last lease term expiring on 28 February 2019.

BUSINESS

During the Track Record Period, we did not have any issue or dispute with landlords in securing or renewing our leases which would have had a material impact on our business, financial condition or results of operations. We consider that none of our leased properties is crucial to our operations and therefore any non-renewal thereof would not have any material impact on our business, financial condition or results of operations. Further, we do not anticipate any difficulty in relocating any of our leased properties in the event of non-renewal thereof.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our operating lease rental expenses recorded in Note 7 of Section II in the Accountant's Report are approximately S\$1.3 million, S\$1.3 million, S\$1.4 million and S\$0.9 million respectively.

LICENCES AND PERMITS

There is no specific licensing requirement for conducting our Group's business in the relevant jurisdictions in addition to what is generally required for carrying on business in the relevant jurisdictions. Each of our subsidiaries in its respective jurisdiction has obtained all material requisite licenses, permits and approvals for its business operations from the relevant governmental bodies.

The major laws and regulations applicable to our principal operations in all relevant jurisdictions are summarised in the section headed "Regulatory Overview" in this prospectus. Nevertheless, there is no assurance that such laws and regulations in those jurisdictions will not change in the future.

LITIGATION

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our business, financial condition or results of operations.

COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our business operations had complied with all applicable laws, rules and regulations in material respects save for certain incidents as follows:

PRC

Our subsidiaries involved	Non-compliant incidents	Legal consequences and maximum potential penalty	Remedial actions	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts
(i) Maxon Suzhou (ii) Servo Suzhou (iii) SD Suzhou (iv) Suzhou Xiancheng (v) Accel (vi) Eisele Asia	Prior to and/or during the Track Record Period, these subsidiaries were required to submit environment protection acceptance applications to the relevant PRC environment administrative authorities in respect of their certain operations at our ISDN Hightech Industrial Park. However, these subsidiaries failed to submit the necessary applications to the relevant PRC authorities such that the relevant PRC authorities were not able to carry out the environment protection acceptance procedure for these subsidiaries.	Pursuant to the relevant PRC laws and regulations, the relevant environment administrative authority may (i) order suspension of operations or use of such facilities and (ii) impose a fine of no more than RMB100,000 (no more than RMB500,000 in the case of water pollution acceptance).	Each of these subsidiaries submitted environment protection acceptance application in May 2016. Each of these subsidiaries has duly passed the environment protection acceptance accessed by the Wujiang Environment Protection Bureau (吳江區環境保護局) on 29 July 2016 and such non-compliances have been duly rectified as of the above date.	We have delegated our property manager in the PRC to oversee compliance in relation to the environment protection acceptance for our relevant operations at our ISDN Hightech Industrial Park. Such property manager was responsible for handling the rectification of the non-compliances and he is therefore familiar with the relevant PRC laws and regulations in relation to environment protection acceptance. We will also engage an external PRC legal adviser to provide training/advice to our property manager in the PRC on the latest development of various compliance requirements (including matters in relation to environment protection acceptance) under the PRC laws and regulations, from time to time, as and when needed.	No penalty or order for suspension on the operations of these subsidiaries had ever been imposed by/received from the relevant environment administrative authority prior to the submission of application for environment protection acceptance. As confirmed by our PRC Legal Advisers, the Wujiang Environment Protection Bureau as a competent authority confirmed on 12 August 2016 that given each of the relevant subsidiaries has completed the environment protection acceptance for its relevant operations at our ISDN Hightech Industrial Park in July 2016, there are no outstanding issues and no further investigation or punishment will be imposed on these subsidiaries. Accordingly, no provision in our financial statements is considered necessary.
Director(s)/senior management involved in the non-compliance incidents	Cause(s) of non-compliance				
None.	The omission was primarily due to our staff's lack of professional knowledge of the relevant legal requirements.				
Our staff in the PRC were delegated in ensuring compliance in this regard.					

Indonesia

Our subsidiary involved	Non-compliant incidents	Legal consequences and maximum potential penalty	Remedial actions	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts
TDS Indonesia	During the Track Record Period and up to 24 October 2016, TDS Indonesia failed to register its employees for Indonesia's healthcare social security scheme ("BPJS Kesehatan") and to make financial contributions for its employees under BPJS Kesehatan which in aggregate amounted to IDR38,540,000 (equivalent to approximately S\$3,933) as at 24 October 2016.	Pursuant to the relevant Indonesia laws and regulations: (i) failure to register employees for BPJS Kesehatan may result in written warnings, fines and/or rejection of TDS Indonesia's application(s) for business or operational permits and other licences; and (ii) failure to make financial contributions for employees under BPJS Kesehatan may result in maximum imprisonment of eight (8) months for the directors of TDS Indonesia or a maximum fine of IDR 1,000,000,000 (equivalent to approximately S\$102,041).	TDS Indonesia applied to register its existing employees for BPJS Kesehatan on 25 August 2016 and the registration was completed on 24 October 2016. TDS Indonesia has started making contributions for all of its existing employees upon completion of registration.	We have delegated our managing director of TDS Indonesia to oversee and monitor the contribution for BPJS Kesehatan for our employees in Indonesia. Such managing director of TDS Indonesia was responsible for handling the rectification of the non-compliances and he is therefore familiar with the relevant Indonesia laws and regulations in relation to the contribution to the BPJS Kesehatan. We will also engage an external Indonesia legal adviser or employment consultant to provide training to our managing director of TDS Indonesia and other relevant employees of TDS Indonesia on the latest development of various compliance requirements (including contribution to the BPJS Kesehatan) under the relevant Indonesia laws and regulations, from time to time, as and when needed.	No penalty has been imposed on TDS Indonesia or its directors during the Track Record Period and up to the Latest Practicable Date. Based on our discussions with Indonesia's healthcare social security department in September 2016, we were informed that we will not be required to make up for any of the contributions which TDS Indonesia failed to make in the past. Accordingly, no provision in our financial statements is considered necessary.
Director(s)/senior management(s) involved in the non-compliance incidents	Cause(s) of non-compliance	The omission was primarily due to our staff's lack of professional knowledge of the relevant employment laws and regulations requirements.			
None.					
Our staff in Indonesia were delegated in ensuring the compliance in this regard.					

Vietnam

Our subsidiary involved	Non-compliant incidents	Legal consequences and maximum potential penalty	Remedial actions	Measures in place to prevent recurrence of the non-compliant incidents	Potential operational and financial impacts
SD Vietnam	<p>During the Track Record Period, SD Vietnam had not contributed the trade union funding which in aggregate amounted to VND94,812,285 (equivalent to approximately S\$5,781) as of July 2016.</p> <p>In Vietnam, an employer such as SD Vietnam is required by the law to make payment contributions to the trade union system regardless of whether the employees of SD Vietnam are unionised or not.</p>	<p>Pursuant to the relevant Vietnam laws and regulations, SD Vietnam may be required to pay: (i) the unpaid contribution for the trade union funding (for the period commencing from 1 January 2013 to July 2016), which amounts to approximately VND94,812,285 (equivalent to approximately S\$5,781); and (ii) interests incurred on the unpaid contribution amount of approximately VND7,906,147 (equivalent to S\$482) as at the Latest Practicable Date, which were calculated based on the highest interest rate of demand deposit announced by a state-owned commercial bank in Vietnam as at the date of penalty.</p> <p>In addition, SD Vietnam may be subject to a monetary penalty equivalent to 3% to 40% (but in no case exceeding VND150,000,000 (equivalent to approximately S\$9,146)) of the amount of trade union funding that SD Vietnam is obliged to have contributed as at the date of penalty.</p> <p>Based on the information provided by SD Vietnam, it is estimated that the maximum amount which may be payable by SD Vietnam in connection with the non-payment of trade union funding is hence approximately VND141,000,000 (equivalent to approximately S\$8,598).</p>	<p>SD Vietnam has contributed the trade union funding since August 2016.</p>	<p>We have delegated our director of SD Vietnam to oversee and monitor the contribution for trade union funding.</p> <p>Such director of SD Vietnam was responsible for handling the rectification of the non-compliances, he is therefore familiar with the relevant Vietnam laws and regulations in relation to the trade union funding.</p> <p>We will also engage an external Vietnam legal adviser or employment consultant to provide training to our director of SD Vietnam and other relevant employees of SD Vietnam on the latest development of various compliance matters (including the trade union funding) that is related to the relevant Vietnam laws and regulations, from time to time, as and when needed.</p>	<p>No penalty has been imposed on SD Vietnam during the Track Record Period and up to the Latest Practicable Date.</p> <p>Furthermore, as at the Latest Practicable Date, SD Vietnam had not been requested by the relevant authorities to contribute the trade union funding for the period commencing from 1 January 2013 to July 2016.</p> <p>Given the maximum amount of approximately S\$8,598 payable by SD Vietnam in connection with the non-payment of trade union funding, which is considered insignificant, no provision in our financial statements is considered necessary.</p>
Director(s)/senior management(s) involved in the non-compliance incidents	Cause(s) of non-compliance				
None.	The omission was primarily due to our staff's lack of professional knowledge of the relevant legal requirements				
Our staff in Vietnam were delegated in ensuring the compliance in this regard.					

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INTERNAL CONTROL

In order to continuously enhance our corporate governance and to prevent recurrence of the non-compliance incidents as set out in the section headed “Business – Compliance”, we have adopted and intend to adopt the following measures:

- (i) we engaged an independent internal control adviser in May 2016 to review the overall adequacy of our risk management and internal control system associated with our major business processes of certain members of our Group and that we have established procedures, systems and controls (including accounting and management systems). The review period was from 1 May 2015 to 30 April 2016 and a report was issued by the same adviser on 15 August 2016. Based on the findings, recommendations, action plans proposed and testing results of the work performed by the internal control adviser, our Directors and internal control adviser consider that our risk management and internal control system is adequate. The review was conducted on the basis that any resultant findings and advice based on the findings would constitute private advice to our Directors. Accordingly, the identity of the internal control adviser is not required to be disclosed in this prospectus;
- (ii) our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules prior to the Listing;
- (iii) we will engage appropriate external legal advisers and/or institutions and/or consultants to advise, update the knowledge of and/or provide trainings to our Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect our business operations;
- (iv) when necessary, we will engage external professionals, such as auditors, internal control consultant, and other advisors to render professional advice as to compliance with relevant requirements, as applicable to our Group from time to time;
- (v) in addition to Ms. Gwendolyn Gn, our existing company secretary, we have appointed Mr. Tang Chi Chiu as our joint company secretary. Please refer to the section headed “Directors and Senior Management” in this prospectus for further detailed biographical information of Ms. Gwendolyn Gn and Mr. Tang Chi Chiu. Our Directors believe that our Company will be able to draw on their expertise and experience with respect to compliance with applicable legal and financial reporting requirements;
- (vi) we have appointed the Sole Sponsor as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules; and
- (vii) our Audit Committee, comprising three independent non-executive Directors, continuously provides our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group and oversees the audit process and performs other duties and responsibilities as assigned by our Directors.

Views of our Directors and the Sole Sponsor

In light of the preventive measures mentioned above, our Directors and the Sole Sponsor are of the view that our Group has adequate and effective internal control procedures in place.

Having considered the facts and circumstances relating to the non-compliance incidents as disclosed in this section, with no financial impact on our Group and with our Group’s internal control measures to avoid recurrence of these non-compliances, our Directors and the Sole Sponsor are of the view that these past non-compliance incidents do not affect either our Company’s suitability for Listing

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under Rule 8.04 of the Listing Rules or our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules since our Directors were not involved in these incidents which therefore involved no dishonesty on their part and did not impugn on their integrity or competence.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

Certain countries or organisations, including the United States, the European Union, the United Nations, and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the Sanctioned Countries and certain activities with Sanctioned Persons.

Sales to Sanctioned Countries and to a Sanctioned Person

During the Track Record Period, we generated a small proportion of our total revenue from our sales to customers located in the Republic of Myanmar, Russia and Lebanon, each of which is a Sanctioned Country. For the three years ended 31 December 2013, 2014, and 2015 and the six months ended 30 June 2016, we derived 0.03%, 0.005%, 0.01% and 0.08% of our total revenue from sales to customers located in the Sanctioned Countries, respectively. Our direct counterparties in relation to these sales to the Sanctioned Countries are not specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the European Union, the US, the United Nations or Australia and therefore are not targets of International Sanctions. In addition to these sales to the Sanctioned Countries, during the Track Record Period we have also made a one off sale to a customer located in Hong Kong that is a Sanctioned Person due to its listing on OFAC's Specially Designated Nationals and Blocked Persons List. The amount of such one off sale made to such Sanctioned Person in Hong Kong in 2014 was approximately S\$23,000. Going forward, we intend to continue to sell our products to customers located in the Sanctioned Countries subject to our undertaking to the Stock Exchange as set out in the section headed "Business – Business Activities in Sanctioned Countries – Our undertakings to the Stock Exchange and internal control and risk management measures", but will not sell our products to the Sanctions Persons.

As advised by DLA Piper UK LLP, our legal advisors as to International Sanctions laws, such sale(s) to (i) customers located in the Sanctioned Countries and (ii) the Sanctioned Person in Hong Kong, are not in breach of International Sanctions and do not implicate International Sanctions on us, our Shareholders, the Stock Exchange, HKSCC, HKSCC Nominees and the SFC.

The Sanctioned Person in Hong Kong is only designated (i.e. targeted) by US sanctions measures and is not (and was not at the relevant time) specifically designated under sanctions measures implemented by the European Union, the United Nations or Australia. Therefore, on the basis that (i) neither our Company nor any members of our Group are incorporated in the US, (ii) no persons employed or otherwise engaged by our Company are US persons and have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of sales to the Sanctioned Person, (iii) no dealings by our Group have taken place with the Sanctioned Person in the Republic of Myanmar, Russia or Lebanon, (iv) no financing or financial assistance has been received by our Company, either directly or indirectly, from any company, entity or body incorporated or located in the US, (v) no products produced, supplied, sold or otherwise transferred by our Group to the Sanctioned Person have been exported (either directly or indirectly) from the US, (vi) our Group has not conducted or facilitated a significant transaction or transactions, money laundering or financial services for the Sanctioned Person and (vii) the one off sale made to the Sanctioned Person was carried out by a member of our Group which does not fit the definition of a "financial institution" as provided under International Sanctions, the sales by our Group to the Sanctioned Person have not breached any International Sanctions, including primary or secondary sanctions laws enacted by the US Government or US export controls.

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The sales to customers located in Sanctioned Countries during the Track Record Period have not violated International Sanctions administered and enforced by the US Government, the European Union, the Government of Australia or the United Nations, including any primary or secondary US sanctions or US export control laws, on the basis that (i) neither our Company nor any member of our Group are incorporated in the US, the European Union or Australia and our Company does not maintain any wider subsidiaries, branches or affiliates which are either incorporated, domiciled or otherwise located in the territories of the US, the European Union or Australia; (ii) no US persons, European Union citizens or Australian nationals employed or otherwise engaged by our Group have been involved in any way (either directly or indirectly), including in the negotiation or approval of, or with the on-going performance of, any activities involving the Sanctioned Countries; (iii) no financing or financial assistance has been received by our Group, either directly or indirectly, from any company, entity or body incorporated or located in the US, the European Union or Australia; (iv) no products produced, supplied, sold or otherwise transferred by our Group have been exported (either directly or indirectly) to the US from (or via) any member of our Group within the Sanctioned Countries or from any counterparty domiciled, headquartered or incorporated in the Sanctioned Countries; (v) our Group's dealings in the Sanctioned Countries do not relate to any persons designated (i.e. listed/targeted) under the European Union, the United Nations or Australian sanctions measures; and (vi) none of the goods or services supplied, sold, exported or transferred to the Sanctioned Countries were supplied, sold, exported or transferred to the Sanctioned Countries from (or via) the European Union or Australia and our Group's dealings in US-origin items during the Track Record Period have been limited to items that do not have dual (military and civilian) use applications.

In providing their advice, DLA Piper UK LLP:

- (a) reviewed commercial invoices and contractual documentation provided by us that evidence our sales transactions to customers located in the Sanctioned Countries during the Track Record Period;
- (b) instructed a third party screening provider to screen the list of customers in the Sanctioned Countries provided by us to whom sales have been made during the Track Record Period against the consolidated lists of sanctioned targets maintained by the United States, the European Union, the United Nations and Australia, and confirming that none of these customers are listed as a designated target under the United States', the European Union's, the United Nations' and Australia's sanctions;
- (c) instructed the same third party screening provider to screen the list provided by us of the Company's customers in all other countries other than the Sanctioned Countries against the consolidated lists of sanctioned targets maintained by the United States, the European Union, the United Nations and Australia; and
- (d) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of the Group) conducted any business dealing in or with any other countries or persons that are subject to International Sanctions during the Track Record Period.

We confirm that, save as disclosed above, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any other direct or indirect business activities in connection with any countries, governments, entities or individuals sanctioned by the US, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions. In relation to our activities in the Sanctioned Countries and our limited sales to a Sanctioned Person during the Track Record Period, we have not been notified that any sanctions will be imposed on us.

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Our undertakings to the Stock Exchange and internal control and risk management measures

We have undertaken to the Stock Exchange that we will not use the proceeds from the Share Offer, or any other funds raised through the Stock Exchange, all of which will be deposited in a separate bank account designated for the sole purpose of deposit and deployment of such monies, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is subject to any sanction administered by the United States Treasury Department's Office of Foreign Assets Control. Nor will we use the proceeds from the Share Offer, or other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any activities or business in any Sanctioned Country which is prohibited or otherwise restricted pursuant to International Sanctions. In addition, we have undertaken not to conduct any prohibited activities under the relevant sanctions laws and regulations that would expose our Group, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees, the Listing Committee, or any other person involved in the Share Offer to risk of being sanctioned. We will disclose on the respective websites of the Stock Exchange and our Company if we believe that any transaction our Group has entered into in the Sanctioned Countries or with Sanctioned Persons would expose our Group or our Shareholders, or any other person involved in the Share Offer, to any risk of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we breach such undertakings to the Stock Exchange, we are aware that we risk the possible delisting of our Shares on the Stock Exchange.

We intend to continue to sell our products to customers located in the Sanctioned Countries after Listing and we have been adopting the following enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders from economic sanctions risks:

- (a) We have established the Risk Management Committee comprising all of our independent non-executive Directors. Please refer to the section headed "Directors and Senior Management – Board of Directors – Independent non-executive Directors" in this prospectus for details of the professional qualifications and industry experience of our independent non-executive Directors. The Risk Management Committee's principal responsibilities include, among others, monitoring our Group's exposure to market risks, credit risks, operational risks and International Sanction law risks and overseeing the implementation of the related risk management procedures. Our risk management committee will hold at least two meetings annually.
- (b) Pursuant to the terms of reference of the Risk Management Committee, our general managers of each respective country have been delegated to assist in monitoring our Group's day-to-day exposure to International Sanction law risks. Each respective country's general manager's principal responsibilities include, among others, (i) maintaining and updating a control list of Sanctioned Countries and Sanctioned Persons; (ii) reviewing our existing customers' information against the control list of Sanctioned Countries and Sanctioned Persons; and (iii) monitoring transactions against International Sanction law risks requested by the Risk Management Committee.
- (c) We will continue to maintain a separate bank account which will be designated for the sole purpose of deposit and deployment of all funds raised through the Stock Exchange including the proceeds from the Share Offer. In particular, while 90% of the net proceeds from the Share Offer are expected to be used for repayment of bank loans and therefore are not for any activities or business with or for the benefit of any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, our Risk Management Committee plans to confine the remaining 10% of the net proceeds from

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the Share Offer, which will be used for general working capital purposes, such as for services of our Group's administrative expenses and other non-sales activities in our Singapore headquarters. The Risk Management Committee shall continuously monitor the use of monies deposited in such designated bank account and the use of such monies shall be subject to the approval of the Risk Management Committee to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is subject to any sanction administered by the United States Treasury Department's Office of Foreign Assets Control, or that is prohibited or otherwise restricted pursuant to International Sanctions.

- (d) We will evaluate International Sanction law risks prior to entering into any agreement or conducting any business dealings with new customers. Our general managers of each respective country will conduct due diligence of such customers, including conducting checks on the identity, background, residence or country of incorporation and principal place business of such customers. Our general managers of each respective country will also run checks of such customers against the control list of Sanctioned Countries and Sanctioned Persons. If any potential International Sanction law risk is identified, we will seek legal advice from external legal advisers with the necessary expertise and experience in International Sanction laws.
- (e) If necessary, external legal advisers will provide training programmes relating to International Sanction laws to the risk management committee and our general managers of each respective country to assist them in evaluating International Sanction law risks in our Group's day-to-day operations. Our external legal advisers will also provide a current control list of Sanctioned Countries and Sanctioned Persons to the risk management committee and our general managers of each respective country.

Our Directors are of the view that although we intend to continue to sell our products to customers located in the Sanctioned Countries after Listing, these enhanced internal control and risk management measures will provide a reasonably adequate and effective framework to assist us in (i) identifying, monitoring and mitigating any material risk relating to International Sanction laws; and (ii) effecting our undertakings to the Stock Exchange in relation to International Sanctions. Subject to the full implementation and enforcement of these enhanced internal control and risk management measures, the Sole Sponsor is also of the view that these enhanced internal control and risk management measures will provide a reasonably adequate and effective framework to assist our Group in (i) identifying, monitoring and mitigating any material risk relating to International Sanction laws; and (ii) effecting our undertakings to the Stock Exchange in relation to International Sanctions.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth the information regarding the members of our Board and the current senior management members of our Company:

DIRECTORS

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining our Group	Relationship with other Directors and senior management
Lim Siang Kai (林汕鏞)	60	Chairman and independent non-executive Director	Chairman of the Board, chairman of the Audit Committee and the Risk Management Committee, member of the Nominating Committee and the Remuneration Committee, provides strategic advice and independent judgment to the Board	26 September 2005	26 September 2005	None
Teo Cher Koon (張子鈞)	58	President and managing Director	Member of the Nominating Committee, group's strategic planning and overall business development decision making	28 December 2004	1 July 1987	None
Kong Deyang (孔德揚)	54	Executive Director	Strategic planning and overall business development of our Group's PRC operations	26 September 2005	1 June 1995	None
Soh Beng Keng (蘇明慶)	62	Independent non-executive Director	Chairman of the Nominating Committee, member of the Audit Committee, the Remuneration Committee and the Risk Management Committee, provides strategic advice and independent judgment to the Board	26 September 2005	26 September 2005	None
Tan Soon Liang (陳順亮)	43	Independent non-executive Director	Chairman of the Remuneration Committee and member of the Audit Committee and the Risk Management Committee, provides strategic advice and independent judgment to the Board	18 August 2016	18 August 2016	None

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Name	Age	Position	Roles and responsibilities	Date of appointment to current position	Date of joining our Group	Relationship with other Directors and senior management
Lau Choon Guan (劉俊源)	51	Vice president – sales (motion control)	Group's overall sales and marketing, business plans	24 November 2005	6 August 1991	None
Sim Leong Seang (沈龍祥)	57	Vice president – technical support (motion control)	Group's pre and post product and application sales capabilities	24 November 2005	20 April 1992	None
Cheng Hock Kiang (鍾福強)	48	Vice president – sales (industrial computing, hardware)	Marketing, customer relations and operations of Portwell	24 November 2005	1 April 1997	None
Wong Kwok Whye Peter (黃國偉)	49	Vice president	Corporate growth strategies of Leaptron	31 December 2005	1 July 1996	None
Chow Ka Man (周嘉文)	42	Vice president – Hong Kong operations	Director of SD Hong Kong and overall sales and service engineering of motion control systems in Hong Kong	1 March 1999	15 February 1995	None

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The primary functions of our Board are to provide stewardship for our Company and its subsidiaries, set our Group's values and standards and enhance and protect long-term returns and value for Shareholders. It also reviews the management's performance, oversees the management of our Group's business affairs and conducts periodic reviews of our Group's financial performance and implements policies relating to financial matters including risk management, internal controls and compliance.

Executive Directors

Mr. Teo Cher Koon (張子鈞), aged 58, is our president, managing Director and Controlling Shareholder. Mr. Teo joined Servo Dynamics as a sales administration manager in July 1987 and in November 1989, he was appointed as a director of Servo Dynamics. He has amassed more than 29 years of experience in the motion control and industrial computing industries and is experienced in all aspects of our business. Under Mr. Teo's leadership, our Group grew steadily from a local start-up supplier of servo motors to our Group as it is today, with 66 subsidiaries and 65 sales offices all over Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. Mr. Teo is responsible for formulating our corporate strategy, general management and providing technical advice to our Group, and is particularly active in the procurement and marketing activities of our Group.

Mr. Teo obtained a Bachelor of Engineering (Mechanical) from the National University of Singapore in June 1987 and a Technician Diploma in Mechanical Engineering from Ngee Ann Technical College in April 1978.

Mr. Teo is also a director of certain subsidiaries of our Company.

Mr. Kong Deyang (孔德揚), aged 54, is our executive Director. 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 the PRC. Mr. Kong joined Maxon Suzhou as its vice general manager in June 1995, and he has since August 2001 been serving as a director and been in charge of the day-to-day operations of some of our subsidiaries in the PRC which are involved in the motion control and other specialised engineering solutions businesses.

Mr. Kong graduated from the Beijing Technical University in July 1982 with a Degree in Optical Engineering and was awarded the "Young and Middle-aged State-ranking Experts with Outstanding Contribution" award by the PRC state council in January 1994.

Independent non-executive Directors

Mr. Lim Siang Kai (林汕鏞), aged 60, is our Chairman and independent non-executive Director. Mr. Lim is currently the independent director of several other companies which are listed on the SGX-ST and the Stock Exchange. Mr. Lim has over 30 years of experience in the securities, private and investment banking and fund management industries. From May 2002 to January 2009, Mr. Lim was appointed as an executive director of China Financial Leasing Group Limited, a company listed in Hong Kong principally engaged in investment in the financial leasing market in the PRC, where he was responsible for sourcing for investment opportunities in the region. In March 2006, Mr. Lim was appointed as the lead independent director and the chairman of the audit committee of Natural Cool Holdings Limited, a company listed in Singapore that specialises in the installation, servicing and trading of air conditioners for retail and industrial uses. In March 2007, he was appointed as an independent director of Blue Sky Power Holdings Limited (previously known as China Print Power Group Limited), a company listed both in Singapore and Hong Kong involved in the natural gas supply and printing business. Mr. Lim served as

DIRECTORS AND SENIOR MANAGEMENT

the chairman of its board and the chairman of its remuneration committee from March 2007 to October 2014 and to November 2014 respectively, and subsequently the chairman of its audit committee since November 2014. In December 2007, Mr. Lim was also appointed as an independent non-executive director and the chairman of the remuneration committee of Joyas International Holdings Limited, a company listed in Singapore that is involved in the design and manufacturing of metal gifts and jewellery products as well as the trading and sale of nickel.

Mr. Lim holds a Bachelor of Arts from the National University of Singapore, and a Bachelor of Social Sciences with Honours from the National University of Singapore which he obtained in May 1980 and May 1981 respectively. Mr. Lim also holds a Master of Arts in Economics from the University of Canterbury which he completed in 1983.

Mr. Lim currently holds directorships in the following listed companies (other than our Company):

<u>Name of company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
Blue Sky Power Holdings Limited	Main Board, Stock Exchange; main board, SGX-ST	6828; UQ7	Independent non-executive director, chairman of the audit committee	26 March 2007
Joyas International Holdings Limited	Catalist, SGX-ST	E9L	Independent non-executive director, chairman of the remuneration committee	21 December 2007
Natural Cool Holdings Limited	Catalist, SGX-ST	5IF	Lead independent director and chairman of the audit committee	7 March 2006

In addition, in the three years immediately preceding the Latest Practicable Date, Mr. Lim had held directorship in the following listed company:

<u>Name of company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title(s)</u>	<u>Period</u>
Foreland Fabrictech Holdings Limited	Main board, SGX-ST	B0I	Lead independent director and chairman of the audit committee	7 March 2007 to 1 June 2014

Mr. Soh Beng Keng (蘇明慶), aged 62, is our independent non-executive Director. Currently, Mr. Soh also serves as the lead independent director of Ziwo Holdings Ltd., a PRC raw material producer and supplier of import substitution products, Sino Grandness Food Industry Group Limited, a company principally engaged in the production and distribution of beverage and canned food products, and China Haida Ltd., the holding company of a leading manufacturer of aluminium panels in the PRC, all of which are listed on the main board of the SGX-ST.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Soh has approximately 20 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. From September 1997 to November 2004, he served as the director of Heeton Management Pte Ltd, a company which provides administrative and management services, and from September 2003 to 2004, he served as a director in charge of the finance functions of Heeton Holdings Limited, a company listed on the main board of the SGX-ST which is engaged in property development, property investment, and ownership, lease and operation of wet markets and retail outlets. Mr. Soh served as the financial controller of Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in the marine and oil related industries, from July 2005 to August 2006, and the financial controller of Miclyn Offshore Pte. Ltd., a Singapore company involved in the business of owning and chartering of ships, from August 2006 to February 2007. From March 2007 to April 2009, Mr. Soh was the chief financial controller of China Fashion Holdings Limited (now known as P99 Holdings Limited) (5UV), a public company listed in Singapore principally engaged in the manufacturing and sales of men's fashion wear. He was the lead independent director of Yamada Green Resources Limited (BJV), a supplier of self-cultivated edible fungi and manufacturer of processed food products listed on the SGX-ST, from September 2010 to October 2013.

Mr. Soh is also a full member of the Singapore Institute of Directors since October 2004 and a fellow of the Institute of Singapore Chartered Accountants since January 2010. He obtained his Bachelor of Commerce from the Nanyang University in August 1979.

Mr. Soh currently holds directorships in the following listed companies (other than our Company):

Name of company	Listing venue	Stock code	Title	Date of commencement of service
China Haida Ltd.	Main board, SGX-ST	C92	Lead independent director, chairman of the audit committee	27 April 2007
Sino Grandness Food Industry Group Limited	Main board, SGX-ST	T4B	Lead independent director, chairman of the audit committee and remuneration committee	11 November 2009
Ziwo Holdings Ltd	Main board, SGX-ST	I9T	Lead independent director, chairman of the audit committee	25 August 2009

Mr. Tan Soon Liang (陳順亮), aged 43, is our independent non-executive Director. Mr. Tan was appointed as an independent non-executive Director of our Company on 18 August 2016. Currently, he serves as the director of Ti Ventures Pte. Ltd. since May 2009, which provides business and management consultancy services and corporate development advisory services in respect of company growth and transformation. He is also a director of Ti Investment Holdings Pte. Ltd., which invests in growth companies, since June 2010 and a director of Omnibridge Capital Pte. Ltd., a company involved in corporate development and advisory services, since December 2014. Mr. Tan also serves as an independent director in Catalist-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions, since June 2016. Between June 2009 to July 2014, he also served as a non-executive director of Catalist-listed Jubilee Industries Holdings Ltd (5OS), a provider of precision plastic injection mould and moulding solutions.

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Mr. Tan holds a Bachelor of Business (Honours) Degree from Nanyang Technological University which he obtained in July 1997 and a Master of Business Administration Degree from the University of Hull, United Kingdom in February 2001. Mr. Tan is also a CFA charterholder since September 2000 as well as a member of the Singapore Institute of Directors since June 2011.

Mr. Tan was a director of T10 Lifestyle Concepts Pte. Ltd., a company incorporated in Singapore which was involved mainly in the general food and beverages business and dissolved pursuant to section 275 of the Companies Act on 12 November 2015. The winding up application and the court order for the winding up of T10 Lifestyle Concepts Pte. Ltd. were filed on 19 June 2014 and granted on 11 July 2014 respectively.

Mr. Tan currently holds directorships in the following listed companies (other than our Company):

<u>Name of company</u>	<u>Listing venue</u>	<u>Stock code</u>	<u>Title</u>	<u>Date of commencement of service</u>
Wong Fong Industries Limited	Catalist, SGX-ST	1A1	Independent director, chairman of the nominating committee and member of the audit and remuneration committees	28 June 2016

Other disclosures

Please refer to the section headed “C. Further Information about Directors and Substantial Shareholders – 3. Disclosure of interests” in Appendix VI to this prospectus for details of our Directors’ interests in our Shares (within the meaning of Part XV of the SFO), particulars of our Directors’ service contracts, letters of appointment and remuneration.

Save as disclosed in this section, each of our Directors confirms with respect to him that: (i) he has not held any directorships in the last three years prior to the Latest Practicable Date in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management, Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) he does not hold any positions in our Company or other members of our Group; (iv) save for Mr. Teo’s and Mr. Kong’s interests in the Shares as disclosed in the section headed “C. Further Information about Directors and Substantial Shareholders – 3. Disclosure of interests” in Appendix VI to this prospectus, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (v) there is no other information that should be disclosed in respect of him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of our Shareholders.

Save as disclosed in this section and the section headed “Relationship with Controlling Shareholders” in this prospectus, each of our executive Directors did not have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

Each of our Directors (including our independent non-executive Directors) has received training conducted by our Hong Kong legal advisers on the Listing Rules including information on continuing obligations in respect of companies listed on the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lau Choon Guan (劉俊源), aged 51, is the vice president – sales (motion control) of our Group. Mr. Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. In September 1990, he was appointed as a foreman in Matsushita Electronics Components (S) Pte Ltd, which manufactures electrical components. In August 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 in November 2005. Given his years of experience with our Group, Mr. Lau is experienced in all areas of the motion control business. From 2014 to 2016, Mr. Lau was a committee member of the Automation Technology Industry Group, a division of the Singapore Manufacturing Federation.

Mr. Lau obtained a Technician Diploma in Electrical Engineering from the Singapore Polytechnic in June 1985.

Mr. Sim Leong Seang (沈龍祥), aged 57, is the vice president – technical support (motion control) of our Group. Mr. Sim joined our Group in April 1992 and is responsible for managing the pre and post product and application sales capabilities of our Group. Since joining our Group, Mr. Sim has contributed to the technical and applications capabilities of the technical department to meet the rapid development in the motion control technology market. He is also actively involved in the adoption of new software engineering tools and standards.

Mr. Sim was a production supervisor with Hipak Industries Pte Ltd, a polythene bag production factory, where he was responsible for the efficient running of the production systems from June 1979. When Hipak Industries Pte Ltd was acquired by Lamipak Industries Pte Ltd, he was promoted to the post of superintendent in October 1981, where he was responsible for the efficient running of the expanded production facilities. Mr. Sim left Lamipak Industries Pte Ltd in February 1984 to pursue his studies and serve his national service thereafter.

Mr. Sim obtained a Diploma in Electronics Engineering from the French-Singapore Institute in March 1986.

Mr. Cheng Hock Kiang (鍾福強), aged 48, is the vice president in sales (industrial computing, hardware) of our Group. Mr. Cheng joined our Group as a sales engineer of Servo Dynamics in April 1997 and was subsequently employed as a business development manager of our subsidiary, Portwell, since January 1998. 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 obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in August 1988 and a Degree of Bachelor of Science with Second Class Honours (Upper) in Information and Communications Technology from SIM University in March 2010.

Mr. Wong Kwok Whye Peter (黃國偉), aged 49, is the vice president of our Group since December 2015. He is responsible for developing the corporate growth strategies of Leaptron, and leads a team of engineering staff to support customers. Mr. Wong is also responsible for conducting trainings both to internal staff and customers, such as organizing workshops and training seminars. He has more than 20 years of experience in the area of marketing, sales, product development, technical support and training in the motion control industry. Mr. Wong joined our subsidiary, Servo Dynamics as an application manager in July 1996, where he was in charge of the development of the technical and training team for our "Wonderware" software program.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong obtained a Master of Technology (Software Engineering) from the National University of Singapore in June 2009, a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University in June 1995 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, in August 1989.

Mr. Chow Ka Man (周嘉文), aged 42, is our vice president – Hong Kong operations. Mr. Chow joined our group as a sales manager of SD Hong Kong in February 1995, and has been a director of SD Hong Kong since December 1995. 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.

Mr. Chow obtained his Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1994.

Other disclosures

Each of the senior management has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn and Mr. Tang Chi Chiu are the joint company secretaries of our Company.

Ms. Gn Jong Yuh Gwendolyn (鄞鐘毓), aged 45, was appointed as our company secretary on 5 February 2007. She is currently a partner of Shook Lin & Bok LLP and specializes in the areas of corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment. Ms. Gn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial institutions on corporate governance, regulatory and corporate compliance issues.

Ms. Gn was admitted as an Advocate & Solicitor, Singapore in April 1995 and obtained an LLB (Hons) from the National University of Singapore in July 1994.

Mr. Tang Chi Chiu (鄧志釗), aged 33, was appointed as one of our joint company secretaries on 8 December 2016. He is currently a managing director of TANDEM (HK) Professional Services Limited (formerly known as Caesar Professional Services Limited), a company engaged in provision of company secretarial work for private companies and listed companies, since December 2011, where he provides professional advice and carries out other duties as required under the Listing Rules and the Companies Ordinance. From May 2012 to July 2013, Mr. Tang acted as the finance manager of Fortune Case Limited, a private company in Hong Kong.

Mr. Tang is currently registered as a member CPA (practising) of the Hong Kong Institute of Certified Public Accountants and he obtained a Bachelor of Business Administration (Honours) in Accountancy and a Master of Science in Finance from the City University of Hong Kong in July 2006 and July 2016, respectively.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. To accomplish this, we have adopted the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the Audit Committee include the following:

- to assist the Board in fulfilling its responsibilities in respect of our Group's accounting policies, risk management, internal controls, financial reporting practices and business policies;
- to review and report to the Board at least annually the adequacy and effectiveness of our Group's internal controls, including financial, operational, compliance and information technology controls (carried out internally or with the assistance of any competent third parties);
- to monitor management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit);
- to review our Group's financial information, by monitoring the integrity of our Group's financial statements and announcements relating to our Group's financial performance and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
- to maintain a channel of communication among members of our Board, the financial management team, and the internal and external audits on matters arising out of the internal and external audits and to consider the adequacy of arrangements for audit;
- to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors;
- to act as the key representative body for overseeing our Group's relation with the external auditor;
- to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; and
- to review arrangements our Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The members of the Audit Committee are Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang, all of whom are independent non-executive Directors. Mr. Lim Siang Kai is the chairman of the Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 and paragraph D.3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the Remuneration Committee include the following:

- to review and approve the policy for determining the remuneration of executives of our Group, including our executive Directors and other key management executives;
- to make recommendations to the Board on our Group's policy and structure for all executive Directors' and key management executives' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review the on-going appropriateness and relevance of our executive remuneration policy and other benefit programmes;
- to consider, review and approve and/or vary the entire specific remuneration package and service contract terms for individual executive directors and each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for our Group and with reference to the Board's corporate goals and objectives;
- to review our Group's obligations arising in the event of termination of executive Directors' and key management personnel's contracts of service;
- to consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management;
- to determine, review and approve the design of all option plans, stock plans and/or other equity based plans that our Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles under such plans;
- to make recommendation to the Board and approve the remuneration framework (including Directors' fees) for non-executive Directors on the relevant boards of directors within our Group;
- to approve the appointment of key management positions and review succession plans for key positions within our Group;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;
- to oversee the development of key executives and talented executives within our Group; and
- to disclose our Group's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

DIRECTORS AND SENIOR MANAGEMENT

The members of the Remuneration Committee are Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang, all of whom are independent non-executive Directors. Mr. Tan Soon Liang is the chairman of the Remuneration Committee.

Nominating Committee

Our Company has established a Nominating Committee with written terms of reference in compliance with paragraph A.5 and paragraph D.3 the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of the Nominating Committee include the following:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;
- to review and recommend nomination for re-appointment or re-election or renewal of appointment of the Directors;
- to identify individuals suitably qualified to become members of the Board and Board committees, and review and make recommendations to the Board on the selection of individuals nominated for directorships;
- to recommend Directors who are retiring by rotation to be put forward for re-election;
- to make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;
- to assess on the independence of the independent Directors annually;
- to review training and professional development programmes for the Board;
- to review whether a Director is adequately carrying out his duties as director of our Company including the time and effort contributed to our Group's, attendance at meeting of the Board and Board committees, participation at meetings and contribution of constructive, analytical, independent and well-considered views; and
- to decide on how the Board's performance may be evaluated and propose objective performance criteria, and evaluate the performance and effectiveness of the Board as a whole.

The members of the Nominating Committee are Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Teo. Mr. Soh Beng Keng is the chairman of the Nominating Committee.

Risk Management Committee

Our Company has established a Risk Management Committee. The primary duties of the Risk Management Committee include the supervision of the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks, operation risks, compliance risks, information technology risks and reputation risks; monitoring and evaluating our exposure to International Sanction law risks on an ongoing basis and, in particular, prior to entering into any agreement or conducting any business dealings with new customers; and considering, reviewing and approving our risk profile and risk management strategy, policies and guidelines. For details, please refer to the section headed "Business – Business Activities in Sanctioned Countries – Our undertakings to the Stock Exchange and internal control and risk management measures" in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

The members of the Risk Management Committee are Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang, being our independent non-executive Directors. Mr. Lim Siang Kai is the chairman of the Risk Management Committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors do not receive Directors' fees. The remuneration packages of our executive Directors and the senior management comprises of salary and bonuses and other allowances and benefits in kind. The variable bonuses are based on the performance of our Group as a whole. Our independent non-executive Directors are paid Directors' fees taking into account factors such as the effort and time spent and the scope of responsibilities of our Directors. The chairman of our Board is compensated for his additional responsibilities.

In setting remuneration packages, our Group takes into consideration the remuneration packages and employment conditions within the industry as well as our Group's performance and the performance of each individual Director and senior management. 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. Our Board reviews the remuneration and compensation packages of our Directors and senior management and receives recommendation from the Remuneration Committee. The remuneration of our Directors is subject to the approval of our Shareholders at our annual general meetings.

Please refer to "C. Further Information about Directors and Substantial Shareholders – 2. Directors' remuneration" in Appendix VI to this prospectus for the aggregate amount and details of remuneration our Directors received during the Track Record Period.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office during the Track Record Period. None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

The aggregate amounts of remuneration (including fees, contributions to retirement schemes, discretionary bonuses and other benefits in kind) paid to our Directors for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were approximately S\$2,832,000, S\$3,639,000, S\$4,168,000 and S\$1,319,000, respectively.

Our five highest paid individuals included two Directors. The aggregate amounts of remuneration (including fees, contributions to retirement schemes, discretionary bonuses and other benefits in kind) paid to our two highest paid Directors for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were approximately S\$2,732,000, S\$3,539,000, S\$4,068,000 and S\$1,254,000, respectively. Excluding our two Directors, the aggregate amounts of remuneration (including salaries, contributions to retirement schemes, discretionary bonuses, allowances and other benefits in kind) paid to our Group's remaining three highest paid individuals for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were approximately S\$855,000, S\$717,000, S\$889,000 and S\$393,000, respectively.

Under the arrangements currently in force, the aggregate remuneration to be paid and benefits in kind to be granted (excluding performance bonus(es)) by our Group to our Directors for the year ending 31 December 2016 is expected to be approximately S\$862,000 for our executive Directors and approximately S\$129,000 for our independent non-executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

THE ISDN EMPLOYEE SHARE OPTION SCHEME AND THE ISDN EMPLOYEE PERFORMANCE SHARE PLAN

We have adopted the ISDN ESOS 2016 and the ISDN EPSP 2012 (the “Schemes”), which are administered by our Remuneration Committee. The purpose and the principal terms of the Schemes are summarised in the sections headed “D. ISDN ESOS 2016” and “E. ISDN EPSP 2012” in Appendix VI to this prospectus.

CORPORATE GOVERNANCE CODE

Our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules in full upon Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after the Listing.

MANAGEMENT PRESENCE IN HONG KONG

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules – 1. Sufficient Management Presence in Hong Kong (Rule 8.12)” in this prospectus.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated including share issues and share buy-backs;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group’s business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, or any other matters.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer (taking no account of Shares which may be issued upon (1) the exercise of the options that have been or may be granted under the ISDN ESOS 2016, (2) the exercise of the Warrants by the holders of the Warrants and (3) the vesting of share awards that have been or may be granted under the ISDN EPSP 2012), Assetraise, an investment holding company, will be interested in approximately 33.21% of the issued share capital of our Company. As Assetraise is beneficially owned by Mr. Teo and Mrs. Teo, each of Mr. Teo, Mrs. Teo and Assetraise is our Controlling Shareholder. As at the Latest Practicable Date, Mr. Teo, Mrs. Teo and Assetraise did not own substantial or controlling interest in other listed company in Singapore, Hong Kong or elsewhere.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our Controlling Shareholders taking into consideration the following factors:

Financial independence

Our Group has established and maintained independent internal control and accounting systems, accounting and finance departments, independent treasury function for cash receipts and payments, and independent access to third-party financing.

Based on the above, our Directors believe that our Group is capable of carrying on our business without financial reliance on our Controlling Shareholders.

Operational independence

We have established our own organisational structure which comprises individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. Each department takes a specific role in our operations. We have not shared our operational resources, such as customers, marketing, sales and general administration resources with our Controlling Shareholders.

Based on the above, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders.

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors that function independently from our Controlling Shareholders.

Our Directors believe that our Group will be able to operate independently of our Controlling Shareholders and their respective close associates after the Share Offer for the following reasons:

- (i) the Board will comprise five members, and only Mr. Teo is director of Assetraise. Therefore, the management of our Group is independent from Assetraise. Accordingly, our Directors believe that our independent non-executive Directors can exercise independent judgment free from any conflict of interest;
- (ii) with three independent non-executive Directors out of a Board size of five, our Directors believe that there is a strong element on the Board which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) as at the Latest Practicable Date, Mr. Teo did not have overlapping roles or responsibilities in any business other than our business nor had any business which competes or is likely to compete, either directly or indirectly, with our business;
- (iv) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as Director and his interest to exist; and
- (v) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted towards the quorum.

Based on the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Share Offer.

NON-COMPETITION UNDERTAKING

Assetraise, Mr. Teo and Mrs. Teo (the “**Undertaking Parties**”) have confirmed that neither they nor any of their respective close associates is/are currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in business which competes or is likely to compete, directly or indirectly, with our Group’s business (as disclosed in this prospectus) and would require disclosure under Rule 8.10 of the Listing Rules. The Undertaking Parties have entered into a deed of non-competition (the “**Deed of Non-competition**”) in favour of our Company pursuant to which each of the Undertaking Parties irrevocably undertakes to our Company (for itself and on behalf of our Subsidiaries) that he/her/it will not, and will procure that his/her/its close associates (except any members of our Group) will not during the restricted period set out below, (i) directly or indirectly either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or be interested or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any activity or business which competes, or is likely to compete, either directly or indirectly, with any business which our Group currently conducts, is engaged in or invested in by any member of our Group or which any member of our Group has otherwise publicly announced our intention to conduct, enter into, engage in or invest in on the Stock Exchange pursuant to the Listing Rules and the SFO (the “**Restricted Business**”) (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

The Deed of Non-competition does not apply to:

- (a) any interests in the shares of any member of our Group;
- (b) interests in the shares of a company other than our Group which shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the relevant Undertaking Parties and/or his/her/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Undertaking Party and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by the Undertaking Parties and his/her/its close associates in aggregate.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares remain listed on the Stock Exchange; and (ii) the Undertaking Parties and/or his/her/its close associates are in aggregate interested in not less than 30% of the voting power at general meetings of our Company. In other words, if our Company were no longer listed on the Stock Exchange or the Undertaking Parties came to hold less than 30% of the Shares then issued, the Deed of Non-competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of “control”.

The Undertaking Parties have also unconditionally and irrevocably undertaken to procure that, during the restricted period, any business investment or other commercial opportunity which competes or is likely to compete either directly or indirectly with the Restricted Business (the “**Business Opportunity**”) identified by or offered to him/her/it or any entity controlled by him/her/it, is first referred to us in the following manner:

- (a) the relevant Undertaking Party is required to refer, or to procure the referral of, the Business Opportunity to our Company, and shall give written notice (the “**Offer Notice**”) to our Company of any Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) such Business Opportunity would constitute competition with our Company’s core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition costs; and
- (b) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all our independent non-executive Directors who do not have an interest in the Business Opportunity) (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity. Any Director who has actual or potential interest in the Business Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, or count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity:
 - (i) the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, general market condition; if appropriate, the Independent Board may appoint independent financial, legal advisers or other professional experts to assist, at the cost of our Company, the decision making process in relation to such Business Opportunity;
 - (ii) the Independent Board shall, within 20 Business Days of receipt of the written notice referred to in (a) above, inform the relevant Undertaking Party in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity. Such notice period can be extended if mutually agreed in writing;
 - (iii) the relevant Undertaking Party shall be entitled but not obliged to pursue such Business Opportunity if he or she or it has received a notice from the Independent Board declining such Business Opportunity or if the Independent Board failed to respond within such 20 Business Days’ period (or the extended period, where applicable) pursuant to (b)(ii) above; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Undertaking Party, he or she or it shall refer such Business Opportunity as so revised to our Company, in the manner as outlined above as if it were a Business Opportunity.

The Deed of Non-competition also provides, amongst other things, that:

- (a) the Undertaking Parties unconditionally and irrevocably undertake to provide to us all information requested by our Company which is necessary for an annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (b) the Undertaking Parties unconditionally and irrevocably undertake to make an annual declaration on compliance with his/her/its non-competition undertakings under the Deed of Non-competition in our annual reports as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between our Group and our Controlling Shareholders will be taken:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- (b) our Controlling Shareholders shall provide all information necessary for the annual review by our independent non-executive Directors of the compliance with and enforcement of the Deed of Non-competition;
- (c) our Controlling Shareholders shall use their respective reasonable endeavours to procure that their respective close associates shall provide all relevant information of our Controlling Shareholders and their respective close associates as necessary, subject to confidentiality restrictions owed by them to any third party, for the annual review by our independent non-executive Directors and professional advisers of our Company with regard to the compliance with and enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the undertakings of our Controlling Shareholders under the Deed of Non-competition either through the annual or interim report of our Company, or by way of announcements to the public;
- (e) our Company will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced;
- (f) our Company will disclose the annual statement on compliance with the Deed of Non-competition made by our Controlling Shareholders in our subsequent annual reports;
- (g) in the event that a Business Opportunity or otherwise is identified by our Controlling Shareholders, it/she/he shall refer such Business Opportunity to our Group and shall not pursue such Business Opportunity unless our independent non-executive Directors have resolved to decline such Business Opportunity on a case-by-case basis and have notified in writing of their decisions with relevant reasons;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (h) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules; and
- (i) in the event that there is conflict of interest in the operations of our Group and our Controlling Shareholders and their respective close associates, and in respect of any proposed contracts or arrangements between our Group and our Controlling Shareholders and their respective close associates, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his interests to the Board.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors or chief executive of our Company are aware, immediately following completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the Warrants, the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and the vesting of share awards that have been or may be granted under the ISDN EPSP 2012, based on the information available as at the Latest Practicable Date, the following persons (other than a Director or a chief executive of our Company) will have an interest and/or a short position in our Shares or underlying shares or debentures of our Company that would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be expected, directly or indirectly, to be interested in 10% or more of issued voting shares of any other member of our Group, once our Shares are listed on the Stock Exchange:

Interests in our Company

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding %	Note
Assetraise	Beneficial owner	131,055,150 (Long position)	33.21	1
Tan Thiam Chye	Beneficial owner, interest of spouse	28,320,000 (Long position)	7.18	2
Cheng Siew Heah	Beneficial owner, interest of spouse	28,320,000 (Long position)	7.18	3
Karl Walter Braun	Beneficial owner	20,000,000 (Long position)	5.07	4

Notes:

- Assetraise is beneficially owned by Mr. Teo and Mrs. Teo. Assetraise held 63,945,125 Warrants as at the Latest Practicable Date.
- Based on the latest disclosure forms received by the Company, Mr. Tan Thiam Chye has direct interests in 28,290,000 Shares and is also deemed to have an interest in 30,000 Shares held by his spouse, Mdm. Cheng Siew Heah. Mr. Tan Thiam Chye had direct interests in 6,152,000 Warrants as at the Latest Practicable Date.
- Based on the latest disclosure forms received by the Company, Mdm. Cheng Siew Heah has a direct interest in 15,930,000 Shares and is also deemed to have an interest in 12,390,000 Shares held by her spouse, Mr. Tan Thiam Chye. Mdm. Cheng Siew Heah had direct interests in 15,000 Warrants as at the Latest Practicable Date.
- Mr. Karl Walter Braun and his immediate family control the entire shareholding interests in Interelectric AG (“Interelectric”), which in turn controls Maxon Motor AG. Please refer to the section headed “Business – Suppliers” in this prospectus for further information.

SUBSTANTIAL SHAREHOLDERS

Interests in issued voting shares of other members of our Group

Name of members of our Group	Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held or interested/ Amount of capital contributed	Approximate percentage of shareholding %
SD Thailand	Udom Worasathien	Beneficial owner	27,715 ordinary shares and 26,500 preferred shares	32.08%
SD Thailand	Srisumpun Worasathien	Beneficial owner	18,685 ordinary shares and 26,100 preferred shares	26.50%
Beijing AMC	Beijing NCAT	Beneficial owner	RMB1,000,000	50%
Eisele Asia	Eisele Antriebstechnik G.m.b.H	Beneficial owner	USD105,000	50%
Weiye	Shanghai Junkong	Beneficial owner	USD68,600	49%
Dirak Asia	Dirak Holding GmbH	Beneficial owner	277,345 ordinary shares	50%
Beijing Dirak	Beijing NCAT	Beneficial owner	RMB175,000	35%
Taiwan Dirak	Martin Wang	Beneficial owner	100,000 ordinary shares	20%
Taiwan Dirak	Liu Pin Zong	Beneficial owner	95,000 ordinary shares	19%
Zhuzhou Dirak	Liu Ni	Beneficial owner	RMB400,000	40%
Dbasix Singapore	Dbasix Global	Beneficial owner	400,000 ordinary shares	50%
ADL Singapore	Ong Siew Leng	Beneficial owner	10,000 ordinary shares	10%
ADL Singapore	Kyaw Kyaw Aung	Beneficial owner	10,000 ordinary shares	10%
TDS KL	Yeap Ching Ling	Beneficial owner	10,000 ordinary shares	10%

SUBSTANTIAL SHAREHOLDERS

Name of members of our Group	Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held or interested/ Amount of capital contributed	Approximate percentage of shareholding %
TDS KL	Bea Hwa Chee	Beneficial owner	10,000 ordinary shares	10%
TDS Penang	Bea Hwa Chee	Beneficial owner	20,000 ordinary shares	20%
TDS Indonesia	Thangappa Nadar Harihesa Pandian Balaji	Beneficial owner	10,000 ordinary shares	10%
TDS Indonesia	Mei Toping	Beneficial owner	15,000 ordinary shares	15%
TDS Indonesia	Agres Setyandi	Beneficial owner	15,000 ordinary shares	15%
A Tracks	Lim Soon Ann	Beneficial owner	10 ordinary shares	10%
A Tracks	Low Yin Fan Ken	Beneficial owner	20 ordinary shares	20%
Maxon Suzhou	Interelectric	Beneficial owner	USD345,000	50%
Maxon Shanghai	Interelectric	Beneficial owner	USD100,000	50%
SD Vietnam	Kelly Kao Thiam Leong	Beneficial owner	VND2,940,000,000	49%
Prima Infrastructure	Wong Kwok Whye Peter	Beneficial owner	255,000 ordinary shares	51%
Jin Zhao Yu	Chong Seng Lai	Beneficial owner	600 ordinary shares	20%
Jin Zhao Yu	Chen Xiaodong	Beneficial owner	450 ordinary shares	15%
Jin Zhao Yu	Zhang Jie	Beneficial owner	420 ordinary shares	14%
ISDN Energy	M&M Resources Investment Pte Ltd	Beneficial owner	490 ordinary shares	49%
ISDN Bantaeng Singapore	Aditya Christian	Beneficial owner	4 ordinary shares	40%

SUBSTANTIAL SHAREHOLDERS

Name of members of our Group	Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held or interested/ Amount of capital contributed	Approximate percentage of shareholding %
ISDN Bantaeng Indonesia	PT Centuri Indonesia Sekawan	Beneficial owner	1,000 ordinary shares	10%
IGB Hong Kong	SejinIGB Company Limited	Beneficial owner	4,900 ordinary shares	49%
Suzhou TRACE	T RACE S.p.A.	Beneficial owner	EUR150,000	50%

Save as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive of our Company was aware of any other person who will, immediately following the completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the Warrants, the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and the vesting of share awards that have been or may be granted under ISDN EPSP 2012, based on the information available as at the Latest Practicable Date, have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, (i) our Company's directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our Insignificant Subsidiaries), (ii) any person who was our Director or a director of our subsidiaries (other than our Insignificant Subsidiaries) within 12 months preceding the Listing Date, and (iii) associates of persons set out in (i) and (ii) above will become a connected person of our Company upon Listing. Accordingly, the transactions conducted with such persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

RELATIONSHIP BETWEEN OUR GROUP AND OUR CONNECTED PERSONS

The relevant connected persons with whom certain members of our Group has transactions with and which will constitute continuing connected transactions are as follows:

<u>No.</u>	<u>Connected person(s)</u>	<u>Relationship with us</u>	<u>Principal business activities of the connected person(s)</u>
1.	Maxon Motor	Maxon Motor AG (" Maxon Motor ") is an associate of Interelectric AG (" Interelectric "). Interelectric owns 50% of the shareholding interest in Maxon Suzhou and Maxon Shanghai and hence, is a connected person of our Company at the subsidiary level.	Manufacture and sale of drivers and motors in Switzerland.
2.	Resem Technologies Pte. Ltd.	Ms. Teo Sok Hun, a sister of Mr. Teo, owns 70% shareholding interest in Resem Technologies Pte. Ltd. and hence Resem Technologies Pte. Ltd. is a connected person of our Company at the issuer level.	Manufacture and repair of machinery and machine-tools-metal forming types.

Under the Listing Rules, for so long as the companies set out in the above table remain to be connected persons of our Company, the following transactions between our Group and each of them would constitute continuing connected transactions for our Company upon Listing.

CONTINUING CONNECTED TRANSACTIONS

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately following the Listing, we will have certain ongoing transactions with our connected persons which are fully exempted from Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the Listing Rules. Such transactions are set out as follows:

Framework agreement with Resem Technologies Pte. Ltd.

Description of the transaction and the key terms of the framework agreement

We have entered into a framework agreement on 5 September 2016 with Resem Technologies Pte. Ltd. pursuant to which we agreed to supply industrial machines such as special purpose machine tools with mechanical components and motion control systems to Resem Technologies Pte. Ltd. The salient terms of the agreement are set out below:

- **Contract period:** The agreement shall commence on the Listing Date, and shall continue up to and including 31 December 2018. Subject to compliance with the requirements of the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the above term or subsequent renewal term, the agreement is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules).
- **Pricing:** the sale price of the industrial machines and motion control systems shall be determined with reference to the prevailing market price of similar products at the time when the order is placed by Resem Technologies Pte. Ltd. with our Group and will be on normal commercial terms or not more favourable terms than those offered by our Group to independent third parties at the relevant time.

Benefits of and reasons for the transaction

The supply of industrial machines and motion control systems, and the provision of after-sales services to Resem Technologies Pte. Ltd. contributes to the revenue of our Group.

Proposed annual caps

For the years ending 31 December 2017 and 2018, the total purchase amounts payable by Resem Technologies Pte. Ltd. to our Group are not expected to exceed S\$450,000 and S\$450,000, respectively.

Basis of annual caps

In arriving at the annual caps, our Directors have considered the expected demand of Resem Technologies Pte. Ltd. with reference to the historical transaction amount and business forecast from Resem Technologies Pte. Ltd.

Historical transaction amount

For the years ended 31 December 2013, 2014, 2015, and the six months ended 30 June 2016, the total purchase amount paid and payable by Resem Technologies Pte. Ltd. to our Group amounted to approximately nil, S\$167,000, S\$285,000 and S\$97,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

Implication under the Listing Rules

As the applicable percentage ratios (other than the profits ratio) of such continuing connected transactions are expected to be less than 5% on an annual basis calculated with reference to Rule 14.07 of the Listing Rules and the annual caps are less than HK\$3 million, of such continuing connected transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately following the Listing, we will have certain ongoing transactions with our connected persons at the subsidiary level which are exempt from the circular, independent financial advice and Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Rule 14A.101 of the Listing Rules (the "**Non-exempt CCTs**").

1. License agreement with Maxon Motor

Description of the transaction and the key terms of the license agreement

We have entered into a license agreement on 21 October 2016 (and supplemented by a letter agreement dated 21 October 2016) with Maxon Motor, one of our major suppliers and also our connected person at the subsidiary level, and which provides us with the exclusive supply of servo motors, gears, encoders and electronic control system fitting to such servo motors in Singapore, Malaysia, Thailand, Hong Kong, Indonesia, the Philippines and Vietnam. The salient terms of the agreement are set out below:

- **Contract period:** The term of the agreement is two years from 1 January 2017 to 31 December 2018. Under the agreement we may commence negotiations regarding the extension of the agreement at least three months from the end of its term.
- **Pricing:** The price charged by Maxon Motor is based on the price list of Maxon Motor offered to all its non-end users customers (whether independent or otherwise) and valid from time to time. We have the discretion to determine the resale prices of the supplied products.
- **Minimum purchase quantity:** We have agreed to make certain amounts of purchases from Maxon Motor. The minimum purchase amounts from Maxon Motor pursuant to the license agreement with Maxon Motor are CHF2,400,000 and CHF2,600,000 for the years ending 31 December 2017 and 2018 respectively. If we fail to purchase the agreed amounts for two consecutive years, the licence and distribution rights under the agreement shall become non-exclusive. As confirmed by our Directors, we were able to meet the minimum purchase requirement during the Track Record Period.
- **Territory:** We are authorised to sell products within Singapore, Malaysia, Thailand, Hong Kong, Indonesia, the Philippines and Vietnam. We have undertaken not to actively acquire customers for supplied products or establish any branch or maintain any storage place outside of our designated geographical area. Maxon Motor is not permitted to sell its products to our competitors or competing businesses within the designated geographical area. Maxon Motor is also required to pass on all inquiries of potential customers in the designated geographic area to us, unless the direct support is requested of, or direct orders are placed with, Maxon Motor.
- **Credit term:** We have been granted a credit term of 60 days.

CONTINUING CONNECTED TRANSACTIONS

- **Warranty and product return:** Maxon Motor warrants that the products are free from defects in material and workmanship and that it has obtained product liability insurance. Maxon Motor further agrees to replace, repair or refund the reduced value of any defective products within the warranty period of 12 months, on the condition that its products were not used incorrectly or altered. As confirmed by our Directors, there were no defects in the products supplied by Maxon Motor that would have had a material impact on our business, financial condition or results of operations during the Track Record Period.
- **Limitation of liabilities:** Maxon Motor's liabilities for defects in a particular product are limited to 5% of the total payments made by the relevant subsidiary of our Group to Maxon Motor for that product during the preceding six months. In case of direct claims by third parties against Maxon Motor, our Group has to indemnify Maxon Motor to the extent that the claim exceeds the agreed maximum thresholds for warranty or liability. As confirmed by our Directors, there was no such claim by third parties against Maxon Motor resulting in our Group's indemnifying Maxon Motor that would have had a material impact on our business, financial condition or results of operations during the Track Record Period.
- **Termination:** The agreement may be terminated by either party by serving written notice upon an occurrence of any event of default, including the liquidation, bankruptcy or composition of any party.
- **Logistics and delivery:** We bear the transportation costs and the risk of the products being damaged during transit.

Benefits of and reasons for the transaction

In view of our long-term business relationship with Maxon Motor and given that Maxon Motor is one of our largest suppliers in terms of our total purchase costs, our Directors consider that the entering into of the agreement is necessary to maintain the stability and continuity of business development and operational activities (especially procurement activities) of our Group.

Proposed annual caps

For the years ending 31 December 2017 and 2018, the total purchase amounts payable by our Group to Maxon Motor are not expected to exceed S\$45,350,000 and S\$51,600,000, respectively.

Basis of annual caps

In arriving at the annual caps, our Directors have considered: (i) the historical transaction amount; (ii) the year-on-year growth rate of approximately 32.8% for the increase in the purchases by our Group from Maxon Motor for the year ended 31 December 2014, and the year-on-year growth rate of approximately 21.6% for the same for the year ended 31 December 2015; (iii) the market acceptability of the diverse and quality products supplied by Maxon Motor from Switzerland; and (iv) the terms agreed by both parties.

Historical transaction amount

For the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016, the total purchase amount paid and payable by our Group to Maxon Motor amounted to approximately S\$17,888,000, S\$23,748,000, S\$28,888,000 and S\$16,327,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

Implication under the Listing Rules

As Maxon Motor is a connected person of our Company at the subsidiary level and in light of the view of our Directors (including the independent non-executive Directors) as described under the paragraph headed “Confirmation from Our Directors in relation to the Non-exempt CCTs” below, the transactions as contemplated under the license agreement with Maxon Motor are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and Shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

2. Service agreements with Maxon Motor

Description of the transaction and the key terms of the service agreements

We have entered into two service agreements on 15 February 2008 and 28 January 2014, respectively (and supplemented by a letter agreement dated 1 September 2016) with Maxon Motor, and which are in relation to the provision of information technology services by Maxon Motor to Maxon Suzhou. The salient terms of the agreements are set out below:

- ***Contract period:*** The service agreements are valid up to and including 31 December 2018, or such other earlier date as the parties to the agreements may otherwise agree in writing.
- ***Pricing:*** The service fee payable to Maxon Motor by Maxon Suzhou shall not be less favourable than those charged against independent third parties of Maxon Motor from time to time.

Benefits of and reasons for the transaction

In view of our long-term business relationship with Maxon Motor and given that Maxon Motor is one of our largest suppliers in terms of our total purchase costs, our Directors consider that the entering into the service agreements in relation to the provision of information technology services is necessary to facilitate efficient ordering of engineering components from Maxon Motor and to maintain the stability and continuity of our procurement activities.

Proposed annual caps

For the years ending 31 December 2017 and 2018, the total service fees payable by our Group to Maxon Motor are not expected to exceed S\$300,000 and S\$300,000, respectively.

Basis of annual caps

In arriving at the annual caps, our Directors have considered the historical transaction amount in relation to the provision of information technology services by Maxon Motor and any potential upgrades to the Maxon Motor information technology system.

Historical transaction amount

For the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016, the total service fee paid and payable by our Group to Maxon Motor amounted to approximately S\$102,000, S\$114,000, S\$110,000 and S\$60,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

Implication under the Listing Rules

As Maxon Motor is a connected person of our Company at the subsidiary level and in light of the view of our Directors (including the independent non-executive Directors) as described under the paragraph headed “Confirmation from our Directors in relation to the Non-exempt CCTs” below, the transactions as contemplated under each of the framework agreements with Maxon Motor are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and Shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Waiver application for the Non-exempt CCTs

As the Non-exempt CCTs will continue after the Listing on a recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and add unnecessary administrative costs on our Group each time such transactions arise. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules once our Shares are listed on the Stock Exchange in respect of such Non-exempt CCTs, subject to the condition that the annual transaction value of each of the Non-exempt CCTs for each financial year not exceeding the relevant proposed annual caps as stated above and we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Confirmation from our Directors in relation to the Non-exempt CCTs

Our Directors (including our independent non-executive Directors) are of the view that the Non-Exempt CCTs described in this section have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable, and in the interests of our Shareholders as a whole.

Confirmation from the Sole Sponsor in relation to the Non-exempt CCTs

The Sole Sponsor is of the view that the Non-exempt CCTs described in this section have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable, and in the interests of our Shareholders as a whole.

CONTINUING RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (“**Related Party Transactions**”). Details of the Related Party Transactions are set out in Note 32 of Section II in the Accountant’s Report. Save as disclosed above, the rest of these Related Party Transactions which will continue following the Listing do not constitute continuing connected transactions under Chapter 14A of the Listing Rules since the counterparties involved are either (i) substantial shareholders or directors of Insignificant Subsidiaries of our Company; or (ii) not connected persons of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing Related Party Transactions (other than the transactions between any member of our Group and our associated companies) upon Listing:

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts
(S\$'000)					
1.	Eisele Antriebstechnik GmbH	Eisele Antriebstechnik GmbH owns 50% shareholding interest in Eisele Asia and hence, is a substantial shareholder of our subsidiary. Eisele Asia is an Insignificant Subsidiary of our Group.	Eisele Asia	(i) Supply of engineering components by Eisele Asia to Eisele Antriebstechnik GmbH	(i) 2013: 1 2014: 21 2015: 57 1H2016: 7
			Eisele Asia	(ii) Purchase of engineering components by Eisele Asia from Eisele Antriebstechnik GmbH	(ii) 2013: 617 2014: 453 2015: 471 1H2016: 141
			Servo Dynamics	(iii) Purchase of engineering components by Servo Dynamics from Eisele Antriebstechnik GmbH	(iii) 2013: Nil 2014: Nil 2015: 10 1H2016: 5
2.	SejinIGB Company Limited	SejinIGB Company Limited owns 49% shareholding interest in IGB Hong Kong and hence, is a substantial shareholder of our subsidiary. IGB Hong Kong and its subsidiary are Insignificant Subsidiaries of our Company.	SejinIGB	(i) Supply of engineering components and materials by SejinIGB to SejinIGB Company Limited	(i) 2013: 125 2014: 226 2015: 212 1H2016: 25
			SejinIGB	(ii) Purchase of engineering components and materials by SejinIGB from SejinIGB Company Limited	(ii) 2013: 211 2014: 174 2015: 132 1H2016: 48
			Eisele Asia	(iii) Supply of engineering components by Eisele Asia to SejinIGB Company Limited	(iii) 2013: 168 2014: 162 2015: 143 1H2016: 18

CONTINUING CONNECTED TRANSACTIONS

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts
(S\$'000)					
3.	Dirak India Panel Fittings Pvt Ltd	Dirak Holding GmbH ("Dirak") owns 50% shareholding interest in Dirak Asia and hence, is a substantial shareholder of our subsidiary. Dirak India Panel Fitting Pvt Ltd is a subsidiary of Dirak. Dirak Asia and its subsidiaries are Insignificant Subsidiaries of our Company.	Dirak Asia	Supply of engineering components by Dirak Asia to Dirak India Panel Fittings Pvt Ltd	2013: 168 2014: 232 2015: 284 1H2016: 114
4.	Dirak GmbH & Co. KG	Dirak owns 50% shareholding interest in Dirak Asia and hence, is a substantial shareholder of our subsidiary. Dirak GmbH & Co. KG is a subsidiary of Dirak. Dirak Asia and its subsidiaries are Insignificant Subsidiaries of our Company.	Dirak Asia	(i) Supply of engineering components by Dirak Asia to Dirak GmbH & Co. KG	(i) 2013: 1,909 2014: 1,722 2015: 1,964 1H2016: 1,039
			Dirak Asia	(ii) Purchase of engineering components by Dirak Asia from Dirak GmbH & Co. KG	(ii) 2013: (100)* 2014: 438 2015: 533 1H2016: 262
			Dirak Asia	(iii) Payment of freight charges by Dirak GmbH & Co. KG to Dirak Asia	(iii) 2013: 43 2014: 9 2015: Nil 1H2016: Nil
			Suzhou Dirak	(iv) Payment of commission by Suzhou Dirak to Dirak GmbH & Co. KG	(iv) 2013: Nil 2014: 13 2015: 2 1H2016: Nil

* The amount represented purchase returns.

CONTINUING CONNECTED TRANSACTIONS

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts
					(S\$'000)
			Suzhou Dirak	(v) Payment of freight charges by Suzhou Dirak to Dirak GmbH & Co. KG	(v) 2013: Nil 2014: Nil 2015: Nil 1H2016: 10
			Suzhou D-Snap	(vi) Payment of license fee by Suzhou D-Snap to Dirak GmbH & Co. KG	(vi) 2013: 100 2014: 121 2015: 113 1H2016: 57
5.	Dirak Inc.	Dirak owns 50% shareholding interest in Dirak Asia and hence, is a substantial shareholder of our subsidiary. Dirak Inc. is a subsidiary of Dirak. Dirak Asia and its subsidiaries are Insignificant Subsidiaries of our Company.	Dirak Asia	(i) Supply of engineering components by Dirak Asia to Dirak Inc.	(i) 2013: 1,007 2014: 959 2015: 935 1H2016: 346
	Dirak Asia		(ii) Payment of freight charges by Dirak Inc. to Dirak Asia	(ii) 2013: 48 2014: Nil 2015: Nil 1H2016: Nil	
	Dirak Asia		(iii) Purchase of engineering components by Dirak Asia from Dirak Inc.	(iii) 2013: Nil 2014: Nil 2015: Nil 1H2016: 1	
	Suzhou Dirak		(iv) Payment of commission by Suzhou Dirak to Dirak Inc.	(iv) 2013: Nil 2014: 10 2015: 28 1H2016: 7	
6.	Dirak	Dirak owns 50% shareholding interest in Dirak Asia and hence, is a substantial shareholder of our subsidiary. Dirak Asia and its subsidiaries are Insignificant Subsidiaries of our Company.	Dirak Asia	Reimbursement of a portion of audit fees incurred by Dirak Asia	2013: 94 2014: 96 2015: 100 1H2016: Nil

CONTINUING CONNECTED TRANSACTIONS

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts	
					(S\$'000)	
7.	Dirak Middle East (FZE)	Dirak owns 50% shareholding interest in Dirak Asia and hence, is a substantial shareholder of our subsidiary. Dirak Middle East (FZE) is an indirect subsidiary of Dirak. Dirak Asia and its subsidiaries are Insignificant Subsidiaries of our Group.	Dirak Asia	Supply of engineering components by Dirak Asia to Dirak Middle East (FZE)	2013: 2014: 2015: 1H2016:	Nil Nil Nil 27
8.	Dbasix Global	Dbasix Global owns 50% shareholding interest in Dbasix Singapore and hence, is a substantial shareholder of our subsidiary. Dbasix Singapore and its subsidiaries are Insignificant Subsidiaries of our Company.	Dbasix Singapore	Interest payable by Dbasix Singapore to Dbasix Global	2013: 2014: 2015: 1H2016:	33 25 25 12
9.	Sand Profile (HK) Company Limited	Mr. Teo owns 25% shareholding interest in Sand Profile (HK) Company Limited. Mr. Teo is also a director of Sand Profile (HK) Company Limited.	Dirak Asia	(i) Purchase of engineering components by Dirak Asia from Sand Profile (HK) Company Limited	(i) 2013: 2014: 2015: 1H2016:	Nil 238 308 Nil
			Dirak Asia	(ii) Purchase of engineering components by Dirak Asia from Sand Profile (HK)	(ii) 2013: 2014: 2015: 1H2016:	Nil Nil Nil 126
			Suzhou Dirak	(iii) Purchase of engineering components by Suzhou Dirak from Sand Profile (HK)	(iii) 2013: 2014: 2015: 1H2016:	Nil Nil Nil 8

CONTINUING CONNECTED TRANSACTIONS

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts
(S\$'000)					
10.	Sand Profile (Suzhou) Co., Ltd	Mr. Teo owns 25% shareholding interest in Sand Profile (HK) Company Limited. Sand Profile (Suzhou) Co., Ltd is a wholly-owned subsidiary of Sand Profile (HK) Company Limited. Mr. Teo is also a director of Sand Profile (Suzhou) Co., Ltd.	Dirak Asia	(i) Supply of engineering components by Dirak Asia to Sand Profile (Suzhou) Co., Ltd	(i) 2013: Nil 2014: Nil 2015: 108 1H2016: Nil
			Dirak Asia	(ii) Payment of expenses such as freight charges, packing expenses by Sand Profile (Suzhou) Co., Ltd to Dirak Asia	(ii) 2013: 1 2014: Nil 2015: Nil 1H2016: Nil
			Suzhou Dirak	(iii) Supply of engineering components by Suzhou Dirak to Sand Profile (Suzhou) Co., Ltd	(iii) 2013: Nil 2014: 1 2015: 1 1H2016: Nil
			Suzhou Dirak	(iv) Purchase of engineering components by Suzhou Dirak from Sand Profile (Suzhou) Co., Ltd	(iv) 2013: 1,355 2014: 1,540 2015: 1,593 1H2016: 711
			Suzhou Dirak	(v) Payment of freight expenses by Suzhou Dirak to Sand Profile (Suzhou) Co., Ltd	(v) 2013: Nil 2014: 1 2015: 1 1H2016: Nil
			Beijing Dirak	(vi) Purchase of engineering components by Beijing Dirak from Sand Profile (Suzhou) Co., Ltd	(vi) 2013: 113 2014: 183 2015: 188 1H2016: 70
			Taiwan Dirak	(vii) Purchase of engineering components by Taiwan Dirak from Sand Profile (Suzhou) Co., Ltd	(vii) 2013: Nil 2014: Nil 2015: 15 1H2016: Nil

CONTINUING CONNECTED TRANSACTIONS

No.	Related parties	Relationship with us or our Directors	Our subsidiaries involved in the transactions	Transaction details	Historical transaction amounts
					(S\$'000)
			Suzhou D-Snap	(viii) Payment of expenses such as freight charges, packing expenses by Sand Profile (Suzhou) Co., Ltd to Suzhou D-Snap	(viii) 2013: Nil 2014: Nil 2015: Nil 1H2016: 1
			Suzhou D-Snap	(ix) Purchase of engineering components by Suzhou D-Snap from Sand Profile (Suzhou)	(ix) 2013: Nil 2014: Nil 2015: Nil 1H2016: 1
			Suzhou D-Snap	(x) Supply of engineering components by Suzhou D-Snap to Sand Profile (Suzhou) Co., Ltd	(x) 2013: Nil 2014: Nil 2015: Nil 1H2016: 9
			Excel Best	(xi) Payment of rent by Sand Profile (Suzhou) Co., Ltd to Excel Best	(xi) 2013: Nil 2014: 160 2015: 198 1H2016: 87
			Suzhou PDC	(xii) Payment of rent by Sand Profile (Suzhou) Co., Ltd to Suzhou PDC	(xii) 2013: Nil 2014: 123 2015: 125 1H2016: 59
			ISDN Enterprise Management	(xiii) Payment of property management fee by Sand Profile (Suzhou) Co., Ltd to ISDN Enterprise Management	(xiii) 2013: Nil 2014: 43 2015: 45 1H2016: 20

Our Company will re-assess the applicable percentage ratios of those Insignificant Subsidiaries involved under Rule 14A.09 of the Listing Rules on an annual basis after the end of each financial year subsequent to Listing. If any of these subsidiaries no longer qualifies for the exception pursuant to Rule 14A.09(1) of the Listing Rules, our Company will comply with the applicable connected transactions requirements under Chapter 14A of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The issued share capital of our Company is summarised below:

	Number of Shares
Shares in issue as at the date of this prospectus	354,684,950
Shares to be issued on full exercise of the Warrants	179,972,475
Shares to be issued under the Share Offer	40,000,000
Total issued Shares immediately upon completion of the Share Offer (assuming no exercise of the Warrants)	394,684,950
Total issued Shares immediately upon completion of the Share Offer (assuming full exercise of the Warrants)	574,657,425

The above table does not account for any Shares that may be allotted and issued pursuant to the exercise of options that have been or may be granted under the ISDN ESOS 2016, vesting of share awards that have been or may be granted under the ISDN EPSP 2012 and any Shares that may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors as referred to below.

On 19 December 2016, 6,365,000 Shares held by our Company as treasury Shares were cancelled pursuant to Section 76K of the Companies Act. No application has been made to the Listing Committee for the listing of, and permission to deal in, the treasury Shares. All documents of title in respect of the treasury Shares were destroyed. Our Company did not have any treasury Shares as at the Latest Practicable Date.

All Shares in issue carry the same rights among themselves, including the right to participate fully in all dividends or other distributions declared, paid or made on our Shares after the date of this prospectus. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

EMPLOYEE SHARE OPTION SCHEMES

On 27 September 2005, our Company adopted the ESOS 2005 to grant options to eligible employees. No options were granted under the ESOS 2005. The ESOS 2005 lapsed on 27 September 2015. There are currently no options outstanding in respect of the ESOS 2005.

On 22 April 2016, our Company adopted the ISDN ESOS 2016 to grant options to eligible employees. Since its adoption and up to the Latest Practicable Date, no options were granted under the ISDN ESOS 2016. There are currently no options outstanding in respect of the ISDN ESOS 2016. The ISDN ESOS 2016 has been amended on 16 December 2016 to satisfy the requirements of the Listing Rules. For details and a summary of the principal terms of the ISDN ESOS 2016, please refer to the section headed "D. ISDN ESOS 2016" in Appendix VI to this prospectus.

EMPLOYEE PERFORMANCE SHARE PLAN

On 17 February 2012, our Company adopted the ISDN EPSP 2012 to grant share awards to eligible employees (including executive Directors). The ISDN EPSP 2012 has been amended on 16 December 2016 to satisfy the requirements of the Listing Rules and to enable our non-executive Directors to participate in the ISDN EPSP 2012. There are currently no share awards outstanding in respect of the ISDN EPSP 2012. For details and a summary of the principal terms of the ISDN EPSP 2012, please refer to the section headed "E. ISDN EPSP 2012" in Appendix VI to this prospectus.

SHARE CAPITAL

SHARE ISSUE MANDATE

At the annual general meeting of our Company held on 22 April 2016, our Shareholders have passed a resolution (the “**Resolution**”) granting a general mandate (the “**Share Issue Mandate**”) to our Directors to (i) allot and issue Shares (whether by way of rights, bonus or otherwise) and/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; and to (ii) issue Shares in pursuance of any instrument made or granted by our Company while the Resolution is in force, provided that the aggregate number of Shares (including Shares to be issued in pursuance to instruments made or granted under the Share Issue Mandate) does not exceed 50% of the total number of issued Shares (excluding treasury Shares), and if not issued on a pro-rata basis, does not exceed 20% of the total number of issued Shares (excluding treasury Shares) in the capital of our Company calculated in accordance with the paragraph below.

For the purpose of determining the aggregate number of Shares that may be issued and allotted pursuant to the Share Issue Mandate, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury Shares) in the capital of our Company at the time of passing the Resolution, after adjusting for:

- (a) new Shares arising from the conversion or exercise of instruments or any convertible securities;
- (b) new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of the Resolution, provided the options or awards were granted in compliance with the Singapore Listing Manual; and
- (c) any subsequent bonus issue, consolidation or subdivision of our Shares.

The Share Issue Mandate shall, unless revoked or varied by our Company at a general meeting, continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

For further details of the Share Issue Mandate, please refer to the section headed “A. Further Information about Our Company and Our Subsidiaries – 3. Resolution of the Shareholders passed at the general meetings of our Company held on 22 April 2016 and 16 December 2016” in Appendix VI to this prospectus.

Notwithstanding the above, the Listing Rules provide that a general mandate obtained from shareholders of a listed issuer in general meeting shall be subject to a restriction that the aggregate number of shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of (i) 20% of the number of issued shares of the listed issuer on the date of the resolution granting the general mandate and (ii) the number of securities repurchased by the listed issuer since the granting of the general mandate (up to 10% of the shares of the listed issuer in issue on the date of passing the resolution to grant the general mandate) provided that the shareholders of the listed issuer have separately granted a general mandate to the directors of the listed issuer to add the repurchased securities to the 20% limit. As such, our Company shall comply with the requirements of the Listing Rules in relation to the issue of general mandate upon Listing as the Listing Rules generally pose a more onerous requirement than the Singapore Listing Manual in this aspect.

SHARE CAPITAL

SHARE BUY-BACK MANDATE

At the annual general meeting of our Company held on 22 April 2016, our Directors have been granted a general mandate (the “**Share Buy-Back Mandate**”) to exercise all the powers of our Company to purchase or otherwise acquire Shares not exceeding in aggregate 10% of the total number of issued Shares (excluding treasury Shares) at the date of grant of the Share Buy-Back Mandate, at such price or prices as may be determined by our Directors from time to time (subject to the Maximum Price as described below).

The Share Buy-Back Mandate shall expire on the earlier of:

- (a) the date on which the next annual general meeting is held;
- (b) the date by which the next annual general meeting of our Company is required by law to be held;
- (c) the time when the Share Buy-Back Mandate is revoked or varied by the Shareholders in general meeting; or
- (d) the date on which the purchase of Shares by our Company pursuant to the Share Buy-Back Mandate is carried out to the full extent mandated.

“**Maximum Price**” in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding 105% of : (i) in the case of an on-market purchase on the SGX-ST, the average of the closing market prices of the Shares over the last five (5) market days (on which transactions in the Shares were recorded) immediately before the date of the on-market purchase by our Company, deemed to be adjusted for any corporate action that occurs after the relevant five (5)-market day period; and (ii) in the case of an off-market purchase in accordance with any equal access scheme which complies with the Companies Act, the highest price at which a Share is transacted on the SGX-ST on the market day (when transactions in the Shares are recorded) immediately preceding the date on which our Company announces an off-market purchase offer stating the purchase price and the relevant terms of the equal access scheme.

The Share Buyback Mandate was made in compliance with the requirements of the Singapore Listing Manual and the Singapore Code, and in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the Constitution. In the event that our Company shall purchase our own Shares after the Listing, we are required to comply with the more onerous requirements under both the Listing Rules and the Singapore Listing Manual.

For further details of the Share Buyback Mandate, please refer to the section headed “A. Further Information about Our Company and Our Subsidiaries – 3. Resolution of the Shareholders passed at the general meetings of our Company held on 22 April 2016 and 16 December 2016” in Appendix VI to this prospectus.

SHARE CAPITAL

WARRANTS

On 11 November 2013, our Company issued and allotted 179,972,475 Warrants. Each Warrant carries the right to subscribe for one (1) new Share in our Company at an exercise price of S\$0.60. The Warrants will expire at 5.00 p.m. on 9 November 2018. As at the Latest Practicable Date, no Warrants were exercised and there were 179,972,475 Warrants in issue and outstanding.

RULE 9.09 OF THE LISTING RULES

Our Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 9.09 of the Listing Rules. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules – 3. Dealing in Securities by Core Connected Persons During a Listing Application Process (Rule 9.09)” in this prospectus for details of the waiver.

HISTORICAL TRADING PRICES AND VOLUME OF OUR SHARES ON THE SGX-ST

The following table sets out the reported highs, lows, month ends and monthly averages of the closing trading prices and average daily trading volume of our Shares on the SGX-ST during the Track Record Period until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Share Offer. Please refer to the section headed “Risk Factors – Risks Relating to Our Dual Primary Listing – The different characteristics between the Singapore stock market and the Hong Kong stock market may affect trading and settlement of our Shares” in this prospectus in relation to the relevant risks.

SHARE CAPITAL

	Per Share (\$)				Average daily trading volume	
	High	Low	Month end	Monthly average	Shares	% of total issued Shares
2013						
January	0.140	0.115	0.140	0.126	278,714	0.092%
February	0.235	0.144	0.235	0.180	3,638,765	1.208%
March	0.525	0.230	0.525	0.339	12,347,111	4.098%
April	0.870	0.670	0.780	0.763	23,723,842	7.001%
May	1.035	0.760	1.030	0.846	11,654,875	3.214%
June	1.420	1.095	1.225	1.277	18,190,722	5.017%
July	1.235	1.110	1.110	1.160	5,247,609	1.447%
August	1.265	1.105	1.170	1.167	2,966,750	0.818%
September	1.180	1.115	1.130	1.138	1,651,048	0.455%
October	1.145	0.495	0.535	0.812	3,704,455	1.022%
November	0.595	0.495	0.515	0.549	2,583,476	0.712%
December	0.660	0.460	0.600	0.540	2,230,143	0.615%
2014						
January	0.645	0.510	0.515	0.575	1,860,762	0.513%
February	0.530	0.480	0.480	0.495	1,336,579	0.369%
March	0.515	0.470	0.495	0.488	908,095	0.250%
April	0.485	0.430	0.430	0.463	721,429	0.199%
May	0.440	0.390	0.420	0.408	1,180,000	0.325%
June	0.450	0.390	0.410	0.411	2,525,714	0.697%
July	0.435	0.395	0.405	0.407	1,784,273	0.492%
August	0.400	0.370	0.375	0.378	1,103,571	0.304%
September	0.380	0.325	0.325	0.356	812,182	0.224%
October	0.325	0.285	0.315	0.307	1,526,810	0.425%
November	0.320	0.265	0.265	0.290	1,770,600	0.493%
December	0.260	0.230	0.240	0.245	1,842,091	0.519%
2015						
January	0.265	0.210	0.210	0.240	2,290,757	0.646%
February	0.220	0.196	0.215	0.204	1,260,544	0.355%
March	0.210	0.196	0.199	0.202	1,621,623	0.457%
April	0.245	0.199	0.240	0.217	3,942,043	1.111%
May	0.230	0.215	0.220	0.224	1,351,465	0.381%
June	0.230	0.210	0.230	0.220	1,026,005	0.289%
July	0.275	0.225	0.245	0.246	2,417,232	0.682%
August	0.245	0.190	0.200	0.214	699,084	0.197%
September	0.205	0.195	0.200	0.200	86,500	0.024%
October	0.225	0.193	0.220	0.213	687,065	0.194%
November	0.225	0.205	0.205	0.216	377,890	0.107%
December	0.225	0.200	0.205	0.208	140,556	0.040%

SHARE CAPITAL

	Per Share (S\$)				Average daily trading volume	
	High	Low	Month/ Period end	Monthly average	Shares	% of total issued Shares
2016						
January	0.215	0.183	0.188	0.196	479,294	0.135%
February	0.199	0.183	0.193	0.190	322,836	0.091%
March	0.225	0.193	0.220	0.205	1,302,657	0.367%
April	0.230	0.210	0.210	0.218	993,286	0.280%
May	0.210	0.195	0.200	0.200	438,622	0.124%
June	0.205	0.199	0.199	0.203	427,360	0.120%
July	0.205	0.196	0.198	0.199	90,938	0.026%
August	0.191	0.178	0.178	0.184	279,340	0.079%
September	0.215	0.175	0.205	0.184	911,048	0.257%
October	0.205	0.196	0.199	0.200	722,862	0.204%
November	0.210	0.200	0.205	0.204	441,448	0.124%
December (up to the Latest Practicable Date)	0.230	0.205	0.230	0.220	835,000	0.235%

Source: Bloomberg

RATIO OF MARKET CAPITALISATION TO NET ASSET VALUE

Based on the closing price of our Shares quoted on the mainboard of the SGX-ST of S\$0.23 each and 354,684,950 Shares in issue as at the Latest Practicable Date, the market capitalisation of our Company was approximately S\$81.6 million. As at 30 September 2016, the net asset value attributable to our Shareholders was approximately S\$118.4 million. The ratio of market capitalisation as at the Latest Practicable Date to net asset value attributable to our Shareholders as at 30 September 2016 was approximately 0.69 time.

FINANCIAL INFORMATION

You should read the following discussion and analysis on our results of operations and financial condition together with the Accountant's Report, the unaudited interim condensed financial information included in Appendix 1A to this prospectus and the unaudited pro forma financial information included in Appendix II to this prospectus. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from anticipation. For additional information regarding risks and uncertainties involved, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2016 marks the 30th anniversary since the inception of our Group. Over the years under the helmship of Mr. Teo who is our president, managing Director and Controlling Shareholder with a bachelor of mechanical engineering degree, we have developed from a local start-up supplier of servo motors to become a multi-national "one-stop-shop" engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof.

Headquartered in Singapore, we operated through 66 subsidiaries with 65 sales offices all over the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 30 September 2016. During the Track Record Period, we derived over 69% of our total revenue from the PRC. In the PRC, we own an industrial base with a gross floor area of approximately 40,657 sq.m in an industrial park in 江蘇省蘇州吳江區 (Wujiang district, Suzhou, Jiangsu province) where we primarily make certain of our products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions by installing and assembling components and parts sourced which revenue from the products we made in Wujiang accounts for less than 8% of our total revenue during the Track Record Period. As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers' engineering needs in different offices.

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including the following:

The PRC market

The PRC is our major market, revenue from which constitutes over 69% of our total revenue during the Track Record Period.

Intelligent manufacturing has been recognised as a national strategy in the PRC though it is still in its initial development stage. Intelligent manufacturing has gradually penetrated into traditional manufacturing industries so as to improve product quality, enhance production efficiency and significantly reduce manufacturing process and energy consumption and emission. As a major part in the intelligent manufacturing industry, the integrated engineering solution market is expected to accelerate its growth in light of the relatively rapid development of intelligent manufacturing in the PRC in recent times.

FINANCIAL INFORMATION

While the PRC has a substantial production capacity across different industries, such as 3C (computer, communication and consumer electronic) and automobile, their automation level is relatively low compared to other developed countries. As the PRC has been experiencing its own demographical changes, their automation level has to rise to keep the labour cost down. As a result of the industrial upgrade, the integrated engineering solution market is expected to play a crucial role in the automation of manufacturing industries in the PRC.

According to the F&S Report, the value of the integrated engineering solution market in the PRC amounted to S\$24.6 billion in 2015, up from S\$20.0 billion in 2011, representing a CAGR of 5.4%. The PRC government has released a series of stimulus policies, such as “Made in China 2025”, to boost the manufacturing investment. Furthermore, a large number of enterprises are determined to enhance technical innovation, focus on improving their automation level and aiming to industrial upgrade. According to the F&S Report, the value of the integrated engineering solution market in the PRC is expected to reach S\$35.5 billion in 2020, growing at a CAGR of 7.6% from 2015.

Our ability to maintain business relationship with our major suppliers

Over the past 30 years, we have developed from a local start-up supplier of servo motors to become a multi-national “one-stop-shop” engineering solution provider. Our success is primarily attributable to the relationship we have built with our suppliers all these years so that we are able to recommend and offer to our customers a variety of products as a solution to serve a wide range of engineering needs of our customers under one roof.

Set out in the section headed “Business – Suppliers” in this prospectus are our major suppliers. During the Track Record Period, we did not have any dispute with our major suppliers which would have had a material impact on our business, financial condition or results of operations. In the event that we lose some or all of our major suppliers, our procurement capability and therefore our business may be materially and adversely affected.

Our ability to recruit and retain sales and engineering staff

As at 30 September 2016, we had 825 employees, approximately 37% of whom were sales and engineering staff who are dedicated to working on solutions to satisfy our customers’ engineering needs in different offices. To keep abreast of the latest technological changes relevant to the industry, our sales and engineering staff from time to time attend courses and seminars organised in-house and externally, and trade fairs. We reward our sales and engineering staff with commissions and bonuses in order to incentivise them to boost our sales. During the Track Record Period, we did not experience any labour dispute which would have had a material impact on our business, financial condition or results of operations. In the event that we are unable to recruit and retain sales and engineering staff, our business may be materially and adversely affected.

Competition

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period. According to the F&S Report, we ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets respectively.

FINANCIAL INFORMATION

Notwithstanding our competitive strengths as set out in the section headed “Business – Competitive Strengths” in this prospectus, we operate in a competitive environment as referred to in the F&S Report:

	PRC	Singapore
<u>Integrated engineering solution market</u>		
Market size (inclusive of the motion control solution market) in 2015	S\$24.6 billion	S\$1.2 billion
<u>Motion control solution market</u>		
Market size in 2015	S\$2.6 billion	S\$0.2 billion
Percentage of market share of the five (5) largest players including our Group (%)	29.6%	25.1%
Percentage of market share of our Group (%)	5.1%	10.0%

There are a number of players with diverse background and scale of operations in the market, which is fragmented. We compete with rivals on product offerings and quality of our expertise in satisfying our customers’ engineering needs. If we lose out our competitive strengths or the competition intensifies in the market, our revenue and profitability may be materially and adversely affected.

Our ability to pass any increment in cost of sales to our customers

We consider that one of the major factors affecting our results of operations is our ability to pass any increment in cost of sales to our customers. Over 99% of our total cost of sales were components and parts we sourced for the engineering solutions we offered to our customers during the Track Record Period. During the Track Record Period, we did not experience any fluctuation in costs of components and parts sourced which would have had a material impact on our business, financial condition or results of operations. In the event that we are unable to pass any increment in cost of sales to our customers, our business, financial condition or results of operations may be materially and adversely affected.

Exposure to foreign exchange fluctuations

During the Track Record Period, we derived over 69% of our total revenue from the PRC. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we recorded net foreign exchange gains (losses) of approximately S\$0.3 million, S\$0.4 million, S\$(0.02) million and S\$(0.9) million respectively. We consider that we had no foreign exchange exposure that would have had a material impact on our business, financial condition or results of operations during the Track Record Period as we usually sourced parts and components with the proceeds in the same currency we received from our customers for the engineering solutions we provided.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Set out in Note 2(a) of Section II in the Accountant's Report is the basis of presentation for the financial information in the Accountant's Report.

Our Company was incorporated in Singapore under the Companies Act as a private limited company on 28 December 2004, converted into a public limited company on 11 November 2005 and has been listed on the main board of the SGX-ST since 24 November 2005.

The financial information in the Accountant's Report has been prepared in accordance with all applicable HKFRSs.

There are no adjustments made to reconcile the financial information in the Accountant's Report with our Group's consolidated financial statements prepared by us in accordance with HKFRSs.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying our Group's accounting policies, our management may exercise judgements that have an impact on amounts recognised in the financial statements in respect of such typical areas as:

- (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;
- (ii) impairment of trade and other receivables – Management reviews trade and other receivables on a periodic basis. Management makes judgement as to whether 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;
- (iii) useful lives of property, plant and equipment – Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of our Group's 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; and
- (iv) impairment of goodwill – 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 e.g. applicable growth rate and pre-tax discount rate applied to the cash-generating units.

For further details on the critical accounting judgements and estimates for the financial information in the Accountant's Report, please refer to Note 2(b) of Section II in the Accountant's Report.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies have been summarised in Note 3 of Section II in the Accountant's Report in respect of such typical areas as:

- (i) consolidation for subsidiaries – Subsidiaries are fully consolidated from the date on which control is transferred to our Group. Our Group applies the acquisition method to account for business combinations. Our 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;
- (ii) equity accounting for associated companies – Investments in associates are accounted for using the equity method of accounting, under which each of the investments is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. Our Group's share of post-acquisition profit or loss is recognised in profit or loss;
- (iii) translation of relevant entities' financial information to S\$ – The results and financial position of all the Group entities that have a functional currency different from the presentation currency i.e. S\$ are translated into the presentation currency i.e. S\$ 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;
- (iv) depreciation – 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;
- (v) revenue recognition – Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers; and
- (vi) inventories – Inventories are stated at the lower of cost and net realisable value. Allowance is made for obsolete and slow-moving items.

For further details, please refer to Note 3 of Section II in the Accountant's Report.

FINANCIAL INFORMATION

SUMMARY OF RESULTS OF OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)				
Revenue	169,551	230,450	235,299	119,267	120,459
Cost of sales	(118,556)	(168,697)	(169,589)	(86,191)	(89,360)
Gross profit	50,995	61,753	65,710	33,076	31,099
Other operating income	2,303	2,540	3,233	1,440	1,977
Distribution costs	(18,711)	(20,009)	(22,016)	(11,199)	(10,985)
Administrative expenses	(22,722)	(27,358)	(27,785)	(13,607)	(14,432)
Other operating expenses	(1,669)	(1,862)	(1,950)	(657)	(1,828)
Finance costs	(1,030)	(881)	(774)	(392)	(421)
Share of profit/(loss) of associates	604	1,054	795	743	(476)
Profit before income tax	9,770	15,237	17,213	9,404	4,934
Income tax	(2,992)	(4,632)	(5,329)	(2,784)	(1,697)
Profit for the year/period	<u>6,778</u>	<u>10,605</u>	<u>11,884</u>	<u>6,620</u>	<u>3,237</u>
Profit attributable to:					
Equity holders of our Company	4,754	7,457	8,721	4,922	1,531
Non-controlling interests	2,024	3,148	3,163	1,698	1,706
	<u>6,778</u>	<u>10,605</u>	<u>11,884</u>	<u>6,620</u>	<u>3,237</u>
Total comprehensive income/ (loss) attributable to:					
Equity holders of our Company	6,406	7,746	9,063	6,099	(1,169)
Non-controlling interests	2,301	3,537	2,670	1,565	1,030
	<u>8,707</u>	<u>11,283</u>	<u>11,733</u>	<u>7,664</u>	<u>(139)</u>

FINANCIAL INFORMATION

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue by type of solutions

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Integrated engineering solutions:										
– Engineering solutions – motion control	124,592	73.5	172,861	75.0	184,101	78.2	93,525	78.4	95,020	78.9
– Other specialised engineering solutions	40,599	23.9	51,988	22.6	46,127	19.6	23,077	19.3	21,861	18.1
– Industrial computing solutions	4,360	2.6	5,601	2.4	5,071	2.2	2,665	2.3	3,578	3.0
Total	169,551	100.0	230,450	100.0	235,299	100.0	119,267	100.0	120,459	100.0

(Unaudited)

Engineering solutions – motion control

Motion control system, primarily comprising servo motors, drives, gearboxes and encoders, is a precise electro-mechanical assembly that can be a functional module or sub-module of a machine or a complete machine by itself. Differentiated from a motion control product manufacturer, we as a motion control solution provider not only distribute products, but also design, customise and assemble motion control systems as this enables our customers to reduce costs and to better improve production efficiency. Our motion control systems are typically used for factory automation in a broad range of industries.

Revenue from motion control solutions accounts for over 73% of our total revenue during the Track Record Period, which is primarily made up of servo motors, drives, gearboxes and encoders. The increase in revenue from motion control solutions over the Track Record Period is primarily due to (i) the general industry trend for intelligent manufacturing and factory automation which led to an increase in demand for motion control solutions; and (ii) our sales efforts by staff who are rewarded with commissions and bonuses to boost our sales. During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have had a material impact on our business, financial condition or results of operations.

Other specialised engineering solutions

We offer our expertise to provide engineering solutions tailored to our customers' particular or specialised needs, including standard modular construction components for use in industrial automation systems, and hardware components such as industrial locks, fasteners, hinges as well as aluminium profiles and related accessories.

In spite of the increase in the proportion of our revenue from motion control solutions, revenue from other specialised engineering solutions was managed to stay at over 18% of our total revenue during the Track Record Period. During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have had a material impact on our business, financial condition or results of operations.

FINANCIAL INFORMATION

Industrial computing solutions

As part of a suite of our integrated engineering solutions, we formulate cost-efficient and effective industrial computing solutions and assemble various industrial computing hardware (i.e. industrial computers) and software (i.e. “Wonderware”) to satisfy our customers’ industrial computing needs. Our industrial computer systems may be used for the manufacturing and production processes in a broad range of industries including the oil and gas, medical, water treatment, telecommunications and semiconductor industries.

Revenue from industrial computing solutions was managed to stay at over 2% of our total revenue during the Track Record Period. During the Track Record Period, we did not experience any change in our product mix and pricing in this regard which would have had a material impact on our business, financial condition or results of operations.

Revenue by geographic location

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
PRC	119,207	70.3	165,874	72.0	165,638	70.4	84,220	70.6	83,129	69.0
Singapore	27,573	16.3	35,472	15.4	35,004	14.9	18,365	15.4	18,419	15.3
Malaysia	6,240	3.7	7,911	3.4	5,723	2.4	3,225	2.7	3,768	3.1
Hong Kong	7,092	4.2	10,821	4.7	10,932	4.6	5,328	4.5	7,154	6.0
Others ^(note)	9,439	5.5	10,372	4.5	18,002	7.7	8,129	6.8	7,989	6.6
Total	<u>169,551</u>	<u>100.0</u>	<u>230,450</u>	<u>100.0</u>	<u>235,299</u>	<u>100.0</u>	<u>119,267</u>	<u>100.0</u>	<u>120,459</u>	<u>100.0</u>

Note: We derived revenue from over 40 other countries and region including Vietnam, Thailand, Germany, Indonesia, the United States and Taiwan during the Track Record Period.

Headquartered in Singapore, we operate in the PRC, Hong Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia. During the Track Record Period, we derived over 84% of our total revenue from the PRC and Singapore.

According to the F&S Report, the value of the integrated engineering solution market in the PRC amounted to S\$24.6 billion in 2015, up from S\$20.0 billion in 2011, representing a CAGR of 5.4%. The PRC government has released a series of stimulus policies, such as “Made in China 2025”, to boost the manufacturing investment. Furthermore, a large number of enterprises are determined to enhance technical innovation, focus on improving their automation level and aiming to industrial upgrade. According to the F&S Report, the value of the integrated engineering solution market in the PRC is expected to reach S\$35.5 billion in 2020, growing at a CAGR of 7.6% from 2015.

According to the F&S Report, the value of the integrated engineering solution market in Singapore developed from S\$0.99 billion in 2011 to S\$1.21 billion in 2015, with a CAGR of 5.1%. Driven by the increasing needs from traditional industries, new growth opportunities in the emerging industries and government support for enhancing the automation level, the value of the integrated engineering solution market in Singapore is likely to reach S\$1.5 billion in 2020, representing a CAGR of 4.4% in the period of 2015 to 2020.

FINANCIAL INFORMATION

Cost of sales

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	(Unaudited)			
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Components and parts:										
– Servo motors and drives	68,257	57.6	82,023	48.6	97,307	57.4	54,273	63.0	51,445	57.6
– Mechanical components	24,454	20.6	50,451	29.9	32,980	19.4	13,170	15.3	19,618	21.9
– Hinges & locks	9,540	8.1	11,357	6.7	11,296	6.6	5,833	6.8	4,312	4.8
– Gearboxes	6,185	5.2	10,524	6.3	13,182	7.8	5,166	6.0	5,594	6.3
– Industrial computing products	3,241	2.7	4,240	2.5	3,402	2.0	2,007	2.3	2,652	3.0
– Automation and robotics components	2,452	2.1	4,617	2.8	4,370	2.6	2,112	2.4	2,621	2.9
– Linear encoders	2,051	1.7	3,528	2.1	5,084	3.0	2,482	2.9	2,410	2.7
– Aluminium profiles & accessories	1,877	1.6	1,563	0.9	1,686	1.0	982	1.1	613	0.7
	118,057	99.6	168,303	99.8	169,307	99.8	86,025	99.8	89,265	99.9
Depreciation	499	0.4	394	0.2	282	0.2	166	0.2	95	0.1
Total	118,556	100.0	168,697	100.0	169,589	100.0	86,191	100.0	89,360	100.0

Over 99% of our total cost of sales were components and parts we sourced for the engineering solutions we offered to our customers during the Track Record Period. During the Track Record Period, we did not experience any fluctuation in costs of components and parts sourced which would have had a material impact on our business, financial condition or results of operations.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in our cost of sales by 1%, 2% and 5% on our net profit for each of the three years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016:

	(Decrease)/Increase in our net profit if our cost of sales		
	increases / decreases by 1%	increases / decreases by 2%	increases / decreases by 5%
	S\$'000	S\$'000	S\$'000
Year ended 31 December 2013	(822) / 822	(1,645) / 1,645	(4,112) / 4,112
Year ended 31 December 2014	(1,174) / 1,174	(2,348) / 2,348	(5,871) / 5,871
Year ended 31 December 2015	(1,171) / 1,171	(2,342) / 2,342	(5,854) / 5,854
Six months ended 30 June 2016	(586) / 586	(1,173) / 1,173	(2,931) / 2,931

FINANCIAL INFORMATION

Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
Integrated engineering solutions:										
– Engineering solutions – motion control	37,378	30.0	44,275	25.6	51,219	27.8	24,638	26.3	23,690	24.9
– Other specialised engineering solutions	12,498	30.8	16,117	31.0	12,822	27.8	7,780	33.7	6,483	29.7
– Industrial computing solutions	1,119	25.7	1,361	24.3	1,669	32.9	658	24.7	926	25.9
Total/Overall	50,995	30.1	61,753	26.8	65,710	27.9	33,076	27.7	31,099	25.8

Our overall gross profit margin for the year ended 31 December 2014 decreases from the previous year primarily due to (i) our customers served with our motion control and industrial computing solutions which were not able to command a margin as high as the year before; and (ii) the intensified market competition given the variety of products available in the market and the number of players in the industry.

Our overall gross profit margin for the year ended 31 December 2015 increases on the previous year primarily due to our ability to negotiate better terms with certain of our suppliers.

Our overall gross profit margin for the six months ended 30 June 2016 decreases on a period-on-period basis primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition given our market size and position and the number of industry players as discussed in the section headed "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Competition" in this prospectus.

Other operating income

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our other operating income represents approximately 1.4%, 1.1%, 1.4% and 1.6% of our total revenue respectively.

Our other operating income primarily consists of non-core business income including (i) income from incidental and miscellaneous technical services rendered to our customers; (ii) rental and property management income from letting a portion of our ISDN Hightech Industrial Park to third parties; (iii) bank interests; (iv) net foreign exchange gains; (v) various grants and reliefs from Singapore government as incentives to support employers to cope with cost increases in the employment market and to provide financial support to small and medium enterprises to make investments in productivity and innovation for transforming businesses; (vi) write back of allowance for inventory obsolescence and impairment of trade receivables; (vii) recovery of bad debts written off; and (viii) gain on disposal of our subsidiary, associated company and property, plant and equipment. For further details, please refer to Note 5 of Section II in the Accountant's Report.

FINANCIAL INFORMATION

Distribution costs

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
Employee benefit costs	10,992	58.8	12,621	63.1	13,682	62.1	7,074	63.2	6,680	60.8
Sales and marketing expenses	4,061	21.7	3,368	16.8	3,583	16.3	2,064	18.4	1,376	12.5
Travelling and accommodation	2,080	11.1	2,065	10.3	2,173	9.9	805	7.2	702	6.4
Others	1,578	8.4	1,955	9.8	2,578	11.7	1,256	11.2	2,227	20.3
Total	18,711	100.0	20,009	100.0	22,016	100.0	11,199	100.0	10,985	100.0

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our distribution costs represent approximately 11.0%, 8.7%, 9.4% and 9.1% of our total revenue respectively.

Our employee benefit costs include employees' salaries, commissions and bonuses, social contributions and other staff benefits in relation to our sales, engineering and distribution personnel.

Our sales and marketing expenses relate to freight and handling charges for outbound logistics and advertising and promoting our integrated engineering solutions.

Our travelling and accommodation expenses are incurred by us for such purposes as meeting customers and suppliers during the course of providing our integrated engineering solutions.

Others primarily include office supplies and expenses, general repairs and maintenance, depreciation and office rentals in relation to our sales and distribution functions.

Administrative expenses

	Year ended 31 December						Six months ended 30 June			
	2013		2014		2015		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
	(Unaudited)									
Employee benefit costs	11,176	49.2	12,663	46.3	13,553	48.8	6,483	47.7	6,866	47.6
Directors' fees and remuneration	2,832	12.5	3,639	13.3	4,168	15.0	2,127	15.6	1,319	9.1
Depreciation	1,446	6.4	1,490	5.5	1,641	5.9	790	5.8	751	5.2
Travelling and accommodation	1,289	5.6	1,627	5.9	1,280	4.6	648	4.8	665	4.6
Professional fees	1,135	5.0	1,367	5.0	1,159	4.2	550	4.0	1,631	11.3
Others	4,844	21.3	6,572	24.0	5,984	21.5	3,009	22.1	3,200	22.2
Total	22,722	100.0	27,358	100.0	27,785	100.0	13,607	100.0	14,432	100.0

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our administrative expenses represent approximately 13.4%, 11.9%, 11.8% and 12.0% of our total revenue respectively.

Our employee benefit costs include employees' salaries and bonuses, social contributions and other staff benefits in relation to our administrative personnel.

FINANCIAL INFORMATION

Our Directors' remuneration and its further details are set out in Note 8 of Section II in the Accountant's Report.

Our depreciation charges are made on property, plant and equipment used for purposes other than the provision of our integrated engineering solutions to our customers.

Our travelling and accommodation expenses are incurred by us for such purposes as business travelling between our offices in the region.

Our professional fees primarily include statutory charges (e.g. ongoing listing and regulatory charges), services fees (e.g. audit, tax and legal) and Listing expenses.

Others primarily include office rentals, utilities, telecommunications, costs for trade fairs and seminars, vehicle expenses, office supplies and other administrative expenses.

Other operating expenses

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our other operating expenses represent approximately 1.0%, 0.8%, 0.8% and 1.5% of our total revenue respectively.

Our other operating expenses primarily consist of (i) allowance for inventory obsolescence and impairment of trade receivables; (ii) write off of inventories, bad and doubtful debts and property, plant and equipment; and (iii) net foreign exchange losses. For further details, please refer to Note 7 of Section II in the Accountant's Report.

Finance costs

Our finance costs primarily consist of interest expenses on bank borrowings and finance leases, which represent approximately 0.6%, 0.4%, 0.3% and 0.3% of our total revenue for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively. For further details, please refer to Note 6 of Section II in the Accountant's Report.

The weighted average effective interest rates for our Group's bank borrowings are 5.93%, 5.86%, 4.56% and 3.50% per annum for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively as disclosed in Note 24 of Section II in the Accountant's Report.

The weighted average effective interest rates for our Group's finance leases borrowings are 5.93%, 4.92%, 2.90% and 2.90% per annum for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively as disclosed in Note 25 of Section II in the Accountant's Report.

Share of profit/(loss) of associates

During the Track Record Period, we proportionately shared the profits and losses of our associated companies using the equity accounting method, which are all classified to belong to the segment of engineering solutions – motion control as disclosed in Note 29(a) of Section II in the Accountant's Report. For further details on our associated companies, please refer to Note 16 of Section II in the Accountant's Report.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our share of profit/(loss) of associates represents approximately 0.4%, 0.5%, 0.3% and (0.4)% of our total revenue respectively.

FINANCIAL INFORMATION

Income tax

During the Track Record Period, we derived over 84% of our total revenue from the PRC and Singapore. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our income tax expense represents approximately 1.8%, 2.0%, 2.3% and 1.4% of our total revenue respectively.

The corporate tax rate applicable to our Company and subsidiaries incorporated in Singapore was 17% throughout the Track Record Period. The income tax rate applicable to our subsidiaries established in the PRC was 25% throughout the Track Record Period. Further details on our income tax expense are set out in Note 9 of Section II in the Accountant's Report.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our effective income tax rates were approximately 30.6%, 30.4%, 31.0% and 34.4% respectively which are all higher than the applicable corporate and income tax rates in Singapore and the PRC primarily due to certain of our costs and expenses being non-deductible in compliance with the relevant tax laws and regulations.

Profit for the year/period

		Year ended 31 December			Six months ended	
		2013	2014	2015	30 June	
		S\$'000	S\$'000	S\$'000	2015	2016
				(Unaudited)		
				S\$'000	S\$'000	
Profit for the year/period	(A)	6,778	10,605	11,884	6,620	3,237
Growth (%)		N/A	56.5%	12.1%	N/A	(51.1)%
Revenue	(B)	169,551	230,450	235,299	119,267	120,459
Growth (%)		N/A	35.9%	2.1%	N/A	1.0%
Net profit margin (%)	(A) ÷ (B)	4.0%	4.6%	5.1%	5.6%	2.7%

We operate in a competitive environment. The PRC and Singapore markets are fragmented and the competition there is keen. We recorded a boost in our revenue mainly from these two countries in 2014 primarily due to the general industry trend for intelligent manufacturing and factory automation which led to an increase in demand for our integrated engineering solutions. In the subsequent year, our revenue from these two countries did not change significantly due to the intensified market competition as discussed in this section. Nonetheless, our net profit margin was managed to increase primarily due to our cost control measures in respect of major costs of operations i.e. distribution and administrative costs in terms of their percentages to our total revenue during the three years ended 31 December 2015.

For the six months ended 30 June 2016, our revenue is relatively comparable on a period-on-period basis. Our profit for the period decreases primarily due to (i) a decrease in our gross profit by S\$2.0 million as a result of the reasons discussed in this section; and (ii) the expenses incurred in connection with the Listing of S\$1.1 million.

FINANCIAL INFORMATION

Profit attributable to equity holders of our Company

Our profit attributable to equity holders of our Company is arrived at after profit attributable to non-controlling interests is deducted, which interests primarily represent the 50% equity interests held by Interelectric AG in Maxon Suzhou, our first subsidiary established in the PRC in 1995 and one of our major subsidiaries principally engaged in the provision of motion control solutions. Further details on interests in subsidiaries with material non-controlling interests are set out in Note 15 of Section II in the Accountant's Report (page I-58 of this prospectus). For the six months ended 30 June 2016, our profit attributable to equity holders of our Company decreases while our profit attributable to non-controlling interests increases from the corresponding period of the year before primarily due to the expenses incurred in connection with the Listing which are all attributable to our Shareholders.

Total comprehensive income/(loss) attributable to equity holders of our Company

Our total comprehensive income/(loss) attributable to equity holders of our Company represents the change in our equity attributable to our Shareholders during a year or a period resulting from transactions and other events, other than those changes resulting from transactions with our Shareholders in their capacity as owners of our Company (such as equity contributions and dividends).

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Profit attributable to equity holders of our Company	4,754	7,457	8,721	4,922	1,531
Exchange gain/(loss) on translation of foreign operations	1,652	289	342	1,177	(2,700)
Total comprehensive income/(loss) attributable to equity holders of our Company	6,406	7,746	9,063	6,099	(1,169)

Our total comprehensive income/(loss) attributable to equity holders of our Company comprises (i) our profit attributable to equity holders of our Company; and (ii) exchange gain or loss on translation of foreign operations. Exchange gains or losses arising from translation of functional currencies of our overseas subsidiaries to the presentation currency of our Group i.e. S\$ are recognised in our other comprehensive income, and presented in the exchange translation reserve in equity. While we had a **total comprehensive income attributable to non-controlling interests**, we recorded a **total comprehensive loss attributable to equity holders of our Company** for the six months ended 30 June 2016 primarily due to (a) the expenses incurred in connection with the Listing which are all attributable to our Shareholders; and (b) a net exchange loss of approximately S\$2.7 million on translation of foreign operations being deducted from our profit attributable to equity holders of our Company of S\$1.5 million as compared to a net exchange loss of approximately S\$0.7 million being deducted from our profit attributable to non-controlling interests of S\$1.7 million, in the midst of the depreciation of RMB over the same period.

FINANCIAL INFORMATION

PERIOD-ON-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison between the six months ended 30 June 2015 and 2016

Revenue

Our total revenue increases by approximately S\$1.2 million or 1.0% from S\$119.3 million to S\$120.5 million primarily due to the fact that (i) we remained capable of offering a variety of professional engineering solutions and products to satisfy our customers' wide range of engineering needs; and (ii) we leveraged our established presence in the region to retain our customers, in the midst of the intensified market competition, where our revenue from each of motion control solutions and industrial computing solutions increases while our revenue from other specialised engineering solutions decreases primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Hong Kong as a result of: the increased demand for high-tech precision control systems arising from the general market trend in the PRC; our focused marketing efforts on our relatively more technologically advanced products in the PRC to suit the market needs; and the increase in the order size of an industrial supplier of equipment and materials, whose parent company's shares are listed on the Stock Exchange; and (b) the relatively strong demand for our other specialised engineering and industrial computing solutions in Singapore as a result of: the increase in engineering parts and industrial computing systems such as liquid-crystal display (LCD) monitors and associated parts supplied for a railway project; and more copies of the Wonderware software sold, partly offset by (1) a decrease in revenue from other specialised engineering solutions in the PRC as a result of our more focused marketing efforts on our relatively more technologically advanced motion control products to capture the market potential, together with the fact that more hinges and locks were sold in the previous corresponding period to fulfil orders from railway companies during that period; and (2) a slight decrease in revenue from motion control solutions in Singapore as the country's general economic condition was considered relatively stagnant.

Cost of sales and gross profit margin

Our cost of sales increases by approximately S\$3.2 million or 3.7% from S\$86.2 million to S\$89.4 million. Our gross profit margin decreases from approximately 27.7% to 25.8% primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition given our market size and position and the number of industry players as discussed in the section headed "Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Competition" in this prospectus.

Other operating income

Our other operating income increases by approximately S\$0.5 million or 33.3% from S\$1.5 million to S\$2.0 million primarily due to a gain of approximately S\$0.4 million on the Partial Disposal of Aenergy and a gain of approximately S\$0.1 million on the disposal of all of our equity interests in Schneeberger Linear Technology Pte Ltd (a then associated company).

Distribution costs

Our distribution costs decrease by approximately S\$0.2 million or 1.8% from S\$11.2 million to S\$11.0 million primarily due to our cost control measures in respect of major costs of operations including distribution costs in terms of their percentage to our total revenue where (i) our employee benefit costs for sales, engineering and distribution personnel decrease by \$0.4 million as a result of our slightly reduced headcount; and (ii) our sales and marketing expenses decrease by S\$0.7 million as a result of reduced freight and handling charges, partly offset by a net increase of S\$0.9 million in travelling, accommodation and other distribution costs as a result of our increased business activity.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increase by approximately S\$0.8 million or 5.9% from S\$13.6 million to S\$14.4 million primarily due to (i) the expenses of S\$1.1 million incurred in connection with the Listing; and (ii) an increase of S\$0.4 million in our employee benefit costs as a result of the general pay rise, partly offset by a decrease of S\$0.8 million in our Directors' remuneration.

Other operating expenses

Our other operating expenses increase by approximately S\$1.1 million or 157.1% from S\$0.7 million to S\$1.8 million primarily due to period-on-period changes to (i) allowance for inventory obsolescence and impairment of trade receivables; (ii) write off of inventories, bad and doubtful debts and property, plant and equipment; and (iii) our net foreign exchange losses.

Finance costs

Our finance costs remain stable at approximately S\$0.4 million.

Other items

Please refer to the section headed "Financial Information – Principal Income Statement Components" in this prospectus for our management discussion and analysis on other items: share of loss of associates; income tax; profit for the period; profit attributable to equity holders of our Company; and total comprehensive loss attributable to equity holders of our Company.

Comparison between the years ended 31 December 2014 and 2015

Revenue

Our total revenue increases by approximately S\$4.8 million or 2.1% from S\$230.5 million to S\$235.3 million primarily due to (i) the general industry trend for intelligent manufacturing and factory automation; and (ii) our sales efforts by staff who are rewarded with commissions and bonuses to boost our sales, where our revenue from motion control solutions increases while our revenue from each of other specialised engineering solutions and industrial computing solutions decreases primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Singapore as a result of: the increased demand for high-tech precision control systems arising from the general market trend in the PRC and Singapore, and our focused marketing efforts on our relatively more technologically advanced products to suit the market needs; and (b) the relatively strong demand for our motion control solutions in Vietnam and Thailand as a result of our increased marketing efforts on these markets given their growth potential, partly offset by (1) a decrease in revenue from motion control solutions in Malaysia as the country's general economic environment was considered susceptible to factors such as declined crude oil price; (2) a decrease in revenue from other specialised engineering solutions in the PRC and Singapore as a result of our more focused marketing efforts on our relatively more technologically advanced motion control products to capture the market potential; and (3) a slight decrease in revenue from industrial computing solutions in Singapore as a result of the slow-down of orders undertaken during the year.

Cost of sales and gross profit margin

Our cost of sales increases by approximately S\$0.9 million or 0.5% from S\$168.7 million to S\$169.6 million. Our gross profit margin increases from approximately 26.8% to 27.9% primarily due to our ability to negotiate better terms with certain of our suppliers.

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Other operating income

Our other operating income increases by approximately S\$0.7 million or 28.0% from S\$2.5 million to S\$3.2 million primarily due to an increase in income from incidental and miscellaneous technical services rendered to our customers and an increase in rental and property management income from letting a portion of our ISDN Hightech Industrial Park to third parties.

Distribution costs

Our distribution costs increase by approximately S\$2.0 million or 10.0% from S\$20.0 million to S\$22.0 million primarily due to (i) an increase of S\$1.1 million in our employee benefit costs for sales, engineering and distribution personnel as a result of our increased headcount and the general pay rise; and (ii) an increase of S\$0.9 million in other distribution costs as a result of our increased business activity.

Administrative expenses

Our administrative expenses increase by approximately S\$0.4 million or 1.5% from S\$27.4 million to S\$27.8 million primarily due to (i) an increase of S\$0.9 million in our employee benefit costs as a result of our increased headcount; (ii) an increase of S\$0.5 million in our Directors' remuneration; and (iii) a slight increase of S\$0.1 million in depreciation charges, partly offset by a decrease of S\$1.1 million in other administrative expenses as a result of our cost control measures in respect of major costs of operations including administrative expenses in terms of their percentage to our total revenue.

Other operating expenses

Our other operating expenses increase by approximately S\$0.1 million or 5.3% from S\$1.9 million to S\$2.0 million primarily due to year-on-year changes to (i) allowance for inventory obsolescence and impairment of trade receivables; and (ii) write off of inventories, bad and doubtful debts and property, plant and equipment.

Finance costs

Our finance costs decrease by approximately S\$0.1 million or 11.1% from S\$0.9 million to S\$0.8 million primarily due to the reduced weighted average effective interest rates for our Group's bank borrowings (from 5.86% to 4.56%) and finance leases (from 4.92% to 2.90%).

Other items

Please refer to the section headed "Financial Information – Principal Income Statement Components" in this prospectus for our management discussion and analysis on other items: share of profit of associates; income tax; profit for the year; profit attributable to equity holders of our Company; and total comprehensive income attributable to equity holders of our Company.

Comparison between the years ended 31 December 2013 and 2014

Revenue

Our total revenue increases by approximately S\$60.9 million or 35.9% from S\$169.6 million to S\$230.5 million where each of the three principal business segments recorded an increase primarily due to (i) the general industry trend for intelligent manufacturing and factory automation which led to an increase in demand for our integrated engineering solutions; and (ii) our sales efforts by staff who are rewarded with commissions and bonuses to boost our sales.

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Cost of sales and gross profit margin

Our cost of sales increases by approximately S\$50.1 million or 42.2% from S\$118.6 million to S\$168.7 million and our gross profit margin decreases from approximately 30.1% to 26.8% primarily due to (i) our customers served with our motion control and industrial computing solutions which were not able to command a margin as high as the year before; and (ii) the intensified market competition given the variety of products available in the market and the number of players in the industry.

Other operating income

Our other operating income increases by approximately S\$0.2 million or 8.7% from S\$2.3 million to S\$2.5 million primarily due to an increase in rental and property management income from letting a portion of our ISDN Hightech Industrial Park to third parties.

Distribution costs

Our distribution costs increase by approximately S\$1.3 million or 7.0% from S\$18.7 million to S\$20.0 million primarily due to an increase of S\$1.6 million in our employee benefit costs for sales, engineering and distribution personnel, which are partly linked to sales performance, as a result of our increased revenue, increased headcount and the general pay raise, which increase is partly offset by a decrease of S\$0.3 million in sales and marketing expenses and other distribution costs as a result of our cost control measures in respect of major costs of operations including distribution costs in terms of their percentage to our total revenue.

Administrative expenses

Our administrative expenses increase by approximately S\$4.7 million or 20.7% from S\$22.7 million to S\$27.4 million primarily due to (i) an increase of S\$1.5 million in our employee benefit costs as a result of our increased headcount and the general pay rise; (ii) an increase of S\$0.8 million in our Directors' remuneration; and (iii) an increase of S\$2.4 million in other administrative expenses as a result of our increased business activity, while cost control measures were carried out with an aim to keep our total administrative expenses down in terms of their percentage to our total revenue.

Other operating expenses

Our other operating expenses increase by approximately S\$0.2 million or 11.8% from S\$1.7 million to S\$1.9 million primarily due to year-on-year changes to (i) allowance for inventory obsolescence and impairment of trade receivables; and (ii) write off of inventories, bad and doubtful debts and property, plant and equipment.

Finance costs

Our finance costs decrease by approximately S\$0.1 million or 10.0% from S\$1.0 million to S\$0.9 million primarily due to the reduced weighted average effective interest rates for our Group's bank borrowings (from 5.93% to 5.86%) and finance leases (from 5.93% to 4.92%).

Other items

Please refer to the section headed "Financial Information – Principal Income Statement Components" in this prospectus for our management discussion and analysis on other items: share of profit of associates; income tax; profit for the year; profit attributable to equity holders of our Company; and total comprehensive income attributable to equity holders of our Company.

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SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	29,044	31,418	35,554	27,669
Goodwill	11,686	11,686	11,686	11,686
Interests in associates	3,713	4,628	5,033	12,066
Other non-current assets	2,086	2,145	2,152	2,089
	<u>46,529</u>	<u>49,877</u>	<u>54,425</u>	<u>53,510</u>
Current assets				
Inventories	31,737	34,612	40,855	38,472
Trade and other receivables	52,195	68,027	73,134	79,248
Cash and cash equivalents	41,554	37,493	39,096	32,205
	<u>125,486</u>	<u>140,132</u>	<u>153,085</u>	<u>149,925</u>
Total assets	<u><u>172,015</u></u>	<u><u>190,009</u></u>	<u><u>207,510</u></u>	<u><u>203,435</u></u>
Current liabilities				
Bank borrowings	12,563	12,930	13,925	11,919
Finance leases	57	140	160	157
Trade and other payables	38,836	45,138	51,911	60,639
Current tax liabilities	570	1,492	1,547	963
	<u>52,026</u>	<u>59,700</u>	<u>67,543</u>	<u>73,678</u>
Net current assets	<u><u>73,460</u></u>	<u><u>80,432</u></u>	<u><u>85,542</u></u>	<u><u>76,247</u></u>
Non-current liabilities				
Bank borrowings	814	162	360	313
Finance leases	214	418	339	262
Deferred tax liabilities	49	–	–	–
	<u>1,077</u>	<u>580</u>	<u>699</u>	<u>575</u>
Net assets	<u><u>118,912</u></u>	<u><u>129,729</u></u>	<u><u>139,268</u></u>	<u><u>129,182</u></u>

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PRINCIPAL FINANCIAL POSITION ITEMS

Trade and other receivables

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables, net of impairment	42,674	52,367	55,954	61,756
Other receivables	8,870	14,592	16,448	16,596
Prepayments	651	1,068	732	896
Total	52,195	68,027	73,134	79,248
Bad and doubtful debts written off	84	43	210	21

Trade receivables

Trade receivables represent balance due from our customers. Set out below is an analysis on where our customers were located as at the dates indicated:

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
PRC	27,477	33,102	40,163	44,231
Singapore	10,708	11,269	6,405	7,023
Malaysia	1,337	1,694	1,468	1,513
Hong Kong	1,538	2,098	1,784	3,065
Others	1,614	4,204	6,134	5,924
	42,674	52,367	55,954	61,756

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Set out below is an analysis on our trade receivables past due as at the dates indicated:

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2013	2014	2015	2016
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Not past due	30,822	40,013	42,843	50,209
Past due not more than 3 months	6,335	6,645	7,538	4,380
Past due within 3 to 6 months	2,284	1,854	2,169	2,556
Past due over 6 months	3,233	3,855	3,404	4,611
	<u>42,674</u>	<u>52,367</u>	<u>55,954</u>	<u>61,756</u>
Average trade receivables turnover days	<u>93 days</u>	<u>75 days</u>	<u>84 days</u>	<u>88 days</u>

Note: Average trade receivables turnover days is arrived at by the average of the opening and closing trade receivables being divided by revenue for the relevant year/period and then multiplied by the number of days in the relevant year/period.

Our trade receivables are normally settled between 30 and 90 days. Our trade receivables turnover decreases from the year ended 31 December 2013 to the year ended 31 December 2014 primarily due to our increased revenue for the year ended 31 December 2014. Our trade receivables turnover increases from the year ended 31 December 2014 to the period ended 30 June 2016 primarily due to the slower growth of our revenue for the period compared to the year ended 31 December 2014.

We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by us. As at 31 December 2013, 2014 and 2015 and 30 June 2016, we had trade receivables amounting to approximately S\$11.9 million, S\$12.4 million, S\$13.1 million and S\$11.5 million respectively which were past due but not impaired primarily due to no significant change in credit quality in connection with subject customers as disclosed in Note 33(a)(ii) of Section II in the Accountant's Report regarding our financial assets that were past due but not impaired.

As at 31 October 2016, approximately 76.2% of our trade receivables of S\$61.8 million as at 30 June 2016 had been settled.

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Other receivables and prepayments

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables	8,870	14,592	16,448	16,596
Prepayments	651	1,068	732	896
	<u>9,521</u>	<u>15,660</u>	<u>17,180</u>	<u>17,492</u>

Our other receivables and prepayments primarily consist of (i) advances made to our suppliers; (ii) sundry debtors; and (iii) advances of approximately S\$4.3 million made to independent third parties up to 30 June 2016 in connection with our exploration of incidental and small-scale investments in Indonesia's mining and energy sectors, which are refundable in full and do not entail further material capital commitments as disclosed in Note 31 of Section II in the Accountant's Report. As at 30 September 2016, there had been no material development in connection with such incidental and small-scale investments. Further details in this regard are set out in Note 18(c) of Section II in the Accountant's Report.

Inventories

	As at/Year ended 31 December						As at/ Six months ended 30 June	
	2013		2014		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Components and parts	13,276	36.0	14,490	36.0	16,740	35.2	16,012	35.3
Finished goods	21,547	58.5	23,973	59.5	28,672	60.3	26,511	58.4
Work-in-progress	1,912	5.2	1,046	2.6	1,228	2.6	1,896	4.2
Goods-in-transit (finished goods)	123	0.3	748	1.9	885	1.9	972	2.1
Total inventories at cost	36,858	100.0	40,257	100.0	47,525	100.0	45,391	100.0
Less: Allowance for inventory obsolescence	<u>(5,121)</u>		<u>(5,645)</u>		<u>(6,670)</u>		<u>(6,919)</u>	
Total inventories at the lower of cost and net realisable value	<u>31,737</u>		<u>34,612</u>		<u>40,855</u>		<u>38,472</u>	
Inventories written off	<u>77</u>		<u>141</u>		<u>228</u>		<u>132</u>	

We usually maintain an adequate supply of stocks, taking projected sales into account, to meet the usual needs of our customers in different locations for a period of approximately three months. In addition to components and parts we source for our integrated engineering solutions provided to our customers, we maintain certain common products which are readily available and classified as finished goods to satisfy our customers' engineering needs whenever required.

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We seek to maintain strict control over our outstanding inventories. Unused and outdated items are reviewed regularly by us and would be written off as appropriate. We review our inventory ledger on a quarterly basis to identify any technologically obsolete inventories which would be provided for after review by our management. In determining whether an item is technologically obsolete, our management takes into account its compatibility with the mostly used models of equipment or devices in the market, etc. In cases where the selling prices have declined, we would write down relevant inventories cost to net realisable value by way of making a provision for such decline. Full provision would also be made when inventories are more than five years old as such items are considered slow-moving in accordance with our inventory management policy. All of the technologically obsolete, value-less-than-cost and slow-moving items that we have identified may be still in a condition fit for use and may still be sold to customers when required. Should such sale take place, we would write back the relevant inventory provision (i.e. allowance for inventory obsolescence). Furthermore, we write off our inventories as opposed to making allowance for inventory obsolescence in the event of damage or decline in physical condition of the inventories.

Set out below is an aging analysis on our total inventories at the lower of cost and net realisable value as at the dates indicated:

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Less than 6 months	20,233	23,188	29,915	25,145
6 months to less than 1 year	2,907	3,538	3,835	6,555
1 year to less than 2 years	5,307	4,317	3,729	3,574
2 years to less than 5 years	3,290	3,569	3,376	3,198
	<u>31,737</u>	<u>34,612</u>	<u>40,855</u>	<u>38,472</u>
Average inventory turnover days	<u>93 days</u>	<u>72 days</u>	<u>81 days</u>	<u>80 days</u>

Note: Average inventory turnover days is arrived at by the average of the opening and closing inventories being divided by cost of sales for the relevant year/period and then multiplied by the number of days in the relevant year/period.

Our inventory turnover decreases from the year ended 31 December 2013 to the year ended 31 December 2014 primarily due to our increased revenue for the year ended 31 December 2014. Our inventory turnover increases from the year ended 31 December 2014 to the period ended 30 June 2016 primarily due to the slower growth of our revenue for the period compared to the year ended 31 December 2014.

As at 31 October 2016, approximately 51.9% of our inventories of S\$38.5 million as at 30 June 2016 had been utilised or sold.

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Notwithstanding that we usually maintain an adequate supply of stocks taking projected sales into account, it is unavoidable for our Group to have a certain amount of stocks that are technologically obsolete, valued lower than their costs and/or slow-moving given (i) the time passed over the years of our operations; and (ii) that not all stocks were necessarily sold according to projections due to varied orders, etc. Nonetheless, these items may be still in a condition fit for use and may still be saleable. Our Directors consider that our inventory management policy is effective given that the allowance for inventory obsolescence falls within a relatively stable range of approximately 13% to 15% of our total gross inventories during the Track Record Period and therefore there was no fluctuation in this regard that would have a material impact on our business, financial condition or results of operations during the same period.

Trade and other payables

	<u>As at/Year ended 31 December</u>			<u>As at/ Six months ended 30 June</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Trade payables	19,668	22,969	24,152	27,497
Accruals and other payables	19,168	22,169	27,759	33,142
Total	<u>38,836</u>	<u>45,138</u>	<u>51,911</u>	<u>60,639</u>
Average trade payables turnover days	<u>58 days</u>	<u>46 days</u>	<u>51 days</u>	<u>52 days</u>

Note: Average trade payables turnover days is arrived at by the average of the opening and closing trade payables being divided by cost of sales for the relevant year/period and then multiplied by the number of days in the relevant year/period.

Our trade payables are normally settled between 30 and 90 days. Our trade payables turnover decreases from the year ended 31 December 2013 to the year ended 31 December 2014 primarily due to our increased revenue for the year ended 31 December 2014. Our trade payables turnover increases from the year ended 31 December 2014 to the period ended 30 June 2016 primarily due to the slower growth of our revenue for the period as compared to the year ended 31 December 2014.

As at 31 October 2016, approximately 79.4% of our accounts payables of S\$27.5 million as at 30 June 2016 had been settled.

Our accruals and other payables primarily consist of (i) accrued operating expenses; (ii) prepayments received from customers before our integrated engineering solutions are delivered; and (iii) other payables such as dividends payable to our non-controlling interests which amount to S\$4.1 million as at 30 June 2016 compared to S\$0.9 million as at 31 December 2015.

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Property, plant and equipment

	As at/Year ended 31 December						As at/ Six months ended 30 June	
	2013		2014		2015		2016	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Land and properties	22,860	78.7	22,952	73.1	23,529	66.2	22,320	80.7
Plant and equipment	2,263	7.8	1,926	6.1	1,757	4.9	1,596	5.8
Renovations, furniture, fittings and office equipment	1,576	5.4	1,688	5.4	1,875	5.3	1,764	6.4
Motor vehicles	906	3.1	1,456	4.6	1,439	4.0	1,308	4.7
Construction in progress	1,439	5.0	3,396	10.8	6,954	19.6	681	2.4
Total	29,044	100.0	31,418	100.0	35,554	100.0	27,669	100.0

Historical capital expenditures

Land and properties	1,079	36.6	–	–	828	13.8	117	6.8
Plant and equipment	405	13.7	449	10.5	512	8.5	138	8.0
Renovations, furniture, fittings and office equipment	472	16.0	932	21.8	899	15.0	319	18.4
Motor vehicles	256	8.7	974	22.8	404	6.7	108	6.2
Construction in progress	738	25.0	1,915	44.9	3,358	56.0	1,049	60.6
	2,950	100.0	4,270	100.0	6,001	100.0	1,731	100.0

As at 30 September 2016, we owned our headquarters and other properties in Singapore, the ISDN Hightech Industrial Park and other land and property in Malaysia.

Since 2013, we have invested or commenced negotiations to invest on an exploratory basis in a cluster of hydropower pipeline projects in the Indonesian archipelago, specifically in Sumatra and Sulawesi, mainly comprising mini hydropower projects, which are hydropower plants producing hydroelectric power on a scale of less than 10 megawatt. During the Track Record Period, we capitalised approximately S\$7.1 million as construction in progress, which primarily comprises costs incurred in relation to feasibility studies, geotechnical and soil investigations, preliminary engineering designs and part of the contractor sums, and working capital. Our investments in the hydropower plants were financed by our internally generated funds, which are insignificant in comparison with our total assets and do not entail material capital commitments as disclosed in Note 31 of Section II in the Accountant's Report. During the Track Record Period, we derived no revenue from our hydropower projects as (i) only one mini hydropower plant of a scale of 4.6 megawatt with a projected investment cost of approximately US\$12.6 million (on a 100% shareholding basis) has commenced its construction in Sumatra since July 2014, which is estimated to be completed by the end of 2017; and (ii) none had been in commercial operations yet.

On 30 June 2016, ISDN Investments had entered into a sale and purchase agreement with Mr. Robert Alexander Stone, an existing shareholder of Aenergy who held approximately 20.0% of the total issued share capital of Aenergy prior to the Partial Disposal of Aenergy, to dispose its 3,181 ordinary shares in Aenergy (representing approximately 17.5% of the total issued share capital of

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Aenergy) to him at a consideration of US\$2,625,000, which disposal was completed on the same day. The consideration was arrived at on a willing buyer, willing seller basis, taking into consideration the total amount of capital contributed by the shareholders of Aenergy.

The gain on the Partial Disposal of Aenergy was approximately S\$0.4 million. Upon completion of the Partial Disposal of Aenergy, ISDN Investment's shareholding in Aenergy was reduced from 55.0% to 37.5%. The Partial Disposal of Aenergy has facilitated us to divert our internal resources to our core business in integrated engineering solutions. As a result of the Partial Disposal of Aenergy, Aenergy ceased to become a subsidiary of our Company and the financial position and operating results of Aenergy and its group companies ceased to be consolidated as subsidiaries into our Group from 30 June 2016 onwards.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over our Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities. For the purpose of impairment testing, goodwill acquired prior to the Track Record Period has been allocated to each of the Group's cash-generating units ("CGUs"), namely TDS Singapore, SD Thailand and Dirak Asia that are expected to benefit from the synergies of the combination. The CGU to which goodwill has been allocated is tested for impairment annually.

We assessed the recoverable amount of each CGU based on value in use calculations which used cash flow projections based on financial budgets approved by our management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rate of 5% per annum for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. The growth rates used were based on CGUs' historical growth and past experience with reference to the then estimated long-term average growth rates of the industries and markets in which we operate. In the preparation of the Listing, we engaged F&S to prepare the F&S Report which summary is set out in the section headed "Industry Overview" in this prospectus. F&S considers that, among other things, the value of the integrated engineering solution market in 2020 will grow at a rate of 8.4% in the PRC (which exceeds the growth rate we used), 3.4% in Singapore and 4.1% in Malaysia (which appear to be lower than the growth rates we used). We consider that there are factors in relation to our major CGUs, namely TDS Singapore and Dirak Asia that can justify their growth rates we used.

Dirak Asia is principally engaged in the provision of other specialised engineering solutions in the PRC. For the three years ended 31 December 2015, Dirak Asia recorded the average annual revenue growth rate of 15% primarily due to the fact that: (i) it operates as part of, and leverages the position of, our Group which ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets according to the F&S Report; and (ii) it was able to ride on the growth and high demand of the railway industry in the PRC thanks to the suitability of its mechanical products to the industry. Given the above factors, in particular, (a) that the estimated growth rate of 5% we used does not exceed the estimated industry growth rate of 8.4% in the PRC, (b) the historical revenue growth rate of 15% being even higher than the estimated industry growth rate of 8.4% in the PRC, and (c) the projection of revenue growth in view of potential projects in the pipeline, we consider that the growth rate used for the purpose of impairment testing is justifiable.

TDS Singapore is principally engaged in the provision of motion control solutions in Singapore and Malaysia. For the three years ended 31 December 2015, TDS Singapore recorded the average annual revenue growth rate of 8.3% primarily due to the fact that: (i) it operates as part of, and leverages the position of, our Group which ranked first and fourth in terms of revenue in 2015 in the Singapore and the PRC motion control solution markets according to the F&S Report; and (ii) it is considered to have a track record of optimising control softwares and offering a wide range of relatively high-tech applications to its customers in different industries, while it is on the lookout to explore the PRC market despite its base in Singapore and Malaysia. Given the above factors, in particular, the historical revenue growth rate of

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8.3% being higher than the estimated growth rate of 5%, and the projection of revenue growth in view of potential projects in the pipeline, we consider that the growth rates used for the purpose of impairment testing are justifiable.

The discount rate was a pre-tax measure based on our Group's weighted average cost of capital, adjusted for certain adjustment factors to reflect specific risks relating to the CGU. The pre-tax discount rates used, which we estimated to reflect the then market assessments of the time value of money and the risks specific to the CGUs' pre-tax cash flows, were 4%, 7% and 5% for the six months ended 30 June 2016 (2015: 7%, 7% and 7%; 2014: 3%, 7% and 5%; 2013: 4%, 8% and 5%) for TDS Singapore, SD Thailand and Dirak Asia, respectively. We believed that any reasonably possible change in the key assumptions i.e. growth rates and pre-tax discount rates, on which the recoverable amounts were based would not cause the carrying amounts of CGUs to exceed their recoverable amounts.

Should the pre-tax discount rates used for the impairment testing increase from the relevant percentages mentioned above to the following percentages while the growth rates remain constant, the recoverable amounts of our following major CGUs would be equal to their carrying amounts as at the dates indicated.

Major CGUs	31 December			30 June
	2013	2014	2015	2016
TDS Singapore	6.4%	10.5%	9.1%	6.5%
Dirak Asia	8.6%	13.4%	8.5%	9.3%

Should the growth rates used for the impairment testing decrease from 5% to the following percentages while the pre-tax discount rates remain constant, the recoverable amounts of our following major CGUs would be equal to their carrying amounts as at the dates indicated.

Major CGUs	31 December			30 June
	2013	2014	2015	2016
TDS Singapore	0.8%	2.0%	1.7%	1.3%
Dirak Asia	2.1%	-2.1%	1.0%	0.6%

Further, if both our estimated growth rates and pre-tax discount rates applied to the discounted cash flows of our following major CGUs were respectively decreased and increased by more than the same percentage points stated below, the recoverable amounts of such major CGUs may become less than their carrying amounts as at the dates indicated.

Major CGUs	31 December			30 June
	2013	2014	2015	2016
TDS Singapore	2.0%	2.1%	2.1%	2.4%
Dirak Asia	2.0%	4.0%	2.0%	2.1%

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In other words, our goodwill will not be considered to be impaired unless both our estimated growth rates and pre-tax discount rates have changed in accordance with the above basis. In such event of the recoverable amounts of our major CGUs having already reached their carrying amounts, the total impact to our Group's profit or loss resulting from the possible impairment of goodwill as a result of a further decrease in the estimated growth rates of our major CGUs by 1% as well as a further increase in their pre-tax discount rates by 1% would be as follows:

Major CGUs	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
TDS Singapore	1,931	2,950	1,433	2,022
Dirak Asia	4,339	4,675	3,574	6,770
	<u>6,270</u>	<u>7,625</u>	<u>5,007</u>	<u>8,792</u>

During the Track Record Period, no goodwill was required to be recognised in connection with six insignificant subsidiaries acquired, three of which have become our associated companies since completion of the Partial Disposal of Aenergy on 30 June 2016.

PROPERTY INTERESTS AND PROPERTY VALUATION

Details of the property valuation report are set out in Appendix III to this prospectus. The reconciliation of the unaudited net book value and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	S\$'000
Audited net book value of the subject properties held by Excel Best as at 30 June 2016	16,699
Add: Exchange translation gain as regards the subject properties	140
Less: Depreciation on the subject properties	<u>(96)</u>
Unaudited net book value of the subject properties as at 30 September 2016	16,743
Add: Valuation surplus	<u>1,090</u>
Valuation of the subject properties as at 30 September 2016 set out in Appendix III to this prospectus	<u><u>17,833</u></u>

FINANCIAL INFORMATION

INDEBTEDNESS

As at 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding finance leases of approximately S\$0.4 million and bank borrowings of approximately S\$14.5 million. Bank borrowings primarily included bank loans of approximately S\$12.4 million, trust receipts of S\$1.7 million and accounts receivables bulk factoring loan of S\$0.4 million. Our unutilised banking facilities as at 31 October 2016 were approximately S\$31.4 million.

	Secured	Unsecured	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Bank borrowings			
– Due within one year	4,161	10,012	14,173
– Due more than one year but not exceeding five years	–	280	280
	4,161	10,292	14,453
Finance leases			
– Due within one year	152	–	152
– Due more than one year	211	–	211
	363	–	363
Total	4,524	10,292	14,816

As at 31 October 2016, we provide guarantees to all of our bank borrowings while certain directors of our subsidiary also provide guarantees to our certain bank borrowings. Bank borrowings of approximately S\$4.2 million are secured by the land use rights, leasehold properties and investment properties of certain subsidiaries as at 31 October 2016. Bank deposits of S\$350,000 are also pledged for the bank borrowings. As our Directors believe that there is no undue financial reliance issue on our Controlling Shareholders or any third party by virtue of relevant guarantees given by the directors of our subsidiary, such guarantees will not be discharged before Listing.

During the Track Record Period, we entered into separate bank loan agreements with various banks in the PRC and Singapore pursuant to which we were granted separate loan facilities, for which some carried variable interest rates with references to the People's Bank of China's base rate, SWAP Offer Rate and Singapore Interbank Offered Rate as benchmark interest rates while some carried fixed interest rates.

Our banking facilities are generally subject to a number of restrictive, customary affirmative and/or negative covenants, which include, among other things, limitations on our ability to incur additional indebtedness or create new mortgages or charges, restrictions on the use of proceeds from draw down and requirements to provide notice or obtain consent for certain significant corporate events. However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans.

As at 31 October 2016, all finance leases are secured by the leased motor vehicles and office equipment of approximately S\$515,000.

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During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that they are not aware of any material defaults in payment of trade and non-trade payables, bank borrowings and finance leases, any breach of any of the covenants contained in our banking facilities constituting any event of default nor aware of any restrictions that will limit our ability to drawdown on unutilised facilities.

Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material difficulties in obtaining banking facilities nor have we been rejected for any loan application.

As at 31 October 2016, save as disclosed in this section, we do not have any other outstanding mortgages, charges, debt securities or other similar indebtedness, loan capital, bank borrowings, overdrafts, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, contingent liabilities or guarantees.

We intend to repay part of our bank borrowings by using the net proceeds from the Share Offer. Please refer to the details as stipulated in the section headed "Future Plans and Use of Proceeds" in this prospectus for details. We will review our Company's financial condition from time to time.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 32 of Section II in the Accountant's Report, our Directors confirm that these transactions were conducted on normal commercial terms which would not distort our results of operations during the Track Record Period or make our historical results of operations not reflective of our future performance. As at the Latest Practicable Date, we had settled amounts due to/from related parties, which were non-trade nature and incurred outside the usual course of business of our Group (comprising of (i) the advances to related parties of approximately S\$25,000; and (ii) the amount owing to directors of subsidiaries of approximately S\$78,000 as at 30 June 2016).

REPORTING STANDARDS OF OUR COMPANY'S FINANCIAL STATEMENTS

Since our Company is listed on the main board of the SGX-ST, our Company's annual financial statements are prepared in accordance with SFRSs and audited by Moore Stephens LLP in Singapore. For the purpose of the Share Offer, our Company has prepared a set of financial statements for each of the years ended 31 December 2013, 2014 and 2015, the six months ended 30 June 2015 and 2016 and the nine months ended 30 September 2015 and 2016 in accordance with HKFRSs and engaged Moore Stephens CPA Limited in Hong Kong to act as our reporting accountants in connection with the Share Offer.

Our Company's subsequent financial statements after Listing will be audited by Moore Stephens LLP and such audit will be conducted in accordance with the Singapore Standards on Auditing. Our Company would include in its subsequent annual reports a disclosure that the consolidated financial statements in effect comply with the requirements of the HKFRSs; or if, in the future, there are material differences between the HKFRSs and the SFRSs, our Company would, according to the requirements of the SFRSs, provide a reconciliation of its financial statements with the HKFRSs.

FINANCIAL INFORMATION

Our Company believes that Moore Stephens LLP is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20(2) of the Listing Rules on the grounds that:

- Moore Stephens LLP is an accounting firm, being a limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Cap 163A) of the laws of the Republic of Singapore;
- Moore Stephens LLP is subject to the independent oversight and regulation of the Accounting and Corporate Regulatory Authority (“**ACRA**”), which is a statutory board of the government of Singapore and the national regulator of business entities and public accountants in Singapore. ACRA is also a founding member of the International Forum of Independent Audit Regulators (“**IFIAR**”) and has representation on the IFIAR’s Advisory Council;
- the Monetary Authority of Singapore is a full signatory of the International Organisation of Securities Commission’s Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information; and
- all the audit partners in Moore Stephens LLP are registered public accountants with ACRA and are also practicing members of the Institute of Singapore Chartered Accountants, which is a member of the International Federation of Accountants.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds include cash generated from our operations, bank borrowings and lines of credit, and cash raised from equity means such as Share placement, rights issue and warrants issue. We have established cash and treasury management measures to ensure (i) sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our Group’s reputation; and (ii) compliance with the covenants and conditions stipulated in the loan agreements which we entered into.

FINANCIAL INFORMATION

Cash flows

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before income tax	9,770	15,237	17,213	4,934
Operating cash flows after working capital changes	14,185	8,265	14,201	6,753
Net interest paid	(869)	(691)	(548)	(306)
Income tax paid	(4,437)	(3,771)	(5,272)	(2,350)
Net cash flows generated from operating activities	8,879	3,803	8,381	4,097
Net cash flows used in investing activities	(4,641)	(8,800)	(7,951)	(6,515)
Net cash flows generated from/(used in) financing activities	10,792	232	220	(3,550)
Net change in cash and cash equivalents	15,030	(4,765)	650	(5,968)
Cash and cash equivalents at the beginning of the year/period	25,829	41,554	37,493	39,096
Effect of currency translation on cash and cash equivalents	695	704	953	(923)
Cash and cash equivalents at the end of the year/period	41,554	37,493	39,096	32,205

Cash flows generated from operating activities

Our cash flows generated from operating activities principally represent cash proceeds received, and costs and expenses paid, in connection with the provision of our integrated engineering solutions.

For the year ended 31 December 2013, we recorded positive cash flows generated from operating activities of approximately S\$8.9 million after non-cash items of S\$3.1 million (including depreciation, allowance for inventory obsolescence and share of profit of associates) are added back to our profit before income tax of S\$9.8 million which is then adjusted for a net increase in working capital of S\$1.3 million, a net interest paid of S\$0.9 million and income tax paid of S\$4.4 million.

For the year ended 31 December 2014, we recorded positive cash flows generated from operating activities of approximately S\$3.8 million after non-cash items of S\$3.4 million (including depreciation, allowance for inventory obsolescence and share of profit of associates) are added back to our profit before income tax of S\$15.2 million which is then deducted by (i) a net decrease in working capital of S\$10.3 million; (ii) a net interest paid of S\$0.7 million; and (iii) income tax paid of S\$3.8 million.

For the year ended 31 December 2015, we recorded positive cash flows generated from operating activities of approximately S\$8.4 million after non-cash items of S\$4.7 million (including depreciation, allowance for inventory obsolescence and share of profit of associates) are added back to our profit before income tax of S\$17.2 million which is then deducted by (i) a net decrease in working capital of S\$7.7 million; (ii) a net interest paid of S\$0.5 million; and (iii) income tax paid of S\$5.3 million.

FINANCIAL INFORMATION

For the six months ended 30 June 2016, we recorded positive cash flows generated from operating activities of approximately S\$4.1 million after non-cash items of S\$3.1 million (including depreciation, allowance for inventory obsolescence and share of loss of associates) are added back to our profit before income tax of S\$4.9 million which is then deducted by (i) a net decrease in working capital of S\$1.3 million; (ii) a net interest paid of S\$0.3 million; and (iii) income tax paid of S\$2.3 million.

Cash flows used in investing activities

Our cash flows used in investing activities principally represent cash used to acquire property, plant and equipment, and other assets.

For the year ended 31 December 2013, our net cash used in investing activities amounts to approximately S\$4.7 million, where we primarily used S\$3.0 million to acquire property, plant and equipment, S\$1.0 million to acquire a then subsidiary at fair value, S\$0.2 million to lend to certain of our associated companies and S\$1.2 million to make advances in connection with our exploration of incidental and small-scale investments while we received a total of S\$0.7 million from the disposal of certain property, plant and equipment, decrease in restricted bank balances and the dividend distribution made by certain of our associated companies.

For the year ended 31 December 2014, our net cash used in investing activities amounts to approximately S\$8.8 million, where we primarily used S\$3.8 million to acquire property, plant and equipment, S\$0.6 million to acquire one subsidiary and two then subsidiaries at fair value, S\$0.1 million to lend to certain of our associated companies and S\$4.6 million to make advances in connection with our exploration of incidental and small-scale investments while we received a total of S\$0.3 million from the disposal of certain property, plant and equipment, disposal of interests in an associated company and the dividend distribution made by certain of our associated companies.

For the year ended 31 December 2015, our net cash used in investing activities amounts to approximately S\$7.9 million, where we primarily used S\$5.9 million to acquire property, plant and equipment, S\$1.0 million to lend to certain of our associated companies and S\$1.4 million to make advances in connection with our exploration of incidental and small-scale investments while we received a total of S\$0.4 million from the disposal of certain property, plant and equipment and the dividend distribution made by certain of our associate companies. Two subsidiaries were acquired for a total of S\$11 at fair value.

For the six months ended 30 June 2016, our net cash used in investing activities amounts to approximately S\$6.5 million, where we primarily used S\$1.7 million to acquire property, plant and equipment, S\$0.3 million to acquire the remaining equity interests of Dietionary Singapore and S\$0.4 million to make advances in connection with our exploration of incidental and small-scale investments, and forwent S\$4.6 million as a result of the Partial Disposal of Aenergy while we received a total of S\$0.5 million from (i) the disposal of certain property, plant and equipment and all of our equity interests in Schneeberger Linear Technology Pte Ltd (a then associated company); and (ii) the dividend distribution made by certain of our associated companies.

Cash flows generated from/(used in) financing activities

Our cash flows from financing activities principally represent cash from equity and debt financing, and from our non-controlling interests, partly offset by dividends paid and Shares bought back.

For the year ended 31 December 2013, our net cash generated from financing activities amounts to approximately S\$10.8 million as a result of: (i) two Share placements i.e. the First 2013 Placement and the Second 2013 Placement which raised a total of S\$18.9 million (net) and the Warrants Issue which raised a total of S\$3.4 million (net); (ii) the net repayment of bank borrowings of S\$7.9 million and finance leases of S\$0.1 million; (iii) cash from our non-controlling interests and associated companies of S\$0.3 million; and (iv) a dividend of S\$1.8 million paid to our Shareholders and a dividend of S\$2.0 million paid to our non-controlling interests.

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For the year ended 31 December 2014, our net cash generated from financing activities amounts to approximately S\$0.2 million as a result of: (i) the net repayment of bank borrowings of S\$0.3 million and finance leases of S\$0.2 million; (ii) cash from our non-controlling interests of S\$6.0 million; (iii) a dividend of S\$1.4 million paid to our Shareholders and a dividend of S\$2.5 million paid to our non-controlling interests; and (iv) 5,260,000 Shares bought back for S\$1.4 million.

For the year ended 31 December 2015, our net cash generated from financing activities amounts to approximately S\$0.2 million as a result of: (i) the net receipt of bank borrowings of S\$1.2 million and the repayment of finance leases of S\$0.2 million; (ii) cash from our non-controlling interests of S\$3.2 million; and (iii) a dividend of S\$1.4 million paid to our Shareholders and a dividend of S\$2.6 million paid to our non-controlling interests.

For the six months ended 30 June 2016, our net cash generated from financing activities amounts to approximately S\$3.6 million as a result of: (i) the net repayment of bank borrowings of S\$2.1 million and finance leases of S\$0.1 million; and (ii) a dividend of S\$1.4 million paid to our Shareholders.

Working capital

Taking into account the financial resources available to our Group, including our internally generated funds and bank facilities, our Directors confirm that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Net current assets

	31 December			30 June	31 October
	2013	2014	2015	2016	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current assets					
Inventories	31,737	34,612	40,855	38,472	39,330
Trade and other receivables	52,195	68,027	73,134	79,248	84,864
Cash and cash equivalents	41,554	37,493	39,096	32,205	34,123
	125,486	140,132	153,085	149,925	158,317
Current liabilities					
Trade and other payables	38,836	45,138	51,911	60,639	64,801
Bank borrowings	12,563	12,930	13,925	11,919	14,173
Finance leases	57	140	160	157	152
Current tax liabilities	570	1,492	1,547	963	710
	52,026	59,700	67,543	73,678	79,836
Net current assets	73,460	80,432	85,542	76,247	78,481

Our net current assets increase by approximately S\$6.9 million from S\$73.5 million as at 31 December 2013 to S\$80.4 million as at 31 December 2014 primarily due to (i) respective increases in inventories, trade receivables and trade payables of S\$2.9 million, S\$9.7 million and S\$(3.3) million; and (ii) a net increase in other receivables and payables of S\$3.1 million, partly offset by (a) a decrease in cash and cash equivalents of S\$4.1 million; and (b) an increase in bank borrowings, finance leases and current tax liabilities of S\$1.4 million in total.

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Our net current assets increase by approximately S\$5.1 million from S\$80.4 million as at 31 December 2014 to S\$85.5 million as at 31 December 2015 primarily due to (i) respective increases in inventories, trade receivables and trade payables of S\$6.3 million, S\$3.6 million and S\$(1.2) million; (ii) an increase in cash and cash equivalents of S\$1.6 million, partly offset by (a) a net decrease in other receivables and payables of S\$4.1 million; and (b) an increase in bank borrowings, finance leases and current tax liabilities of S\$1.1 million in total.

Our net current assets decrease by approximately S\$9.3 million from S\$85.5 million as at 31 December 2015 to S\$76.2 million as at 30 June 2016 primarily due to (i) respective increases in trade payables and trade receivables of S\$3.3 million and S\$(5.8) million; (ii) respective decreases in inventories and cash and cash equivalents of S\$2.4 million and S\$6.9 million; and (iii) a net decrease in other receivables and payables of S\$5.1 million, partly offset by a decrease in bank borrowings, finance leases and current tax liabilities of S\$2.6 million in total.

Our net current assets increase by approximately S\$2.2 million from S\$76.2 million as at 30 June 2016 to S\$78.4 million as at 31 October 2016 primarily due to (i) respective increases in inventories, trade receivables, cash and cash equivalents and trade payables of S\$0.9 million, S\$5.5 million, S\$1.9 million and S\$(4.5) million; (ii) a net increase in other receivables and payables of S\$0.4 million; and (iii) a decrease in finance leases and current tax liabilities of S\$0.3 million in total, partly offset by an increase in bank borrowings of S\$2.3 million.

FINANCIAL RATIOS

	Year ended/As at 31 December			Six months ended/ As at 30 June
	2013	2014	2015	2016
Net profit margin	4.0%	4.6%	5.1%	2.7%
Current ratio	2.4 times	2.3 times	2.3 times	2.0 times
Quick ratio	1.8 times	1.8 times	1.7 times	1.5 times
Return on assets	3.9%	5.6%	5.7%	1.6%
Return on equity	5.7%	8.2%	8.5%	2.5%
Interest coverage ratio	10.5 times	18.3 times	23.2 times	12.7 times
Net debt to equity ratio	9.2%	16.4%	19.8%	31.8%
Gearing ratio	11.5%	10.5%	10.6%	9.8%

Notes:

- (1) **Net profit margin** = profit for the year/period ÷ revenue x 100%
- (2) **Current ratio** = current assets ÷ total current liabilities
- (3) **Quick ratio** = (current assets – inventories) ÷ total current liabilities
- (4) **Return on assets** = profit for the year/period ÷ total assets x 100%
- (5) **Return on equity** = profit for the year/period ÷ total equity x 100%
- (6) **Interest coverage ratio** = profit before finance costs and income tax ÷ finance costs
- (7) **Net debt to equity ratio** = net debt (bank borrowings + finance leases + trade and other payables – cash and cash equivalents) ÷ total equity x 100%
- (8) **Gearing ratio** = total debt (bank borrowings + finance leases) ÷ total equity x 100%

FINANCIAL INFORMATION

Net profit margin

Please refer to the section headed “Financial Information – Principal Income Statement Components – Profit for the year/period” for an analysis on our net profit margin over the Track Record Period.

Current and quick ratios

Our current and quick ratios over the three years ended 31 December 2015 have been relatively stable. Our current and quick ratios as at 30 June 2016 decrease from 31 December 2015 primarily due to an increase in our trade and other payables including a dividend of S\$4.1 million payable to our non-controlling interests as at 30 June 2016.

Return on assets

Our return on assets increases year-on-year primarily due to our cost control measures in respect of major costs of operations i.e. distribution and administrative costs in terms of their percentages to our total revenue, in the midst of increases in our total revenue by 35.9% (2014 on 2013) and by 2.1% (2015 on 2014) during the three years ended 31 December 2015.

Our return on assets for the six months ended 30 June 2016 on an annualised basis of 3.2% is lower than that for the year ended 31 December 2015 due to the decrease in our profit for the period primarily as a result of (i) a decrease in our gross profit by S\$2.0 million as a result of the reasons discussed in this section; and (ii) the expenses incurred in connection with the Listing of S\$1.1 million, partly offset by a decrease in our total assets.

Return on equity

Our return on equity increases year-on-year primarily due to our cost control measures in respect of major costs of operations i.e. distribution and administrative costs in terms of their percentages to our total revenue, in the midst of increases in our total revenue by 35.9% (2014 on 2013) and by 2.1% (2015 on 2014) during the three years ended 31 December 2015, and a shrunk capital base as a result of 5,260,000 Shares bought back for S\$1.4 million in 2014 as disclosed in Note 22 of Section II in the Accountant’s Report.

Our return on equity for the six months ended 30 June 2016 on an annualised basis of 5.0% is lower than that for the year ended 31 December 2015 due to the decrease in our profit for the period primarily as a result of (i) a decrease in our gross profit by S\$2.0 million as a result of the reasons discussed in this section; and (ii) the expenses incurred in connection with the Listing of S\$1.1 million, partly offset by a decrease in our total equity.

Interest coverage ratio

Our interest coverage ratio increases primarily due to our increasing profits and the reducing weighted average effective interest rates for our bank borrowings as disclosed in Note 24 of Section II in the Accountant’s Report over the three years ended 31 December 2015.

Our interest coverage ratio for the six months ended 30 June 2016 is lower than that for the year ended 31 December 2015 due to the decrease in our profit before finance costs and income tax for the period primarily as a result of (i) a decrease in our gross profit by S\$2.0 million as a result of the reasons discussed in this section; and (ii) the expenses incurred in connection with the Listing of S\$1.1 million.

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Net debt to equity ratio

Our net debt to equity ratio increases primarily due to our increased trade and other payables as a result of our increased business activity over the three years ended 31 December 2015.

Our net debt to equity ratio increases from 31 December 2015 to 30 June 2016 primarily due to an increase in our trade and other payables including a dividend of S\$4.1 million payable to our non-controlling interests as at 30 June 2016, partly offset by a decrease in our bank borrowings and our cash and cash equivalents.

Gearing ratio

Our gearing ratio decreases from 31 December 2013 to 31 December 2014 primarily due to an increase in our bank borrowings to a lesser extent than our total equity.

Our gearing ratio from 31 December 2014 to 31 December 2015 remains relatively stable.

Our gearing ratio decreases from 31 December 2015 to 30 June 2016 primarily due to a decrease in our bank borrowings, partly offset by a decrease in our total equity.

CAPITAL COMMITMENTS

As at 30 June 2016, we did not have any significant capital commitments.

OPERATING LEASE COMMITMENTS

We had operating lease commitments as follows:

Where our Group is a lessor

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Future minimum lease payment receivable:				
– not later than one year	634	419	515	322
– later than one year and not later than five years	475	295	413	232
	<u>1,109</u>	<u>714</u>	<u>928</u>	<u>554</u>
Revenue	<u>169,551</u>	<u>230,450</u>	<u>235,299</u>	<u>120,459</u>
Percentage to our revenue (%)	<u>0.7%</u>	<u>0.3%</u>	<u>0.4%</u>	<u>0.5%</u>

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Where our Group is a lessee

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Future minimum lease payment payable:				
– not later than one year	1,346	1,915	1,611	1,378
– later than one year and not later than five years	1,236	2,094	1,320	1,070
	<u>2,582</u>	<u>4,009</u>	<u>2,931</u>	<u>2,448</u>
Revenue	<u>169,551</u>	<u>230,450</u>	<u>235,299</u>	<u>120,459</u>
Percentage to our revenue (%)	<u>1.5%</u>	<u>1.7%</u>	<u>1.2%</u>	<u>2.0%</u>

For further details, please refer to Note 30 of Section II in the Accountant's Report.

CONTINGENT LIABILITIES

As at 30 June 2016, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 30 June 2016, we had not entered into any off-balance sheet transactions.

FINANCIAL RISK MANAGEMENT

Foreign currency risk

During the Track Record Period, we derived over 69% of our total revenue from the PRC. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we recorded net foreign exchange gains (losses) of approximately S\$0.3 million, S\$0.4 million, S\$(0.02) million and S\$(0.9) million respectively. We consider that we had no foreign exchange exposure that would have had a material impact on our business, financial condition or results of operations during the Track Record Period as we usually sourced parts and components with the proceeds in the same currency we received from our customers for the engineering solutions we provided.

Our accounting and finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. In the event that we identify any transaction to be entered into with a supplier or a customer or other third party which is anticipated to expose ourselves to a material foreign exchange fluctuation, we may take out a forward currency contract to mitigate our foreign exchange exposure. Mr. Teo, our president and managing Director and Controlling Shareholder, will need to approve such transaction that would possibly expose ourselves to a material foreign exchange fluctuation prior to its execution. Further details on our treasury policy are set out in Note 33(a) of Section II in the Accountant's Report. During the Track Record Period, we did not take out any forward currency contract.

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If the following currencies strengthen by 5% against S\$ at 31 December 2013, 2014 and 2015 and 30 June 2016, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Increase/Decrease in our profit before income tax			
	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
US dollars	215	145	339	495
Swiss Franc	(99)	(29)	5	(128)
EUR	99	166	84	(14)

A 5% strengthening 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.

The following tables further demonstrate the sensitivity analysis at the end of the reporting year/period to a reasonably possible change in the foreign exchange rates based on the historical fluctuation in the applicable year/period, with all other variables held constant, of our Group's profit before income tax (as a result of changes in the fair value of monetary assets and liabilities):

	Average exchange rate	USD strengthened against S\$	Increase in profit before income tax	
	<i>US\$1:S\$</i>	%	S\$'000	%
Year ended 31 December 2013	1.2507	0.4	16	0.2
Year ended 31 December 2014	1.2669	1.3	38	0.3
Year ended 31 December 2015	1.3743	8.5	574	3.3
Six months ended 30 June 2016	1.3795	0.4	37	0.8

The increase in profit before income tax if USD strengthened against S\$ as at 31 December 2013, 2014, 2015 and 30 June 2016 was mainly due to our Group's net USD assets position.

	Average exchange rate	CHF strengthened/ (weakened) against S\$	(Decrease)/Increase in profit before income tax	
	<i>CHF1:S\$</i>	%	S\$'000	%
Year ended 31 December 2013	1.3498	1.3	(26)	(0.3)
Year ended 31 December 2014	1.3847	2.6	(15)	(0.1)
Year ended 31 December 2015	1.4279	3.1	3	0
Six months ended 30 June 2016	1.4042	(1.7)	43	0.9

FINANCIAL INFORMATION

The decrease in profit before income tax if CHF strengthened against S\$ as at 31 December 2013 and 2014 was mainly due to our Group's net CHF liabilities position, while the increase in profit before income tax if CHF strengthened against S\$ as at 31 December 2015 was mainly due to our Group's net CHF assets position. The increase in profit before income tax if CHF weakened against S\$ as at 30 June 2016 was mainly due to our Group's net CHF liabilities position.

	Average exchange rate	EUR	Increase/(Decrease)	
		strengthened/ (weakened) against S\$	in profit before income tax	
	EUR1:S\$	%	S\$'000	%
Year ended 31 December 2013	1.6614	3.9	77	0.8
Year ended 31 December 2014	1.6822	1.3	42	0.3
Year ended 31 December 2015	1.5253	(9.3)	(156)	(0.9)
Six months ended 30 June 2016	1.5397	0.9	(3)	(0.1)

The increase in profit before income tax if EUR strengthened against S\$ as at 31 December 2013 and 2014 was mainly due to our Group's net EUR assets position. The decrease in profit before income tax if EUR weakened against S\$ as at 31 December 2015 was mainly due to our Group's net EUR assets position. The decrease in profit before income tax if EUR strengthened against S\$ as at 30 June 2016 was mainly due to our Group's net EUR liabilities position.

Interest rate risk

Our interest-bearing financial liabilities primarily relate to bank borrowings. We manage our interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. We actively review our debt portfolio, taking into account the investment holding period and the nature of our assets. This strategy allows us to capitalise on cheaper funding in a relatively low interest rate environment and achieve a certain level of protection against rate hikes.

Our bank borrowings at variable rates are denominated primarily in S\$, RMB and US\$. If the S\$, RMB and US\$ interest rates increase/decrease by 0.5% for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 with all other variables remained constant, our profit before income tax will be approximately lower/higher by S\$17,000, S\$29,000, S\$19,000 and S\$23,000; S\$15,000, S\$21,000, S\$30,000 and S\$34,000; and S\$25,000, S\$37,000, S\$9,000 and S\$2,000, respectively, as a result of higher/lower interest expense on these bank borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. We adopt the policy of dealing only with customers with an appropriate credit history, and high credit quality counterparties, and obtaining sufficient security where appropriate to mitigate our credit risk. The counterparty's payment profile and credit exposure are continuously monitored at subsidiary level and at our Group level.

Liquidity risk

Our exposure to liquidity risk arises primarily from mismatches of financial assets and financial liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of our liquidity risk, we monitor and maintain a level of cash and cash equivalents we deem adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

FINANCIAL INFORMATION

CAPITAL MANAGEMENT

Our capital management objectives are to safeguard our ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Shareholders' value. We manage our 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, we 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.

We monitor capital using a net debt-to-equity ratio, which is net debt divided by total equity. We include 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 our Company.

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Net debt	10,930	21,295	27,599	41,085
Total equity	118,912	129,729	139,268	129,182
Net debt-to-equity ratio	9.2%	16.4%	19.8%	31.8%

DIVIDENDS

	31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Final dividend of Singapore 0.4 cent per share (2015: 0.4 cent; 2014: 0.4 cent; 2013: 0.5 cent) paid in respect of the previous year	1,800	1,440	1,419	1,419
Profit attributable to equity holders of our Company	4,754	7,457	8,721	1,531
Dividend payout ratio (%)	37.9%	19.3%	16.3%	92.7%

No specific dividend payout ratio

Our Board does not have a dividend policy specifying a dividend payout ratio. The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, future prospects and other factors that our Board may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 30 June 2016, we had no retained earnings at our Company level which may be distributable to our Shareholders. For further details on our other reserves which may be distributable, please refer to Note 23 of Section II in the Accountant's Report.

RECENT DEVELOPMENTS

Set out in Appendix IA to this prospectus are the results of our Group for the nine months ended 30 September 2016, which have been reviewed by Moore Stephens CPA Limited, our reporting accountants, in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagement to Review Historical Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

We have recorded an increase in our total revenue by approximately S\$6.6 million or 10.2% from S\$64.4 million for the three months ended 30 September 2015 to S\$71.0 million for the three months ended 30 September 2016. For the nine months ended 30 September 2016, our total revenue increases by approximately S\$7.7 million or 4.2% from S\$183.7 million to S\$191.4 million on a period-on-period basis primarily due to the fact that (i) we remained competitive in offering a variety of professional engineering solutions and products to satisfy our customers' wide range of engineering needs; and (ii) we leveraged our established presence in the region to retain our customers, where our revenue from each of motion control solutions and industrial computing solutions increases while our revenue from other specialised engineering solutions remains relatively stable, primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Hong Kong; and (b) the relatively strong demand for our other specialised engineering and industrial computing solutions in Singapore, partly offset by (1) a decrease in revenue from other specialised engineering solutions in the PRC; and (2) a decrease in revenue from motion control solutions in Singapore.

Our overall gross profit margin for the nine months ended 30 September 2016 of approximately 25.2% is relatively stable compared to the same of approximately 25.8% for the six months ended 30 June 2016. For the nine months ended 30 September 2016, our overall gross profit margin decreases from approximately 27.2% to 25.2% on a period-on-period basis primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition given our market size and position, the variety of products available in the market and the number of industry players in the industry. Our net profit margin for the nine months ended 30 September 2016 of approximately 2.7% is the same as that for the six months ended 30 June 2016. However, our net profit decreases on a period-on-period basis primarily due to (a) a decrease in our gross profit as a result of the reasons discussed above; and (b) the expenses incurred in connection with the Listing of approximately S\$2.4 million. Therefore, our net profit for the year ending 31 December 2016 is expected to record a relatively significant decline from the previous year taking into account the expenses estimated to be incurred in connection with the Listing of approximately S\$1.1 million for the three months ending 31 December 2016.

No material adverse change

Save for the expenses incurred in connection with the Listing, our Directors confirm that, since 30 June 2016 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position and no event had occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant's Report.

FINANCIAL INFORMATION

LISTING EXPENSES

The total expenses for the Listing (including underwriting fees and commission payable by us) are estimated to be approximately S\$4.2 million (or HK\$23.9 million), of which approximately S\$0.7 million (or HK\$3.9 million) is directly attributable to the issue of the Offer Shares in the Share Offer and to be accounted for as a deduction from equity (none had been accounted for as at 30 June 2016) and approximately S\$3.5 million (or HK\$20.0 million) is to be charged as administrative expenses to our consolidated statements of comprehensive income for the year ending 31 December 2016 in which the expenses are incurred (S\$1.1 million (or HK\$6.3 million) had been charged for the six months ended 30 June 2016). The above total Listing expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these estimates.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

A detailed description of our future plans is set out in the section headed “Business – Business Strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds to our Company (i.e. gross proceeds net of the underwriting fees and commission and the estimated expenses payable by our Company) from the issue of the Offer Shares are about HK\$39.9 million (or S\$7.0 million). Our Directors intend to apply the net proceeds from the Share Offer as follows:

- 90% – (HK\$35.9 million (or S\$6.3 million)) is expected to be used for repayment of three bank loans in full and part of one bank loan (which were borrowed in the ordinary and usual course of our business) in the six months after Listing, details of which are as follows:

<u>Borrowings</u>	<u>Maturity from the date of this prospectus</u>	<u>Effective annual interest rate</u>	<u>Carrying value as at 31 October 2016</u>
			<i>S\$'000</i>
Bank loan	3 months	4.7%	1,408
Short term bank loan	6 months rolling	4.8%	2,077
Short term bank loan	6 months rolling	4.9%	1,870*
Short term bank loan	3 months rolling	2.9%	2,000
			<u>7,355</u>

* *Approximately S\$0.8 million of this loan will be repaid with the net proceeds from the Share Offer.*

- 10% – (HK\$4.0 million (or S\$0.7 million)) is expected to be used as working capital

To the extent that the net proceeds to us from the Share Offer are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Shenwan Hongyuan Capital (H.K.) Limited

South China Securities Limited

Gransing Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and other conditions set out in the Public Offer Underwriting Agreement being fulfilled, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for the Public Offer Shares. Please refer to the section headed “Structure of the Share Offer – Conditions of the Share Offer” for further details of such conditions.

Grounds for termination

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to the termination by the Sole Sponsor (for itself and on behalf of the Public Offer Underwriters) by notice in writing given to our Company if any of the following events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of Singapore, the PRC, Hong Kong, Thailand, Vietnam, Taiwan, Indonesia, Malaysia, Japan, the US, the United Kingdom, any member of the European Union, relevant to any member of our Group or the Share Offer (collectively, the “**Relevant Jurisdictions**”) or any other similar event; or
 - (ii) any change, or any event or series of events likely to result in any change, in local, national or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or

UNDERWRITING

- (iii) any moratorium, suspension or limitation on trading in shares or securities generally on, the Stock Exchange, SGX-ST, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any of these stock exchanges and/or the Relevant Jurisdictions; or
- (iv) any change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any of the Relevant Jurisdictions; or
- (v) any change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects, trading position or operation of our Company or any member of our Group, including any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against our Company or any member of our Group; or
- (vi) any change or development involving a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or way; or
- (ix) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving directly or indirectly any of the Relevant Jurisdictions; or
- (x) the imposition of any economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, for or on any of the Relevant Jurisdictions; or
- (xi) any executive Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship; or
- (xii) the chief executive officer of the Company vacating his office; or
- (xiii) a contravention by any member of our Group of the Listing Rules, the Singapore Listing Manual or applicable laws and regulations; or

UNDERWRITING

- (xiv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, SGX-ST and/or the SFC; or
- (xv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, in the sole and absolute opinion of the Sole Sponsor (for itself and on behalf of the Public Offer Underwriters):

- (A) is or may be or is likely to be materially adverse to or materially or prejudicially affect, the business, financial or other condition of our Company or our Group or to any present or prospective shareholder of our Company in his/her/its capacity as such; or
 - (B) has or might have or is likely to have a material adverse effect on the success of the Public Offer, the Placing or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (C) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Public Offer, the Placing or the Share Offer, or for a material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing or the Share Offer to be performed or implemented or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there comes to the notice of the Sole Sponsor any matter or event showing any of the warranties given by our Company, our Controlling Shareholders and our executive Directors in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Sole Sponsor, likely to be, material in the context of the Share Offer when given or repeated; or
 - (c) there comes to the notice of the Sole Sponsor any breach on the part of our Company, our Controlling Shareholders or our executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (d) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (e) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading; or
 - (f) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Share Offer with the Listing Rules, the Singapore Listing Manual or any other applicable laws and regulations; or

UNDERWRITING

- (g) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement; or
- (h) a prohibition is imposed on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or
- (i) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (j) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the sole and absolute opinion of the Sole Sponsor, may or is likely to be material in the context of the Share Offer provided that the Sole Sponsor shall, to the extent practicable, seek to consult with our Company on the effect of any such development.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders shall not and shall procure that the relevant registered holder(s) shall not, unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities in respect of which he or she or it are shown by this prospectus to be the beneficial owner(s) (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”); or
- (b) in the period of six months commencing on the date on which the period as referred to in paragraph (a) expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it will:

- (a) when he or she or it pledges or charges any of our securities beneficially owned by him or her or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or she or it receives indications, either verbal or written, from the pledgee or chargee that any of his or her or its pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Public Offer Underwriting Agreement

By our Company

Our Company has undertaken to the Sole Sponsor, the Joint Lead Managers and each of the Public Offer Underwriters, and each of our Controlling Shareholders and our executive Directors has jointly and severally undertaken to the Sole Sponsor, the Joint Lead Managers and each of the Public Offer Underwriters to procure (so far as he/she/it is able to do so) that without the prior written consent of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed), our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer, that he or she or it will not, and will procure that the relevant registered holder(s) will not, without the prior written consent of our Company and the Joint Lead Managers or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances over, either directly or indirectly, conditionally or unconditionally, the Relevant Securities; or
- (b) during the period of six months immediately after the expiry of the First Six-month Period (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances over, either directly or indirectly, conditionally or unconditionally, any of the Relevant Securities if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Further, each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, Joint Lead Managers and the Public Offer Underwriters that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it will:

- (a) when he or she or it pledges or charges any of our securities beneficially owned by him or her or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs our Company, the Sole Sponsor, Joint Lead Managers and the Public Offer Underwriters of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or she or it receives indications, either verbal or written, from the pledgee or chargee that any of his or her or its pledged or charged securities will be disposed of, immediately inform our Company, the Sole Sponsor, Joint Lead Managers and the Public Offer Underwriters of such indications.

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, the Sole Sponsor and the Placing Underwriters will enter into the Placing Underwriting Agreement, under which our Company will offer the Placing Shares for placing with certain professional, institutional and private investors and the Placing Underwriters will agree to severally subscribe for the Placing Shares on and subject to terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described in this section.

Commission and expenses

The Public Offer Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Public Offer Shares. It is expected that the Placing Underwriters will receive an underwriting commission of 3% of the aggregate of the Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions.

The underwriting fees and commission, sponsor fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer borne by our Company, at the Offer Price of HK\$1.25, are estimated to amount to about S\$4.2 million in total.

Interests of the Underwriters and the Sole Sponsor in our Company

The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save (i) as disclosed in this prospectus, and (ii) for their interests and obligations under the Underwriting Agreements, none of the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price of HK\$1.25 per Offer Share was determined and agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) as at the Latest Practicable Date after taking into account, among others, the expected demand for the Offer Shares and the then prevailing market price of the Shares on the SGX-ST. The Offer Price represents a premium of approximately 1.13% over the weighted average price for trades of the Shares done on the SGX-ST as at the Latest Practicable Date, i.e. 20 December 2016, being the full trading day at the SGX-ST for trades of the Shares, of S\$0.23 per Share at the exchange rate of S\$1 for HK\$5.3739.

Applicants under the Public Offer should pay, on application, the Offer Price of HK\$1.25 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$2,525.20 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares. Further details are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares pursuant to the Share Offer is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

- (a) The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such listing approval not subsequently being revoked prior to the commencement of trading of in the Shares on the Main Board; and
- (b) The SGX-ST granting the approval-in-principle in relation to the listing and quotation of the Offer Shares on the main board of the SGX-ST, and the conditions as set out in its approval-in-principle dated 18 November 2016 being fulfilled on the Business Day immediately before the Listing Date, and such listing approval and permission not subsequently being revoked prior to the commencement of trading of the Shares on the Main Board; and

2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements having become and remain unconditional in accordance with its terms, and not being terminated in accordance with the terms thereof; and
- (ii) The execution and delivery of the Placing Underwriting Agreement.

If any of the conditions is not fulfilled on or before the dates and time specified in the Underwriting Agreements or such date as the Sole Sponsor (for itself and on behalf of the Joint Lead Managers and the Underwriters) may in its reasonable discretion determine or such condition(s) being waived thereby on or before such dates and times, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the sections headed “How to Apply for the Public Offer Shares – 11. Circumstances in Which You Will Not Be Allotted Offer Shares” and “How to Apply for the Public Offer Shares – 12. Refund of Application Monies” in this prospectus.

In the meantime, the application money will be held in one or more separate bank account(s) with the receiving banker or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. A total of initially 40,000,000 Offer Shares will be made available under the Share Offer, of which 36,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed under the Placing in Hong Kong and other jurisdictions outside the US in offshore transactions to selected professional, institutional and private investors. The remaining 4,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Public Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will severally underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 36,000,000 Placing Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the US, with due observance of and within the limits of the applicable selling restrictions. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Public Offer Shares under the Public Offer.

Our Company and the Sole Sponsor (for itself and on behalf of the Public Offer Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Offer Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Offer Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the section headed “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus.

The Public Offer

Our Company is initially offering 4,000,000 Public Offer Shares for subscription by the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$1.25 per Offer Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

STRUCTURE OF THE SHARE OFFER

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares under the Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Offer Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

Application made for more than 100% of the Public Offer Shares will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 12,000,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 16,000,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 20,000,000 Shares, representing 50% of the Offer Shares.

In addition, if the Placing Shares are not fully subscribed for under the Placing, South China shall have the absolute discretion to reallocate all or any of the unsubscribed Placing Shares originally included in the Placing to the Public Offer in such number as it may deem appropriate, provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares.

If the Public Offer Shares are not fully subscribed for under the Public Offer, South China shall have the absolute discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 12 January 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 12 January 2017. The board lot size of the Shares is 2,000 Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Sponsor may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules or the Singapore Listing Manual, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or going to become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Offer Shares under the Placing or otherwise participate in the Placing; or
- a person to whom our Company is restricted from placing any Offer Shares under Rule 812(1) of the Singapore Listing Manual.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2016 till 12:00 noon on Thursday, 5 January 2017 from:

- (i) the following offices of the Joint Lead Managers:

Shenwan Hongyuan Capital (H.K.) Limited Level 19, 28 Hennessy Road, Hong Kong

South China Securities Limited 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong

- (ii) any of the branches of the following receiving bank:

Any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch name	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2016 until 12:00 noon on Thursday, 5 January 2017 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached for the payment, and marked payable to "**HORSFORD NOMINEES LIMITED – ISDN PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 30 December 2016	–	9:00 a.m. to 5:00 p.m.
Saturday, 31 December 2016	–	9:00 a.m. to 1:00 p.m.
Tuesday, 3 January 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, 4 January 2017	–	9:00 a.m. to 5:00 p.m.
Thursday, 5 January 2017	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Thursday, 5 January 2017 to 12:00 noon on Thursday, 5 January 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Sponsor (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Constitution;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Constitution;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Sponsor will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as an agent for or for the benefit of that person or by that person or by any other person as an agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form. You can also collect a prospectus from this address.

If you are **not** a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you understand that our Company, our Directors and the Sole Sponsor will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable or before the fifth day after the time of opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Constitution; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 30 December 2016 – 9:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, 31 December 2016 – 8:00 a.m. to 1:00 p.m.⁽¹⁾

Tuesday, 3 January 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Wednesday, 4 January 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾

Thursday, 5 January 2017 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 30 December 2016 until 12:00 noon on Thursday, 5 January 2017 (24 hours daily, except the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 5 January 2017, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 5 January 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box set out in the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Share Offer – Price Payable on Application” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 January 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the application lists do not open and close on Thursday, 5 January 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 11 January 2017 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on our Company’s website at www.isdnholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.isdnholdings.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 11 January 2017;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, 11 January 2017 to 12:00 midnight on Tuesday, 17 January 2017;
- by telephone enquiry line by calling 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 January 2017 to Tuesday, 17 January 2017; and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 11 January 2017 to Friday, 13 January 2017 at all the receiving bank’s designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

12. REFUND OF APPLICATION MONIES

If an application is rejected, or not accepted or accepted in part only, or if the conditions of the Share Offer are not fulfilled in accordance with “Structure of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 11 January 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified in the Application Form:

- for applications on **WHITE** Application Forms, Share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- for applications on all Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, 11 January 2017. The right is reserved to retain any Share certificate(s) and any application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates for the Offer Shares are expected to be issued on Thursday, 12 January 2017 but will only become valid at 8:00 a.m. on that date provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates for the Offer Shares or such Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 11 January 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 11 January 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 11 January 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If you apply via *Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 11 January 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Wednesday, 11 January 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 January 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 January 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

LISTINGS

Our Company currently has a primary listing of our Shares on the main board of the SGX-ST, which we intend to maintain alongside our proposed dual primary listing of our Shares on the Main Board of the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in (i) all of our Shares in issue and listed on the main board of the SGX-ST; (ii) the Offer Shares to be issued pursuant to the Share Offer; (iii) the Shares which may be allotted and issued upon the exercise of any options which have been or may be granted pursuant to the ISDN ESOS 2016; (iv) the Shares which may be allotted and issued pursuant to the vesting of share awards which have been or may be granted pursuant to the ISDN EPSP 2012, subject to a maximum number of Shares of not more than 3% of the issued Shares as at the Listing Date; and (v) the Shares which may be allotted and issued pursuant to the exercise of the Warrants.

REGISTRATION

The Singapore Principal Share Register is maintained in Singapore by our Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at its registered address at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623. Our Company has established a Hong Kong Branch Share Register in Hong Kong which is maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, whose address is at 31/F, 148 Electric Road, North Point, Hong Kong.

Certificates in respect of our Shares registered on the Hong Kong Branch Share Register will, as far as practicable, and unless otherwise requested, be issued in board lots of 2,000 Shares. The Singapore Principal Share Registrar will keep in Singapore duplicates of the Hong Kong Branch Share Register, which will be updated from time to time.

CERTIFICATES

Only certificates for Shares issued by the Hong Kong Branch Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. Certificates for Shares issued by the Singapore Principal Share Registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Hong Kong Branch Share Registrar will be yellow in colour and the certificates for Shares currently issued by the Singapore Principal Share Registrar is purple in colour.

DEALINGS

Dealings in our Shares on the Stock Exchange and the SGX-ST will be conducted in Hong Kong dollars and Singapore dollars, respectively. Our Shares are traded on the main board of the SGX-ST in board lots of 100 Shares and will be traded on the Stock Exchange in board lots of 2,000 Shares. The stock code of our Shares on the Stock Exchange will be 1656.

The transaction costs of dealings in our Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.0027%, a transfer instrument stamp duty of HK\$5 on the seller per transfer instrument and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of our Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The brokerage commission in respect of trades of Shares on the SGX-ST is freely negotiable. A clearing fee in Singapore is payable at the rate of 0.0325% of the transaction value. The clearing fee is subject to goods and services tax in Singapore (currently at 7.0%).

SETTLEMENT

Settlement of Dealings in Singapore

Shares listed and traded on the main board of the SGX-ST are trading under the book-entry settlement system of CDP and all dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

CDP, a wholly owned subsidiary of the SGX-ST, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the securities accounts maintained by such account holders with CDP.

Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. The Companies Act and the Constitution of our Company only recognise the registered owners or holders of our Shares as members. Depositors and depository agents on whose behalf CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive Shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents. Depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with the Constitution of our Company. A fee of S\$10 for each withdrawal of 1,000 Shares or less and a fee of S\$25 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing of our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2 (or such other amounts as our Directors may decide) will be payable to the Singapore Principal Share Registrar for each share certificate issued, and stamp duty at the rate of 0.2% computed on the last-transacted price is payable where Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value.

The clearing fees, instrument of transfer deposit fees and share withdrawal fees are subject to Singapore goods and services tax of 7.0%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Settlement of Dealings in Hong Kong

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed instruments of transfer must be delivered to his broker or custodian by the settlement date.

An investor may arrange with his broker as custodian on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the CCASS Rules, the date of settlement must be the second Business Day following the trading date on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For trades settled under CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty in respect of a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

Dividends

Dividends are declared in Singapore dollars and will be converted to Hong Kong dollars before being paid to the Shareholders (whose Shares are traded on the Stock Exchange).

Foreign Exchange Risk

Investors in Singapore who trade in our Shares on the SGX-ST should note that their trades will be effected in Singapore dollars. Investors in Hong Kong who trade in our Shares on the Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading. Please refer to the section headed "Risk Factors" in this prospectus for a discussion on foreign exchange risks.

REMOVAL OF SHARES

Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time. Special arrangements will be made to facilitate transfers of Shares, and to incentivise existing Shareholders to transfer their Shares to Hong Kong before the Share Offer by enabling them to do so at a reduced cost.

Currently, all of our Shares are registered on the Singapore Principal Share Register. For the purpose of trading on the Stock Exchange following the Listing, our Shares must be registered on the Hong Kong Branch Share Register. Shares may be transferred between the Singapore Principal Share Register and the Hong Kong Branch Share Register. An investor who wishes to trade on the SGX-ST must deposit the share certificates in respect of such Shares with CDP. An investor who wishes to trade on the Stock Exchange must have his Shares registered on the Hong Kong Branch Share Register by submitting the request for withdrawal of securities form to CDP and a removal request form to the Singapore Principal Share Registrar. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP's existing charges will still apply, together with any other costs to be levied by such Shareholders' own brokers, nominees or custodians (where relevant). A resolution has been passed by our Directors authorising the removal of Shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register as may from time to time be requested by the members of the Company.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

From the SGX-ST to the Stock Exchange

Following the Listing, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Stock Exchange, he must effect a removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register.

A removal of our Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register involves the following procedures:

- (1) If the investor's Shares have been deposited with CDP, the investor must first withdraw his Shares from CDP by completing a Request for Withdrawal of Securities Form and a transfer form, available from CDP and submitting the same to CDP together with a bank draft for the amount as prescribed by CDP from time to time.
- (2) The investor shall complete a removal request and delivery instruction form ("**SG Removal Request Form**") (in duplicate) obtained from the Singapore Principal Share Registrar and submit the SG Removal Request Form to the Singapore Principal Share Registrar, together with bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar from time to time.
- (3) CDP will then send the duly completed transfer form, together with the relevant share certificate(s) registered under the name of CDP to the Singapore Principal Share Registrar directly.
- (4) Upon receipt of the duly completed transfer form and the share certificate(s) from CDP and the SG Removal Request Form together with bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and Hong Kong Branch Share Registrar from time to time from the investor, the Singapore Principal Share Registrar shall take all actions necessary to effect the transfer and removal of shares on the Singapore Principal Share Register. On completion, the Singapore Principal Share Registrar shall then notify the Hong Kong Branch Share Registrar of the removal.
- (5) The Hong Kong Branch Share Registrar shall update the Hong Kong Branch Share Register and issue share certificate(s) in the name of the investor and send such share certificate(s) to the address specified by the investor. Despatch of share certificate(s) will be made at the risk and expense of the investor as specified in the SG Removal Request Form.
- (6) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit our Shares into CCASS for credit to his CCASS Investor Participant stock account or his designated CCASS Participant's stock account. For deposit of Shares to CCASS or to effect sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from CCASS Participant(s) and deliver it together with his Share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC directly if he intends to deposit our Shares into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants our Shares to be credited to his designated CCASS Participant's stock account.

Note: Under normal circumstances, steps (1) to (5) generally require 15 Business Days to complete.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

From the Stock Exchange to the SGX-ST

If an investor whose Shares are traded on the Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of our Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register. Such removal and deposit of our Shares with CDP would involve the following procedures:

- (1) If the investor's Shares are registered in the investor's own name, the investor shall complete the Combined Share Removal and Transfer and Delivery Instruction Form ("**HK Removal Request Form**") available from the Hong Kong Branch Share Registrar and submit the same together with the share certificate(s) in his name and bank drafts for the amount as prescribed by the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar. If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS Investor Participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant Share transfer form(s) executed by HKSCC Nominees Limited and the investor, the relevant share certificate(s) and a duly completed HK Removal Request Form to the Hong Kong Branch Share Registrar.
- (2) If the investor would like to have our Shares credited directly into his securities account or sub-account with a CDP depository agent, he must indicate it on the HK Removal Request Form. He should submit the HK Removal Request Form with a bank draft for the amount as prescribed by CDP from time to time at the same time he submits the relevant documents to the Hong Kong Branch Share Registrar (as contemplated in paragraph (1) above). The investor should ensure that he has a securities account or sub-account with a CDP depository agent before he can complete and sign off on delivery instruction set out in the HK Removal Request Form.
- (3) Upon receipt of the HK Removal Request Form, the relevant share certificate(s) and bank drafts for the amounts as prescribed by the Singapore Principal Share Registrar and Hong Kong Branch Share Registrar and CDP, if applicable and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited and the investor, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the transfer and the removal of our Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register.
- (4) The Hong Kong Branch Share Registrar shall then notify the Singapore Principal Share Registrar of the removal whereupon the Singapore Principal Share Registrar shall update the Singapore Principal Share Register. Upon completion, the Singapore Principal Share Registrar shall issue the relevant share certificate(s) in the name of the investor or CDP, where the case may be, and deliver the share certificate(s) to the investor or CDP.
- (5) Upon receipt of the relevant documents and prescribed payment from the Singapore Principal Share Registrar, CDP shall credit the specified number of Shares into the investor's securities account or sub-account with a CDP depository agent. The investor should ensure that the shares are credited to his securities account or sub-account with a CDP depository agent before dealing in our Shares.

Under normal circumstances, steps (1) to (4) generally require 15 Business Days to complete.

For those Shares which are registered on the Hong Kong Branch Share Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty. For those Shares which are registered on the Singapore Principal Share Register, any transfer thereof or dealings therein will be subject to Singapore stamp duty.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

All costs attributable to the removal of Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register and any removal from the Singapore Principal Share Register to the Hong Kong Branch Share Register shall be borne by the Shareholder requesting the removal. In particular, Shareholders should note that the Hong Kong Branch Share Registrar will charge HK\$350 for each removal of Shares and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. In addition, the Singapore Principal Share Registrar will charge S\$30 (or such other amount as may be prescribed from time to time) for each removal of Shares, a fee of S\$2 (plus applicable stamp duties) for each transfer form in respect of transfer of Shares and a fee of S\$2 for each share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. The fees charged by the Singapore Principal Share Registrar are subject to Singapore goods and services tax of 7.0%.

SPECIAL ARRANGEMENTS TO FACILITATE TRANSFERS BEFORE THE LISTING

Special arrangements have been made to facilitate transfers of Shares before the Listing. In connection with the Listing, the Singapore Principal Share Registrar and the Hong Kong Branch Share Registrar will provide three batch-transfers of the Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Branch Share Register before the Listing.

The key dates in relation to such batch-transfers exercises (the “**Batch-Transfers**”) are set out below:

Events	First Batch-Transfer	Second Batch-Transfer	Third Batch-Transfer
Final date to submit a request for withdrawal of securities form to CDP and a SG Removal Request Form to the Singapore Principal Share Registrar	Wednesday, 28 December 2016	Friday, 30 December 2016	Tuesday, 3 January 2017
Share certificates available for collection from the Hong Kong Branch Share Registrar’s office	Wednesday, 11 January 2017	Friday, 13 January 2017	Monday, 16 January 2017

Shareholders who hold their Shares directly in CDP can complete and submit the request for withdrawal of securities form to CDP and the SG Removal Request Form to the Singapore Principal Share Registrar before the relevant dates stipulated above to participate in the Batch-Transfers.

Our Company will bear the costs, fees and duties payable for the Batch-Transfers. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP’s existing charges will still apply, together with any other costs to be levied by such Shareholders’ own brokers, nominees or custodians (where relevant). Shareholders should note that all costs, fees and duties payable for any subsequent transfer of their Shares, including fees chargeable by the share registrars and the CDP will be borne by Shareholders themselves.

Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcements on the respective websites of our Company at www.isdnholdings.com and the SGX-ST at www.sgx.com.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

30 December 2016

The Directors
ISDN Holdings Limited

Shenwan Hongyuan Capital (H.K.) Limited

Dear Sirs,

We set out below our report on the financial information relating to ISDN Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 June 2016, the statements of financial position of the Company as at 31 December 2013, 2014 and 2015 and 30 June 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the prospectus of the Company dated 30 December 2016 (the "Prospectus").

The Company was incorporated and registered as a private limited company in Singapore under the Singapore Companies Act, Charter 50 (the "Act") on 28 December 2004. The shares of the Company are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") in 2005. The Company's principal activities included the provision of technical consultancy, training services, and management services.

As of the date of this report, the Company has direct or indirect interests in the subsidiaries comprising the Group as set out in Note 15 of Section II below. All of the subsidiaries are private companies with limited liability. All companies now comprising the Group have adopted 31 December as their financial year end date. Details of their statutory auditors during the Relevant Periods are set out in Note 15 of Section II below and the accounting policies set out in Note 3 of section II below.

The statutory financial statements of the subsidiaries for the Relevant Periods, or since their respective dates of incorporation/establishment/acquisitions, where there is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to their respective jurisdictions, and audited by certified public accountants registered in the People's Republic of China ("PRC"), Hong Kong, Singapore, Malaysia, Thailand, India, Vietnam, Indonesia and Taiwan.

As at the date of this report, no statutory financial statements have been prepared for IDI (INA) Laser Services Private Limited, Chongqing Junzhi Automatic Instrument Control Co., Ltd, Beijing Junyizhicheng Technology Developing Co., Ltd, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd, Hefei Hongchengsheng Machinery & Equipment Co., Ltd, DBASIX Industrial Aluminium Extrusion Profiles (Shanghai) Co., Ltd, LAA Energy HK Company Limited, ISDN Myanmar Infrastructure Investment Pte Ltd, ISDN Bantaeng Pte Ltd, PT Abantes Energi Indonesia, PT Simalem Bumi Energi, PT Senina Hidro Energi, PT Karo Bumi Energi, PT Galang Hidro Energi, PT ISDN Bantaeng Cooperation, PT Punggawa Datara Energy, Taiwan Dirak Co., Ltd, Zhuzhou Dirak Technology Co., Ltd, Beijing Dirak Co., Ltd, Dirak (Shanghai) Co., Ltd, PT Leaptron Engineering and SDHK (Shenzhen) Technology Co., Ltd, as they are not subjected to statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.

For the purpose of this report, the directors of the Company (the “directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) for the Relevant Periods with the basis of presentation set out in Note 2 and Note 3 of Section II below and the accounting policies set out in Note 3 of Section II of this report which conform with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Respective responsibility of directors and reporting accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation set out in Note 2 of Section II below and the accounting policies set out in Note 3 of Section II below, and the contents of this document in which this report is included. The directors of the Company are also responsible for such internal control as they determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out appropriate audit procedures on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA. We have examined the Financial Information in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis as set out in Note 2 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of the financial performance and cash flows of the Group for each of the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Section II below which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), “Engagement to Review Historical Financial Statements” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2013 S\$'000	2014 S\$'000	2015 S\$'000	2015 S\$'000 (Unaudited)	2016 S\$'000
Revenue	4	169,551	230,450	235,299	119,267	120,459
Cost of sales		(118,556)	(168,697)	(169,589)	(86,191)	(89,360)
Gross profit		50,995	61,753	65,710	33,076	31,099
Other operating income	5	2,303	2,540	3,233	1,440	1,977
Distribution costs		(18,711)	(20,009)	(22,016)	(11,199)	(10,985)
Administrative expenses		(22,722)	(27,358)	(27,785)	(13,607)	(14,432)
Other operating expenses		(1,669)	(1,862)	(1,950)	(657)	(1,828)
Finance costs	6	(1,030)	(881)	(774)	(392)	(421)
Share of profit/(loss) of associates		604	1,054	795	743	(476)
Profit before income tax	7	9,770	15,237	17,213	9,404	4,934
Income tax	9	(2,992)	(4,632)	(5,329)	(2,784)	(1,697)
Profit for the year/period		6,778	10,605	11,884	6,620	3,237
Other comprehensive income/(loss):						
Items that may be subsequently reclassified to profit or loss						
Exchange differences on translation of foreign operations						
– Gain/(loss) on translation of foreign operations		1,929	678	(151)	1,044	(3,116)
– Reclassification		–	–	–	–	(260)
		1,929	678	(151)	1,044	(3,376)
Total comprehensive income/(loss) for the year/period		8,707	11,283	11,733	7,664	(139)
Profit for the year/period attributable to:						
Equity holders of the Company		4,754	7,457	8,721	4,922	1,531
Non-controlling interests		2,024	3,148	3,163	1,698	1,706
		6,778	10,605	11,884	6,620	3,237
Total comprehensive income/(loss) for the year/period attributable to:						
Equity holders of the Company		6,406	7,746	9,063	6,099	(1,169)
Non-controlling interests		2,301	3,537	2,670	1,565	1,030
		8,707	11,283	11,733	7,664	(139)
Earnings per share attributable to the holder of the company:	10					
Basic		S\$1.39 cents	S\$2.07 cents	S\$2.46 cents	S\$1.39 cents	S\$0.43 cents
Diluted		S\$1.30 cents	S\$2.07 cents	S\$2.46 cents	S\$1.39 cents	S\$0.43 cents

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Financial Position

	Section II Note	As at 31 December			As at 30 June
		2013	2014	2015	2016
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Non-current Assets					
Property, plant and equipment	11	29,044	31,418	35,554	27,669
Investment properties	12	590	570	542	533
Land use rights	13	1,496	1,481	1,461	1,377
Goodwill	14	11,686	11,686	11,686	11,686
Interests in associates	16	3,713	4,628	5,033	12,066
Deferred tax assets	26	–	94	149	179
Total non-current assets		46,529	49,877	54,425	53,510
Current Assets					
Inventories	17	31,737	34,612	40,855	38,472
Trade and other receivables	18	52,195	68,027	73,134	79,248
Cash and cash equivalents	19	41,554	37,493	39,096	32,205
Total current assets		125,486	140,132	153,085	149,925
Total Assets		172,015	190,009	207,510	203,435
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	63,925	63,925	63,925	63,925
Warrants issue	21	3,384	3,384	3,384	3,384
Treasury shares	22	(162)	(1,517)	(1,517)	(1,517)
Reserves	23	39,992	46,283	53,935	51,347
		107,139	112,075	119,727	117,139
Non-controlling interests	15	11,773	17,654	19,541	12,043
Total Equity		118,912	129,729	139,268	129,182
Non-current Liabilities					
Bank borrowings	24	814	162	360	313
Finance leases	25	214	418	339	262
Deferred tax liabilities	26	49	–	–	–
Total non-current liabilities		1,077	580	699	575
Current Liabilities					
Bank borrowings	24	12,563	12,930	13,925	11,919
Finance leases	25	57	140	160	157
Trade and other payables	27	38,836	45,138	51,911	60,639
Current tax liabilities		570	1,492	1,547	963
Total current liabilities		52,026	59,700	67,543	73,678
Total Liabilities		53,103	60,280	68,242	74,253
Total Liabilities and Equity		172,015	190,009	207,510	203,435

I. FINANCIAL INFORMATION (Continued)

Statements of Financial Position

	Section II Note	As at 31 December			As at
		2013	2014	2015	30 June
		S\$'000	S\$'000	S\$'000	2016 S\$'000
ASSETS					
Non-current Assets					
Investments in subsidiaries	15	36,082	36,653	36,653	36,653
Interests in associates	16	31	31	31	31
Total non-current assets		<u>36,113</u>	<u>36,684</u>	<u>36,684</u>	<u>36,684</u>
Current Assets					
Amounts due from subsidiaries	15	27,049	31,388	30,888	29,888
Other receivables	18	381	65	39	110
Dividend receivable		5,750	3,847	3,470	1,370
Cash and cash equivalents	19	3,710	327	331	264
Total current assets		<u>36,890</u>	<u>35,627</u>	<u>34,728</u>	<u>31,632</u>
Total Assets		<u><u>73,003</u></u>	<u><u>72,311</u></u>	<u><u>71,412</u></u>	<u><u>68,316</u></u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	63,925	63,925	63,925	63,925
Warrants issue	21	3,384	3,384	3,384	3,384
Treasury shares	22	(162)	(1,517)	(1,517)	(1,517)
Reserves	23	2,663	2,919	1,366	(2,594)
Total Equity		<u>69,810</u>	<u>68,711</u>	<u>67,158</u>	<u>63,198</u>
Current Liabilities					
Trade and other payables	27	3,193	3,600	4,254	5,118
Total current liabilities		<u>3,193</u>	<u>3,600</u>	<u>4,254</u>	<u>5,118</u>
Total Liabilities		<u><u>3,193</u></u>	<u><u>3,600</u></u>	<u><u>4,254</u></u>	<u><u>5,118</u></u>
Total Liabilities and Equity		<u><u>73,003</u></u>	<u><u>72,311</u></u>	<u><u>71,412</u></u>	<u><u>68,316</u></u>

I. FINANCIAL INFORMATION (Continued)
Consolidated Statements of Changes in Equity

	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 2013	44,855	-	(162)	(436)	(1,339)	3,174	34,221	80,313	11,193	91,506
Profit for the year	-	-	-	-	-	-	4,754	4,754	2,024	6,778
Other comprehensive income for the year	-	-	-	-	1,652	-	-	1,652	277	1,929
Total comprehensive income for the year	-	-	-	-	1,652	-	4,754	6,406	2,301	8,707
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	185	185
Acquisition of a subsidiary (Section // Note 15(b))	-	-	-	-	-	-	-	-	259	259
De-recognition of a subsidiary (Section // Note 15(c))	-	-	-	-	-	-	-	-	11	11
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,254)	(2,254)
Payment of dividends (Section // Note 28)	-	-	-	-	-	-	(1,800)	(1,800)	-	(1,800)
Share placement proceeds (Section // Note 20)	19,318	-	-	-	-	-	-	19,318	-	19,318
Placement share expense	(426)	-	-	-	-	-	-	(426)	-	(426)
Warrants issue proceeds (Section // Note 21)	-	3,600	-	-	-	-	-	3,600	-	3,600
Warrants issue expense (Section // Note 21)	-	(216)	-	-	-	-	-	(216)	-	(216)
Transfer of performance shares	178	-	-	-	-	(178)	-	-	-	-
Transfer to other reserves	-	-	-	-	-	771	(827)	(56)	78	22
Balance at 31 December 2013	63,925	3,384	(162)	(436)	313	3,767	36,348	107,139	11,773	118,912

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity (Continued)

	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 for the year	-	-	-	-	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	-	-	-	-	-	-	-	-	4,519	4,519
Acquisition of a subsidiary (Section // Note 15(b))	-	-	-	-	-	-	-	-	142	142
De-recognition of a subsidiary (Section // Note 15(c))	-	-	-	-	-	-	-	-	18	18
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,304)	(2,304)
Payment of dividends (Section // Note 28)	-	-	-	-	-	-	(1,440)	(1,440)	-	(1,440)
Purchase of treasury shares (Section // Note 22)	-	-	(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

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity (Continued)

	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/(loss) for the year	-	-	-	-	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	-	-	-	-	-	-	-	-	1,810	1,810
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,593)	(2,593)
Payment of dividends (Section II 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

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity (Continued)

	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 2016	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Profit for the period	-	-	-	-	-	-	1,531	1,531	1,706	3,237
Other comprehensive loss for the period	-	-	-	-	(2,700)	-	-	(2,700)	(676)	(3,376)
Total comprehensive (loss)/income for the period	-	-	-	-	(2,700)	-	1,531	(1,169)	1,030	(139)
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	3,200	3,200
De-recognition of a subsidiary (Section // Note 15(a))	-	-	-	-	-	-	-	-	(8,114)	(8,114)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Payment of dividends (Section // Note 28)	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	57	(57)	-	-	-
Balance at 30 June 2016	63,925	3,384	(1,517)	(436)	(1,756)	4,546	48,993	117,139	12,043	129,182

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity (Continued)

	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 (Unaudited)										
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 period	-	-	-	-	-	-	4,922	4,922	1,698	6,620
Other comprehensive income/(loss) for the period	-	-	-	-	1,177	-	-	1,177	(133)	1,044
Total comprehensive income for the period	-	-	-	-	1,177	-	4,922	6,099	1,565	7,664
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	616	616
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(252)	(252)
Payment of dividends (Section II Note 28)	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Balance at 30 June 2015	63,925	3,384	(1,517)	(436)	1,779	4,478	45,142	116,755	19,583	136,338

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Cash Flows

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		S\$'000	S\$'000	S\$'000	S\$'000 (Unaudited)	S\$'000
Cash Flows from Operating Activities						
Profit before income tax		9,770	15,237	17,213	9,404	4,934
Adjustments for:						
Amortisation of intangible assets	7	23	–	–	–	–
Amortisation of land use rights	7	35	35	36	18	17
Trade receivables written off	7	84	43	210	–	21
Depreciation of property, plant and equipment	7	2,096	2,127	2,178	1,084	939
Depreciation of investment properties	7	19	17	17	8	8
Allowance for inventory obsolescence	7	689	558	1,222	330	566
Allowance for impairment of trade receivables	7	275	393	135	40	154
Gain on disposal of interest in a subsidiary	5	–	–	–	–	(411)
Loss/(gain) on disposal of property, plant and equipment	5,7	91	(31)	(31)	(28)	(2)
Gain on disposal of interest in an associate	5	–	(77)	–	–	(64)
Loss on deregistration of a subsidiary	7	–	6	–	–	–
Property, plant and equipment written off	7	5	412	3	3	–
Inventories written off	7	77	141	228	14	132
Write back of allowance for inventory obsolescence	5	(14)	(34)	(114)	(4)	(39)
Write back of allowance for trade receivables	5	(90)	(47)	(13)	–	–
Interest expense	6	1,030	881	774	392	421
Interest income	5	(161)	(190)	(226)	(117)	(115)
Share of (profits)/loss of associates		(604)	(1,054)	(795)	(743)	476
Unrealised foreign exchange differences		(467)	189	1,041	271	996
Operating cash flow before working capital changes		12,858	18,606	21,878	10,672	8,033
Changes in working capital:						
Inventories		(4,078)	(3,540)	(7,579)	(2,593)	1,724
Trade and other receivables		2,390	(11,834)	(3,230)	(10,994)	(6,578)
Trade and other payables		3,015	5,033	3,132	7,557	3,574
Cash generated from operations		14,185	8,265	14,201	4,642	6,753
Interest paid		(1,030)	(881)	(774)	(392)	(421)
Interest received		161	190	226	117	115
Income tax paid		(4,437)	(3,771)	(5,272)	(2,672)	(2,350)
Net cash generated from operating activities		8,879	3,803	8,381	1,695	4,097

I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Cash Flows (Continued)

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		S\$'000	S\$'000	S\$'000	S\$'000 (Unaudited)	S\$'000
Cash Flows from Investing Activities						
Purchase of property, plant and equipment		(2,950)	(3,805)	(5,895)	(4,737)	(1,731)
Proceeds from disposal of property, plant and equipment		186	92	73	52	5
Net cash (outflow)/inflow on acquisition/disposal of subsidiary	15	(1,037)	(564)	3	–	(4,631)
Loan to associates		(225)	(138)	(981)	(247)	–
Funds to investee company		(1,175)	(4,547)	(1,426)	(1,252)	(401)
Decrease on restricted bank balances		500	–	–	–	–
Proceeds from the disposal of an associate	16	–	102	–	–	448
Dividend from associates		60	60	275	217	105
Consideration for acquisition of interest of a subsidiary		–	–	–	–	(310)
Net cash used in investing activities		(4,641)	(8,800)	(7,951)	(5,967)	(6,515)
Cash Flows from Financing Activities						
Dividends to equity holders of the Company	28	(1,800)	(1,440)	(1,419)	(1,419)	(1,419)
Dividends to non-controlling interests		(1,963)	(2,457)	(2,593)	(252)	–
Investment in subsidiaries by non-controlling interests		185	4,519	–	–	–
Repayment from associates		15	–	–	–	2
Amount owing to non-controlling interests		122	1,428	3,204	1,363	–
Proceeds from share placement		19,318	–	–	–	–
Share placement expense paid		(426)	–	–	–	–
Proceeds from warrants issue	21	3,600	–	–	–	–
Warrants issue expense paid	21	(216)	–	–	–	–
Purchase of treasury shares	22	–	(1,355)	–	–	–
Proceeds from bank loans		4,634	6,601	11,208	5,507	2,395
Repayment of bank loans (Repayments of)/proceeds from trust receipts, net		(9,456)	(6,929)	(9,946)	(3,905)	(4,489)
Repayment of finance leases		(3,150)	43	(69)	1,181	41
		(71)	(178)	(165)	22	(80)
Net cash generated from/(used in) financing activities		10,792	232	220	2,497	(3,550)
Net increase/(decrease) in cash and cash equivalents		15,030	(4,765)	650	(1,775)	(5,968)
Cash and cash equivalents at beginning of year/period		25,829	41,554	37,493	37,493	39,096
Effect of currency translation on cash and cash equivalents		695	704	953	313	(923)
Cash and cash equivalents at end of year/period	19	41,554	37,493	39,096	36,031	32,205

II. NOTES TO FINANCIAL INFORMATION

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 Assestraise Holdings Limited, a company incorporated in the British Virgin Islands. Assestraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, our president and managing Director and his spouse, Ms Thang Yee Chin.

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

2 BASIS OF PREPARATION

(a) Basis of Preparation

The Financial Information has been prepared in accordance with all applicable HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations issued by HKICPA. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(i) Adoption of new and revised HKFRSs and requirements

During the Relevant Periods, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on 1 January 2016.

New and revised HKFRSs in issue but not yet effective

The following new standards, amendments and interpretations to existing standards which have been issued but are not effective and have not been early adopted by the Group:

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

HKFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group assesses that adopting HKFRS 9 will not have a material impact to the Group's financial information.

II. NOTES TO FINANCIAL INFORMATION (Continued)

2 BASIS OF PREPARATION (Continued)

(a) Basis of Preparation (Continued)

(i) Adoption of new and revised HKFRSs and requirements (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The Group assesses that adopting HKFRS 15 will not have a material impact to the Group's financial information.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises and office equipment which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 3(v). The Group had total future minimum lease payments under non-cancellable operating leases, which are not reflected in the combined statements of financial position, falling due as follows:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Future minimum lease payment payable:				
– not later than one year	1,346	1,915	1,611	1,378
– later than one year and not later than five years	1,236	2,094	1,320	1,070
	<u>2,582</u>	<u>4,009</u>	<u>2,931</u>	<u>2,448</u>

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statements of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. The Group assesses that adopting HKFRS 16 may have a material impact to the Group's financial information depending on the then financial position of the Group.

There are no other new standards and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

II. NOTES TO FINANCIAL INFORMATION (Continued)**2 BASIS OF PREPARATION (Continued)****(b) Critical Accounting Judgements and Estimates**

The preparation of Financial Information in conformity with HKFRSs 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 Information 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 Information and the reported amounts of revenues and expenses during the Relevant Periods. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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.

(ii) Impairment of trade and other receivables

Management reviews trade and other 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 makes 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.

(iii) Control over subsidiaries

In assessing whether the Group has control over the entities where it holds less than a majority of voting rights, the Group 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

2 BASIS OF PREPARATION (Continued)

(b) Critical Accounting Judgements and Estimates (Continued)

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. 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 years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016 will decrease/increase by approximately S\$210,000, S\$213,000, S\$218,000, S\$108,000 and S\$94,000, respectively.

(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.

No impairment loss were recognised for the goodwill arising from acquisition of subsidiaries assessed as at 31 December 2013, 2014, 2015 and 30 June 2016 as the relevant recoverable amounts were in excess of the respective carrying amounts.

Management assessed the breakeven point of the following scenarios. If the growth rate and/or pre-tax discount rate are increased and/or decreased by more than the percentages as stated in the table below, the relevant recoverable amounts may become less than the respective carrying amounts of the major cash-generating units ("CGUs").

	As at 31 December			As at 30 June
	2013	2014	2015	2016

Major CGUs

Scenario (i) – growth rate and pre-tax discount rate decreased and increased at the same percentages as stated, respectively:

TDS Technology (S) Pte Ltd ("TDS")	2.0%	2.1%	2.1%	2.4%
Dirak Asia Pte Ltd ("Dirak Asia")	2.0%	4.0%	2.0%	2.1%

Scenario (ii) – pre-tax discount rate increased to the level stated while growth rate remained constant

TDS	6.4%	10.5%	9.1%	6.5%
Dirak Asia	8.6%	13.4%	8.5%	9.3%

II. NOTES TO FINANCIAL INFORMATION (Continued)

2 BASIS OF PREPARATION (Continued)

(b) Critical Accounting Judgements and Estimates (Continued)

Key sources of estimation uncertainty (Continued)(ii) *Impairment of goodwill arising from acquisition of subsidiaries (Continued)*

	As at 31 December			As at
	2013	2014	2015	30 June
Scenario (iii) – growth rate decreased to the level stated while pre-tax discount rate remained constant				
TDS	0.8%	2.0%	1.7%	1.3%
Dirak Asia	2.1%	-2.1%	1.0%	0.6%

(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.

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(a) Group Accounting (Continued)****(i) Subsidiaries (Continued)***Consolidation (Continued)*

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 HKAS 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(a) Group Accounting (Continued)*****(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 profit or loss, 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 profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's Financial Information 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 profit or loss.

(iii) Investments in Subsidiaries and Associates

Investments in subsidiary companies and associates are carried at cost less accumulated impairment losses in the statement of financial position 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 profit or loss.

(b) Functional and Foreign Currencies

The individual Financial Information 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 Financial Information, 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 Financial Information. All values are rounded to the nearest thousand (S\$'000) except when otherwise indicated.

Transactions and balances

In preparing the Financial Information 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Functional and Foreign Currencies (Continued)*****Transactions and balances (Continued)***

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 Financial Information 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 Information

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.

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Property, Plant and Equipment (Continued)**

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

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

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

(e) Land Use Rights

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

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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.

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Impairment of Non-Financial Assets other than Goodwill (Continued)**

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.

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 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(k) Financial Assets (Continued)*****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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above less restricted bank balances.

(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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(m) Financial Liabilities and Equity Instruments Issued by the Group (Continued)*****Financial liabilities (Continued)***

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.

(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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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 HKAS 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.

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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.

As lessee

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

(w) Income Tax

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

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

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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 Information (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.
- 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

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

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)				
Commission income	51	77	102	66	111
Dividend income	–	–	–	–	47
Gain on disposal of interest in a subsidiary (Note 15 (a))	–	–	–	–	411
Gain on disposal of interest in an associate (Note 16)	–	77	–	–	64
Gain on disposal of property, plant and equipment	–	31	31	28	2
Finance income:					
– interest on bank deposits	152	175	207	108	110
– interest on loan to an associate	9	15	19	9	5
Foreign exchange gains, net	282	427	–	–	–
Government grants (Note)	76	131	223	88	111
Miscellaneous income	533	273	484	477	284
Operating lease rental income:					
– investment properties	66	61	53	23	30
– sub-let of office/warehouse premises	304	524	695	229	262
Property management income	129	290	451	147	200
Recovery of bad debts written off	4	5	23	–	–
Technical service income	593	373	818	261	301
Write back of allowance of inventory obsolescence	14	34	114	4	39
Write back of allowance of trade receivables	90	47	13	–	–
	<u>2,303</u>	<u>2,540</u>	<u>3,233</u>	<u>1,440</u>	<u>1,977</u>

Note: The government grants in the form of cash donations have been received for the Group's contribution to various of government grants given to the Company and its Singapore and PRC subsidiaries include mainly for Special Employment Credit (Singapore), SME Cash Grant (Singapore) and Advanced Tax Contribution Award (PRC). There are no unfulfilled conditions or contingencies attaching to these grants.

II. NOTES TO FINANCIAL INFORMATION (Continued)

6 FINANCE COSTS

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Interest expense on:					
– bank loans	892	819	719	369	400
– trust receipts	130	50	32	13	11
– finance leases	8	12	23	10	10
	<u>1,030</u>	<u>881</u>	<u>774</u>	<u>392</u>	<u>421</u>

7 PROFIT BEFORE INCOME TAX

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Profit before income tax has been arrived at after charging:					
Amortisation of intangible assets	23	–	–	–	–
Amortisation of land use rights	35	35	36	18	17
Audit fees					
– Company's auditors	240	240	243	122	121
– other auditors	70	74	89	65	98
Depreciation of property, plant and equipment					
– recognised in cost of sales	499	394	282	166	95
– recognised in distribution costs	151	243	255	128	93
– recognised in administrative expenses	1,446	1,490	1,641	790	751
	2,096	2,127	2,178	1,084	939
Depreciation of investment properties	19	17	17	8	8
Other operating expenses included:					
– trade receivables written off	84	43	210	–	21
– allowance for inventory obsolescence	689	558	1,222	330	566
– allowance for impairment of trade receivables	275	393	135	40	154
– property, plant and equipment written off	5	412	3	3	–
– inventories written off	77	141	228	14	132
– loss on disposal of property, plant and equipment	91	–	–	–	–
– foreign exchange losses, net	–	–	17	209	919
– loss on deregistration of a subsidiary	–	6	–	–	–
Operating lease rental expense	1,279	1,272	1,382	758	929

II. NOTES TO FINANCIAL INFORMATION (Continued)

8 DIRECTORS', KEY MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Directors' fees	100	100	100	50	65
Directors' remuneration					
– salaries and related costs	2,705	3,512	4,038	2,064	1,240
– defined contribution plans	27	27	30	13	14
Key management personnel (other than directors)					
– salaries and related costs	5,437	5,898	6,667	3,165	3,090
– defined contribution plans	446	523	493	257	271
Staff costs (other than directors and key management personnel)					
– salaries and related costs	14,240	16,458	17,447	8,858	8,845
– defined contribution plans	2,045	2,405	2,628	1,277	1,340
	<u>25,000</u>	<u>28,923</u>	<u>31,403</u>	<u>15,684</u>	<u>14,865</u>

Details of directors' emoluments are set out as follows:

	Directors' fees	Directors' remuneration	Other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the year ended 31 December 2013						
<i>Independent directors</i>						
Lim Siang Kai (Chairman)	40	–	–	–	–	40
Soh Beng Keng	30	–	–	–	–	30
Tay Gim Sin, Leonard	30	–	–	–	–	30
<i>Executive directors</i>						
Teo Cher Koon	–	556	222	1,259	11	2,048
Kong Deyang	–	124	36	508	16	684
	<u>100</u>	<u>680</u>	<u>258</u>	<u>1,767</u>	<u>27</u>	<u>2,832</u>
For the year ended 31 December 2014						
<i>Independent directors</i>						
Lim Siang Kai (Chairman)	40	–	–	–	–	40
Soh Beng Keng	30	–	–	–	–	30
Tay Gim Sin, Leonard	30	–	–	–	–	30
<i>Executive directors</i>						
Teo Cher Koon	–	556	71	1,935	11	2,573
Kong Deyang	–	126	36	787	17	966
	<u>100</u>	<u>682</u>	<u>107</u>	<u>2,722</u>	<u>28</u>	<u>3,639</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

8 DIRECTORS', KEY MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS (Continued)

Details of directors' emoluments are set out as follows: (Continued)

	Directors' fees	Directors' remuneration	Other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the year ended						
31 December 2015						
<i>Independent directors</i>						
Lim Siang Kai (Chairman)	40	–	–	–	–	40
Soh Beng Keng	30	–	–	–	–	30
Tay Gim Sin, Leonard	30	–	–	–	–	30
<i>Executive directors</i>						
Teo Cher Koon	–	556	30	2,128	11	2,725
Kong Deyang	–	128	36	1,160	19	1,343
	<u>100</u>	<u>684</u>	<u>66</u>	<u>3,288</u>	<u>30</u>	<u>4,168</u>
For the period ended						
30 June 2015						
(Unaudited)						
<i>Independent directors</i>						
Lim Siang Kai (Chairman)	20	–	–	–	–	20
Soh Beng Keng	15	–	–	–	–	15
Tay Gim Sin, Leonard	15	–	–	–	–	15
<i>Executive directors</i>						
Teo Cher Koon	–	278	–	1,118	4	1,400
Kong Deyang	–	64	18	586	9	677
	<u>50</u>	<u>342</u>	<u>18</u>	<u>1,704</u>	<u>13</u>	<u>2,127</u>
For the period ended						
30 June 2016						
<i>Independent directors</i>						
Lim Siang Kai (Chairman)	25	–	–	–	–	25
Soh Beng Keng	20	–	–	–	–	20
Tay Gim Sin, Leonard	20	–	–	–	–	20
<i>Executive directors</i>						
Teo Cher Koon	–	292	–	420	4	716
Kong Deyang	–	72	18	438	10	538
	<u>65</u>	<u>364</u>	<u>18</u>	<u>858</u>	<u>14</u>	<u>1,319</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

8 DIRECTORS', KEY MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals

For the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016, of the five individuals with highest emoluments, 2 are directors respectively, whose emoluments are disclosed in note (a) above. The aggregate of the emoluments in respect of the remaining individuals for the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016 are set out below:

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Salaries, allowance and benefits in kind	613	468	651	334	343
Discretionary bonuses	187	193	192	71	39
Retirement scheme contributions	55	56	46	12	11
	<u>855</u>	<u>717</u>	<u>889</u>	<u>417</u>	<u>393</u>

Their emoluments paid by the Group are within the followings bands*:

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
				(Unaudited)	
HK\$500,000 to HK\$1,000,000	–	–	–	3	3
HK\$1,000,001 to HK\$1,500,000	1	2	1	–	–
HK\$1,500,001 to HK\$2,000,000	2	1	2	–	–
HK\$3,000,001 to HK\$3,500,000	–	–	–	–	1
HK\$3,500,001 to HK\$4,000,000	1	–	–	1	–
HK\$4,000,001 to HK\$4,500,000	–	–	–	–	1
HK\$5,500,001 to HK\$6,000,000	–	1	–	–	–
HK\$7,500,001 to HK\$8,000,000	–	–	1	1	–
HK\$11,500,001 to HK\$12,000,000	1	–	–	–	–
HK\$14,500,001 to HK\$15,000,000	–	1	–	–	–
HK\$15,000,001 to HK\$15,500,000	–	–	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

* There are no emoluments fall within the following bands:

Below HK\$500,000, HK\$2,000,001 to HK\$2,500,000, HK\$2,500,001 to HK\$3,000,000, HK\$5,000,001 to HK\$5,500,000, HK\$6,000,001 to HK\$6,500,000, HK\$6,500,001 to HK\$7,000,000, HK\$7,000,001 to HK\$7,500,000, HK\$8,000,001 to HK\$8,500,000, HK\$8,500,001 to HK\$9,000,000, HK\$9,000,001 to HK\$9,500,000, HK\$9,500,001 to HK\$10,000,000, HK\$10,000,001 to HK\$10,500,000, HK\$10,500,001 to HK\$11,000,000, HK\$11,000,001 to HK\$11,500,000, HK\$12,000,001 to HK\$12,500,000, HK\$12,500,001 to HK\$13,000,000, HK\$13,000,001 to HK\$13,500,000, HK\$13,500,001 to HK\$14,000,000, HK\$14,000,001 to HK\$14,500,000.

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individual as an inducement to join or upon joining the Group or as compensation for the loss of office.

II. NOTES TO FINANCIAL INFORMATION (Continued)

9 INCOME TAX

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Current income tax					
– Singapore	269	506	317	429	304
– The PRC	2,942	3,809	4,658	2,026	1,501
– Outside Singapore and the PRC	171	362	227	113	197
(Over)/under provision in respect of prior years:					
– current income tax	(475)	61	125	216	(237)
– deferred taxation (Note 26)	85	(106)	2	–	(68)
	<u>2,992</u>	<u>4,632</u>	<u>5,329</u>	<u>2,784</u>	<u>1,697</u>

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:

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Profit before income tax	9,770	15,237	17,213	9,404	4,934
Income tax calculated at applicable tax rates	2,402	3,187	4,460	2,486	1,357
Non-deductible expenses	630	1,542	327	158	246
Singapore statutory stepped income exemption	(146)	(105)	(97)	(26)	(26)
Deferred tax assets not recognised	580	247	631	–	661
Utilisation of deferred tax benefits previously not recognised	(5)	–	–	–	(173)
Share of results of associates	(79)	(194)	(119)	(50)	(63)
(Over)/under provision in respect of prior years:					
– current income tax	(475)	61	125	216	(237)
– deferred tax	85	(106)	2	–	(68)
	<u>2,992</u>	<u>4,632</u>	<u>5,329</u>	<u>2,784</u>	<u>1,697</u>

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

II. NOTES TO FINANCIAL INFORMATION (Continued)**9 INCOME TAX (Continued)**

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong for the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016 is 25% and 16.5%, respectively.

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

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

Unrecognised tax losses

As at 31 December 2013, 2014, 2015 and 30 June 2016, the Group has unutilised tax losses of approximately S\$16,184,000, S\$17,635,000, S\$21,349,000 and S\$20,499,000, respectively, 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 as at 31 December 2013, 2014, 2015 and 30 June 2016 are estimated to be S\$2,751,000, S\$2,998,000, S\$3,629,000 and S\$3,485,000, respectively. 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 Enterprise Income Tax ("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 2013, 2014 and 2015 and 30 June 2016, no deferred tax liability 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\$25,655,000, S\$33,945,000, S\$39,695,000 and S\$37,369,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively. The deferred tax liability is estimated to be S\$1,283,000, S\$1,697,000, S\$1,985,000 and S\$1,868,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

II. NOTES TO FINANCIAL INFORMATION (Continued)

10 EARNINGS PER SHARE

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$	S\$	S\$	S\$	S\$
				(Unaudited)	
Basic earnings per share	<u>1.39 cents</u>	<u>2.07 cents</u>	<u>2.46 cents</u>	<u>1.39 cents</u>	<u>0.43 cents</u>
Fully diluted earnings per share	<u>1.30 cents</u>	<u>2.07 cents</u>	<u>2.46 cents</u>	<u>1.39 cents</u>	<u>0.43 cents</u>

Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the year/period attributable to the equity holders of the Company dividend by the weighted average number of ordinary shares outstanding during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, excluding treasury shares.

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

	For the year ended 31 December			For the Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Profit for the year attributable to equity holders of the Company	<u>4,754</u>	<u>7,457</u>	<u>8,721</u>	<u>4,922</u>	<u>1,531</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>342,515,608</u>	<u>359,501,725</u>	<u>354,684,950</u>	<u>354,684,950</u>	<u>354,684,950</u>

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares (Note 22) during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016.

II. NOTES TO FINANCIAL INFORMATION (Continued)

10 EARNINGS PER SHARE (Continued)

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 earnings used in the calculation of diluted earnings per share are as follows:

	For the year ended 31 December			For the Six months ended 30 June	
	2013 S\$'000	2014 S\$'000	2015 S\$'000	2015 S\$'000 (Unaudited)	2016 S\$'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	342,515,608	359,501,725	354,684,950	354,684,950	354,684,950
Effects of dilution:					
– Warrants issue	24,160,688	–	–	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>366,676,296</u>	<u>359,501,725</u>	<u>354,684,950</u>	<u>354,684,950</u>	<u>354,684,950</u>

The outstanding warrants as at 31 December 2014 and 2015 and 30 June 2016 are anti-dilution because their exercise price is higher than the average share price during the years/period.

II. NOTES TO FINANCIAL INFORMATION (Continued)

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
Cost								
Balance at								
1 January 2013	–	23,965	1,465	1,965	4,880	4,996	663	37,934
Additions	–	1,079	46	256	405	426	738	2,950
Disposals	–	–	(64)	(160)	(313)	(172)	–	(709)
Written off	–	–	–	(12)	–	(23)	–	(35)
Translation adjustment	–	1,085	109	83	237	114	38	1,666
Balance at								
31 December 2013	–	26,129	1,556	2,132	5,209	5,341	1,439	41,806
Additions	–	–	386	974	449	546	1,915	4,270
Acquisition of a subsidiary	308	–	–	–	–	–	–	308
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 2014	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 2015	1,158	26,780	1,792	3,119	4,815	6,270	6,954	50,888
Additions	42	75	33	108	138	286	1,049	1,731
Disposals	–	–	–	–	–	(32)	–	(32)
Written off	–	–	–	–	–	(6)	–	(6)
Disposal of a subsidiary	(379)	–	–	–	–	–	(6,912)	(7,291)
Translation adjustment	(23)	(822)	(89)	(86)	(195)	(206)	(410)	(1,831)
Balance at								
30 June 2016	798	26,033	1,736	3,141	4,758	6,312	681	43,459
Accumulated depreciation								
Balance at								
1 January 2013	–	2,672	882	1,068	2,316	3,739	–	10,677
Depreciation for the year	–	514	204	257	585	536	–	2,096
Disposals	–	–	(11)	(129)	(140)	(152)	–	(432)
Written off	–	–	–	(11)	–	(19)	–	(30)
Translation adjustment	–	83	79	41	185	63	–	451
Balance at								
31 December 2013	–	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

II. NOTES TO FINANCIAL INFORMATION (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	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
Balance at 31 December 2014	-	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 2015	-	4,409	1,435	1,680	3,058	4,752	-	15,334
Depreciation for the period	-	270	76	201	202	190	-	939
Disposals	-	-	-	-	-	(29)	-	(29)
Written off	-	-	-	-	-	(6)	-	(6)
Translation adjustment	-	(168)	(67)	(48)	(98)	(67)	-	(448)
Balance at 30 June 2016	-	4,511	1,444	1,833	3,162	4,840	-	15,790
Net book value								
Balance at 31 December 2013	-	22,860	402	906	2,263	1,174	1,439	29,044
Balance at 31 December 2014	308	22,644	559	1,456	1,926	1,129	3,396	31,418
Balance at 31 December 2015	1,158	22,371	357	1,439	1,757	1,518	6,954	35,554
Balance at 30 June 2016	798	21,522	292	1,308	1,596	1,472	681	27,669

The Group's leasehold properties are set out below:

Leasehold properties	Gross Area (approximately)	Use	Encumbrance
Property #1	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
Property #2	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
Property #3	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
Property #4	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
Property #5	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

II. NOTES TO FINANCIAL INFORMATION (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2013, 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 (i) was S\$22,860,000.

As at 31 December 2014, 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) and (b) was S\$18,021,000.

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 (o) was S\$21,320,000.

As at 30 June 2016, 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 (o) was S\$20,089,000.

During the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, property, plant and equipment acquired by means of finance leases were Nil, S\$465,000, S\$106,000 and Nil, respectively. Other property, plant and equipment were acquired by cash payments of S\$2,950,000, S\$4,113,000, S\$5,895,000 and S\$682,000 during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the net book value of property, plant and equipment of the Group held under finance leases were S\$299,000, S\$916,000, S\$722,000 and S\$712,000, respectively.

12 INVESTMENT PROPERTIES

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Cost				
Balance at beginning of year/period	969	966	962	947
Translation adjustment	(3)	(4)	(15)	2
Balance at end of year/period	966	962	947	949
Accumulated depreciation				
Balance at beginning of year/period	358	376	392	405
Depreciation for the year/period	19	17	17	8
Translation adjustment	(1)	(1)	(4)	3
Balance at end of year/period	376	392	405	416
Net book value				
Balance at end of year/period	590	570	542	533

The Group applies the cost model for its investment properties. The fair value of these investment properties approximates S\$1,000,000, S\$836,000, S\$740,000 and S\$766,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively, based on directors' valuations without making any significant adjustments. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in Note 33(b).

II. NOTES TO FINANCIAL INFORMATION (Continued)

12 INVESTMENT PROPERTIES (Continued)

The Group's investment properties are set out below:

Properties	Gross Area (approximately)	Tenure	Use	Encumbrance
Freehold building #1	270 sq. m	Freehold Building	Leased out to third party	None
Leasehold properties #1	170 sq. m	60 years expiring December 2041	Leased out to third party	Mortgaged for banking facilities
Leasehold properties #2	95 sq. m	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 years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, rental income from these investment properties amounted to S\$66,000, S\$61,000, S\$53,000, S\$23,000 and S\$30,000, respectively; and direct operating expenses amounted to S\$29,000, S\$30,000, S\$28,000, S\$16,000 and S\$17,000, respectively.

13 LAND USE RIGHTS

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Cost				
Balance at beginning of year/period	1,597	1,667	1,688	1,705
Translation adjustment	70	21	17	(66)
Balance at end of year/period	1,667	1,688	1,705	1,639
Accumulated amortisation				
Balance at beginning of year/period	130	171	207	244
Amortisation for the year/period	35	35	36	17
Translation adjustment	6	1	1	1
Balance at end of year/period	171	207	244	262
Net book value				
Balance at end of year/period	1,496	1,481	1,461	1,377
Amount to be amortised:				
– not later than one year	35	35	36	36
– later than one year but not later than five years	139	141	142	142
– later than five years	1,322	1,305	1,283	1,199
	1,496	1,481	1,461	1,377

As at 31 December 2013, 2014 and 2015 and 30 June 2016, 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) were S\$1,496,000, S\$1,481,000, S\$1,461,000 and S\$1,377,000, respectively.

II. NOTES TO FINANCIAL INFORMATION (Continued)

14 GOODWILL

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
Balance at beginning and end of year/period	11,686	11,686	11,686	11,686

Impairment testing of goodwill

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

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
Engineering Solutions – Motion Control				
– Servo Dynamics (Thailand) Company Limited (“Servo Thailand”)	75	75	75	75
– TDS	2,103	2,103	2,103	2,103
Other Specialised Engineering Solutions				
– Dirak Asia	9,508	9,508	9,508	9,508
	11,686	11,686	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% per annum for each of the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016. The growth rate used is based on historical growth rate of each CGU, past experience and with reference to the then long-term average growth rate of the key markets in which the aforesaid entities operate. The growth rate used for Dirak Asia did not exceed the then estimated long-term average growth rate for the key market (i.e. PRC) of the industry in which it operates, while the growth rate used for TDS exceeded the then estimated long-term average growth rate for the key markets (i.e. Singapore and Malaysia) of the industry in which it operates. However, management is of the view that TDS's performance was above industry average historically. Accordingly, management believes that the 5% growth rate used for TDS is reasonable. The discount rate was a pre-tax measure based on the Group's weighted average cost of capital, adjusted for certain adjustment factors to reflect specific risks relating to the specific CGU. 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 pre-tax cash flows, is 4%, 7% and 5% for the six months ended 30 June 2016 for TDS, Servo Thailand and Dirak Asia, respectively (2015: 7%, 7% and 7%, respectively, 2014: 3%, 7% and 5%, respectively; 2013: 4%, 8% and 5%, 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 were required during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES

	Company			As at
	As at 31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Equity shares, at cost	23,026	23,026	23,026	23,026
Loans to subsidiaries	13,056	13,627	13,627	13,627
	<u>36,082</u>	<u>36,653</u>	<u>36,653</u>	<u>36,653</u>
Current assets				
Amount owing by subsidiaries	27,049	31,388	32,388	31,388
Less: Allowance for impairment loss	–	–	(1,500)	(1,500)
	<u>27,049</u>	<u>31,388</u>	<u>30,888</u>	<u>29,888</u>

Note: The loans to subsidiaries, which are quasi-equity loans, form part of the Company's net investments 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 investments in the subsidiaries, they are stated at cost.

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

	As at 31 December			As at
	As at 31 December			30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
<i>Amount owing by subsidiaries</i>				
At 1 January	–	–	–	1,500
Charged to profit or loss	–	–	1,500	–
At 31 December/30 June	<u>–</u>	<u>–</u>	<u>1,500</u>	<u>1,500</u>

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

The subsidiaries of the Group are set out below:

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at
			2013	2014	2015	30 June 2016
		As at 30 June 2016	%	%	%	%
Motion Control Group Pte Ltd ⁽¹⁾ 21 December 2004 Singapore	Investment holding	S\$17,531,255	100	100	100	100
Servo Dynamics Pte Ltd ⁽¹⁾ 2 October 1986 Singapore	Motion control solutions and industrial computing solutions	S\$1,600,000	100	100	100	100
Portwell Singapore Pte Ltd ⁽¹⁾ 17 April 1997 Singapore	Industrial computing solutions	S\$100,000	100	100	100	100
Leaptron Engineering Pte Ltd ⁽¹⁾ 13 August 2002 Singapore	Other specialised engineering solutions	S\$300,000	100	100	100	100
ISDN Investments Pte Ltd ⁽¹⁾ 21 May 2010 Singapore	Investment holdings	S\$1	100	100	100	100
Precision Motion Control Pte Ltd ⁽¹⁾ 1 July 1996 Singapore	Motion control solutions	S\$300,000	100	100	100	100
Servo Dynamics Co., Ltd. ⁽²⁾ 蘇州鈞信中控自動化有限公司 14 June 2012 PRC	Motion control solutions	US\$2,400,000	100	100	100	100

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
		As at 30 June 2016	%	%	%	%
Servo Dynamics (Thailand) Company Limited ⁽⁵⁾ 9 November 1995 Thailand	Motion control solutions	THB16,900,000	59.73	59.73	59.73	59.73
Servo Engineering Sdn Bhd ⁽⁶⁾ 17 December 1990 Malaysia	Motion control solutions	MYR350,000	90	90	90	90
Servo Dynamics (H.K.) Limited ⁽⁸⁾ 24 October 1995 Hong Kong	Motion control solutions	HK\$128,570	100	100	100	100
Eisele Asia Co., Ltd ⁽²⁾⁽³⁰⁾ 艾斯勒精密齒輪(蘇州)有限公司 19 December 2005 PRC	Other specialised engineering solutions	US\$210,000	50	50	50	50
IGB (HK) Company Ltd ⁽⁹⁾ 25 March 2006 Hong Kong	Investment holdings	HK\$10,000	51	51	51	51
Servo Dynamics Sdn Bhd ⁽⁶⁾ 26 March 2007 Malaysia	Motion control solutions	MYR3	100	100	100	100
Excel Best Industries (Suzhou) Co., Ltd ⁽¹⁰⁾ 創優實業(蘇州)有限公司 30 December 2003 PRC	Properties holding	US\$4,000,000	100	100	100	100

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
IDI (INA) Laser Services Private Limited 4 April 2006 India	Inactive	INR2,070,813	59.998	59.998	59.998	59.998
Weiyi M&E Equipment (Shanghai) Co., Ltd ⁽¹²⁾⁽¹³⁾ 上海偉易機電設備有限公司 8 June 2007 PRC	Inactive	US\$140,000	51	51	51	51
Suzhou PDC Co., Ltd ⁽¹⁰⁾ 蘇州鈞創實業有限公司 5 July 2007 PRC	Properties holding	US\$4,800,000	100	100	100	100
Gateway Motion (Shanghai) Co., Ltd ⁽¹⁴⁾ 創岳自動化控制科技(上海)有限公司 6 March 2008 PRC	Motion control solutions	US\$210,000	100	100	100	100
JAPV Mechanical Technology (Wu Jiang) Co. Ltd ⁽¹⁵⁾ 嘉鵬機械科技(吳江)有限公司 4 July 2008 PRC	Other specialised engineering solutions	US\$450,000	95.33	95.33	95.33	95.33
DBASIX Singapore Pte Ltd ⁽¹⁾ 1 November 2007 Singapore	Investment holding	S\$800,000	51.92	51.92	51.92	51.92

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
TDS Technology (S) Pte Ltd ⁽¹⁾ 24 May 1996 Singapore	Motion control solutions	S\$1,000,000	61.18	61.18	61.18	61.18
ISDN Enterprise Management (Wu Jiang) Co., Ltd ⁽¹⁰⁾ 吳江億仕登企業管理有限公司 6 November 2009 PRC	Investment holdings	US\$100,000	100	100	100	100
Accel Technologies (China) Co., Ltd ⁽⁴⁾ 蘇州美新精密電機有限公司 29 August 2006 PRC	Other specialised engineering solutions	US\$210,000	100	100	100	100
A Tracks Pte Ltd ⁽¹⁾ 25 February 2010 Singapore	Motion control solutions	S\$100	70	70	70	70
Dirak Asia Pte Ltd ⁽¹⁶⁾⁽²⁶⁾ 30 September 1997 Singapore	Other specialised engineering solutions	S\$554,690	49	49	49	49
Suzhou Xiancheng Automation Technology Co., Ltd ⁽³⁾ 蘇州賢成自動化機械科技有限公司 16 April 2015 PRC	Motion control solutions	US\$210,000	–	–	100	100
Maxon Motor (Suzhou) Co., Ltd ⁽²⁾⁽²⁸⁾ 蘇州鈞和伺服科技有限公司 4 September 1995 PRC	Motion control solutions	US\$690,000	50	50	50	50

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd ⁽¹⁷⁾⁽²⁸⁾ 麥柯勝電機國際貿易(上海)有限公司 15 December 2004 PRC	Motion control solutions	US\$200,000	50	50	50	50
Servo Dynamics Engineering Company Limited ⁽¹⁹⁾ 28 December 2012 Vietnam	Motion control solutions	US\$300,000	51	51	51	51
Su Zhou Servo Dynamics Co., Ltd ⁽⁴⁾ 蘇州鈞信自動控制有限公司 24 August 2001 PRC	Motion control solutions	US\$600,000	100	100	100	100
Chongqing Junzhi Automatic Instrument Control Co., Ltd 重慶鈞智自動化儀器控制有限公司 18 June 2003 PRC	Inactive	RMB5,600,000	100	100	–	–
Beijing Junyizhicheng Technology Developing Co., Ltd 北京鈞義志成科技發展有限公司 30 May 2002 PRC	Motion control solutions	RMB2,000,000	100	100	100	100

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
		As at 30 June 2016	%	%	%	%
Shenzhen Servo Dynamics Co., Ltd ⁽²⁰⁾ 深圳市鈞誠科技有限公司 28 May 2002 PRC	Motion control solutions	RMB6,000,000	100	100	100	100
Shanghai Delta Automation International Trade Co., Ltd ⁽¹⁸⁾ 上海帝生通國際貿易有限公司 9 November 2004 PRC	Inactive	RMB500,000	100	100	100	100
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ⁽²⁸⁾ 北京北成新控伺服技術有限公司 7 January 2005 PRC	Other specialised engineering solutions	RMB2,000,000	50	50	50	50
SEJINIGB (China) Co., Ltd ⁽²⁾ 蘇州賽勁精密設備有限公司 17 November 2006 PRC	Other specialised engineering solutions	US\$510,000	51	51	51	51
Shanghai DBASIX M&E Equipment Co., Ltd ⁽²¹⁾ 倍信機械設備貿易(上海)有限公司 1 February 2008 PRC	Other specialised engineering solutions	US\$420,000	51.92	51.92	51.92	51.92
DBASIX Malaysia Sdn Bhd ⁽⁶⁾ 30 March 2008 Malaysia	Other specialised engineering solutions	MYR500,000	51.92	51.92	51.92	51.92

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
Hefei Hongchengsheng Machinery & Equipment Co., Ltd ⁽²⁹⁾ 合肥市弘誠盛機械設備有限公司 1 December 2011 PRC	Inactive	RMB300,000	31.15	–	–	–
DBASIX Industrial Aluminium Extrusion Profiles (Shanghai) Co., Ltd 倍信工業鋁型材(上海)有限公司 25 August 2014 PRC	Other specialised engineering solutions	RMB350,000	–	51.92	51.92	51.92
ADL Control (S) Pte Ltd ⁽¹⁾⁽²⁹⁾ 23 June 2009 Singapore	Motion control solutions	S\$100,000	45.9	45.9	45.9	45.9
TDS Technology (Penang) Sdn Bhd ⁽⁶⁾⁽²⁹⁾ 15 June 2009 Malaysia	Motion control solutions	MYR100,000	48.944	48.944	48.944	48.944
TDS Technology (KL) Sdn Bhd ⁽⁶⁾⁽²⁹⁾ 19 June 2009 Malaysia	Motion control solutions	MYR100,000	48.944	48.944	48.944	48.944
PT TDS Technology ⁽²²⁾⁽²⁴⁾⁽²⁹⁾ 7 December 2011 Indonesia	Motion control solutions	IDR878,900,000	36.71	36.71	36.71	36.71
SDL Control (Penang) Sdn Bhd ⁽⁶⁾ 11 September 2013 Malaysia	Motion control solutions	MYR2	61.18	61.18	61.18	61.18

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
SDL Control (KL) Sdn Bhd ⁽⁶⁾ 28 August 2013 Malaysia	Motion control solutions	MYR2	61.18	61.18	61.18	61.18
Agri Source Pte Ltd ⁽¹⁾ 21 May 2010 Singapore	Investment holdings	S\$250,000	100	100	100	100
RLM Pte Ltd ⁽²⁵⁾⁽³⁰⁾ 5 October 2010 Singapore	Inactive	S\$100,000	50	50	–	–
ISDN Resource Pte Ltd ⁽¹⁾ 17 April 2013 Singapore	Investment holdings	S\$500,000	100	100	100	100
ISDN Energy Pte Ltd (formerly known as ISDN Myanmar Energy Pte Ltd) ⁽¹⁾ 17 April 2013 Singapore	Inactive	S\$1,000	100	100	100	51
ISDN Myanmar Power Pte Ltd ⁽¹⁾ 16 May 2013 Singapore	Inactive	S\$1	100	100	100	100
Aenergy Holdings Company Limited ^{(8) (27)} 27 March 2013 Hong Kong	Investment holdings	HK\$18,181	100	55	55	–
LAA Energy HK Company Limited 2 August 2013 Hong Kong	Investment holdings	HK\$1	100	100	100	100

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
ISDN Myanmar Infrastructure Investment Pte. Ltd 20 June 2014 Singapore	Inactive	S\$1	–	100	100	100
ISDN Bantaeng Pte Ltd 27 July 2015 Singapore	Investment holdings	S\$10	–	–	60	60
PT Potensia Tomini Energi ⁽²⁴⁾⁽²⁷⁾ 26 June 2013 Indonesia	Inactive	IDR10,000,000,000	80	44	44	–
PT Charma Paluta Energy ⁽²⁴⁾⁽²⁷⁾ 6 October 2008 Indonesia	Construction of a mini hydropower plant in progress	IDR3,600,000,000	–	44	44	–
PT SDM Bahagia Sejahtera ⁽²⁴⁾⁽²⁷⁾ 27 July 2010 Indonesia	Investment holdings	IDR20,000,000,000	–	52.25	52.25	–
PT Abantes Energi Indonesia ⁽²⁷⁾ 7 February 2014 Indonesia	Inactive	IDR20,000,000,000	–	–	26.95	–
PT Simalem Bumi Energi ⁽²⁷⁾ 7 July 2014 Indonesia	Inactive	IDR20,000,000,000	–	–	26.95	–
PT Senina Hidro Energi ⁽²⁷⁾ 7 July 2014 Indonesia	Inactive	IDR20,000,000,000	–	–	26.95	–

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
PT Karo Bumi Energi ⁽²⁷⁾ 7 July 2014 Indonesia	Inactive	IDR20,000,000,000	–	–	26.95	–
PT Galang Hidro Energi ⁽²⁷⁾ 7 July 2014 Indonesia	Inactive	IDR20,000,000,000	–	–	26.95	–
PT LAA Energy ⁽²⁴⁾ 4 April 2014 Indonesia	Inactive	IDR140,100,000,000	–	90	90	90
Agri Source Farms Sdn Bhd ⁽⁶⁾ 21 July 2010 Malaysia	Inactive	MYR600,000	100	100	100	100
Agri Source Suzhou Co., Ltd ⁽¹¹⁾ 蘇州愛耕農莊有限公司 30 July 2010 PRC	Inactive	US\$4,000,000	100	100	100	100
Dietionary Farm Holding Pte Ltd ⁽¹⁾ 19 March 2012 Singapore	Investment holdings	S\$1,200,000	51	51	51	100
Prima Infrastructure Sdn Bhd ⁽⁷⁾⁽³¹⁾ 27 August 2014 Malaysia	Land holding	MYR500,000	–	49	49	49
Dietionary Farms Sdn Bhd ⁽⁶⁾ 20 June 2012 Malaysia	Carrying out hydroponic growing with the application of our in-house motion control solutions	MYR350,000	51	51	51	100

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at 30 June
			2013	2014	2015	2016
			%	%	%	%
Jin Zhao Yu Pte Ltd ⁽¹⁾ 6 March 2014 Singapore	Inactive	S\$3,000	–	–	51	51
PT Leaptron Armadatrans International ⁽²³⁾ 8 July 2015 Indonesia	Inactive	IDR33,330,000,000	–	–	49	–
PT ISDN Bantaeng Cooperation 8 October 2015 Indonesia	Inactive	IDR14,623,000,000	–	–	51	51
PT Punggawa Datar Energy ⁽²⁷⁾ 22 December 2014 Indonesia	Inactive	IDR14,375,000,000	–	–	25.60	–
Suzhou Dirak Co., Ltd ⁽²⁾⁽²⁶⁾ 蘇州戴樂克工業鎖具有限公司 18 September 2001 PRC	Other specialised engineering solutions	US\$210,000	49	49	49	49
Suzhou D Snap Technologies Co., Ltd ⁽¹⁵⁾⁽²⁶⁾ 蘇州德仕耐五金技術有限公司 11 January 2008 PRC	Other specialised engineering solutions	US\$700,000	49	49	49	49
Taiwan Dirak Co., Ltd ⁽²⁶⁾ 12 September 2007 Republic of China (Taiwan)	Other specialised engineering solutions	TWD5,000,000	29.89	29.89	29.89	29.89

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Registered/ issued and fully paid share capital	Effective equity interest held by the Group			
			As at 31 December			As at
			2013	2014	2015	30 June
		As at 30 June 2016	2013	2014	2015	2016
			%	%	%	%
Zhuzhou Dirak Technology Co., Ltd ⁽²⁶⁾ 株洲戴樂克科技有限公司 14 August 2015 PRC	Other specialised engineering solutions	RMB5,080,000	–	–	29.4	29.4
Beijing Dirak Co., Ltd ⁽²⁶⁾ 北京戴樂克工業鎖具有限公司 24 September 2004 PRC	Other specialised engineering solutions	RMB500,000	31.85	31.85	31.85	31.85
Dirak (Shanghai) Co., Ltd ⁽²⁶⁾ 上海戴喆國際貿易有限公司 24 June 2015 PRC	Inactive	RMB100,000	–	–	49	49
PT Leaptron Engineering 30 January 2014 Indonesia	Inactive	IDR4,860,400,000	–	100	100	100
SDHK (Shenzhen) Technology Co., Ltd 鈞匯(深圳)科技有限公司 27 April 2016 PRC	Inactive	RMB1,000,000	–	–	–	100

II. NOTES TO FINANCIAL INFORMATION (Continued)**15 INVESTMENTS IN SUBSIDIARIES (Continued)**

- (1) Audited by Moore Stephens LLP Singapore
- (2) Audited by Justice United Certified Public Accountants (蘇州市嘉泰聯合會計師事務所)
- (3) Audited by Justice United Certified Public Accountants (蘇州市嘉泰聯合會計師事務所) for the year ended 31 December 2015
- (4) Audited by Justice United Certified Public Accountants (蘇州市嘉泰聯合會計師事務所) for the years ended 31 December 2013 and 2014
- (5) Audited by A.S.K.N. International Audit Services Co., Ltd.
- (6) Audited by Moore Stephens Associates & Co
- (7) Audited by Moore Stephens Associates & Co for the year ended 31 December 2015
- (8) Audited by Moore Stephens CPA Limited
- (9) Audited by K.W.WAN & Company Certified Public Accountant for the year ended 31 December 2013
- (10) Audited by Jiangsu Suyu Jincheng Certified Public Accountants (江蘇蘇亞金誠會計師事務所)
- (11) Audited by Jiangsu Suyu Jincheng Certified Public Accountants (江蘇蘇亞金誠會計師事務所) for the years ended 31 December 2013 and 2014
- (12) Audited by Shanghai Runda Certified Public Accountants Co., Ltd. (上海潤達會計師事務所) for the year ended 31 December 2013
- (13) Audited by Shanghai Zhongqiao Certified Public Accountants (上海中僑會計師事務所) for the years ended 31 December 2014 and 2015
- (14) Audited by Shanghai Shenya Certified Public Accountants Co., Ltd. (上海申亞會計師事務所有限公司)
- (15) Audited by Hua Rui Certified Public Accountants Partnership (江蘇華瑞會計師事務所有限公司)
- (16) Audited by Ernst & Young LLP Singapore
- (17) Audited by Qingdao Zhenqing Certified Public Accountants Co., Ltd. Shanghai Branch (青島振青會計師事務所上海分所)
- (18) Audited by Qingdao Zhenqing Certified Public Accountants Co., Ltd. Shanghai Branch (青島振青會計師事務所上海分所) for the year ended 31 December 2013 and 2014
- (19) Audited by AS Auditing Company for the years ended 31 December 2013 and 2014, and by Founders Asia Consulting Auditing Co., Ltd. for the year ended 31 December 2015
- (20) Audited by Shenzhen Yongxin Ruihe Certified Public Accountants (深圳永信瑞和會計師事務所)
- (21) Audited by Shanghai Zhi Qun CPA Firm (上海致群會計師事務所) for the year ended 31 December 2013, and by Shanghai Dingye Accounting Firm (上海鼎業會計師事務所) for the years ended 31 December 2014 and 2015
- (22) Audited by Achmad, Rasyid, Hisbullah & Jerry Register Public Accountants for the year ended 31 December 2013
- (23) Audited by Ahmad Raharjo Utomo Registered Public Accountant for the year ended 31 December 2015

II. NOTES TO FINANCIAL INFORMATION (Continued)**15 INVESTMENTS IN SUBSIDIARIES (Continued)**

The Company through its wholly-owned subsidiary, ISDN Resource, entered into a partnership agreement with the non-controlling interest. According to the partnership agreement, the non-controlling interest, who has a shareholding of 51% of the entity, undertakes that it will vote in conjunction with ISDN Resource's vote in the general meeting of shareholders of the entity. Consequently, management was of the view that the Group has the power to direct and manage the entity's relevant operating and financing activities on a day to day basis; and affect the entity's returns as a whole by exercising its control. Based on the above, management was of the view that the Group can exercise control over this entity.

This entity becomes an associate as at 30 June 2016. For details, please refer to Note 15 (d).

(24) Audited by Ahmad Raharjo Utomo Registered Public Accountant for the year ended 31 December 2014

(25) Audited by Moore Stephens LLP Singapore for the year ended 31 December 2013

(26) Collectively referred to "Dirak Asia subgroup"

The entity has two directors whereby one of them is the Company's managing director who owns 1% interest in Dirak Asia while the other one is appointed by the 50% non-controlling interest. The Group considers that it controls the composition of the majority of the board of the entity as the chairman of both the directors' meetings and general meetings is the managing director of the Company. In case of an equality of votes in these meetings, the chairman of these meetings shall be entitled to a second or casting vote and he will vote in conjunction with the Group. The Company's managing director undertakes that he will vote alongside the Company.

Accordingly, management is of the view that the Group is able to exercise control through directing and managing this subgroup's relevant business, sales, customers, and other operating and financing activities on a day to day basis; and affecting this subgroup's returns as a whole.

(27) Collectively referred to "Aenergy subgroup"

For the years ended 31 December 2014 and 2015, the Group held 55% of Aenergy which held more than 50% of voting rights of PT Potensia Tomini Energi, PT Charma Paluta Energy and PT SDM Bahagia Sejahtera. Therefore, management was of the view that the Group controlled these entities.

The non-controlling interest for the rest of the entities of Aenergy subgroup, including PT Abantes Energi Indonesia, PT Simalem Bumi Energi, PT Senina Hidro Energi, PT Karo Bumi Energi, PT Galang Hidro Energi and PT Punggawa Datar Energy, who has a shareholding range from 31% to 39% in each of these entities, undertakes that it will vote in conjunction with Aenergy's vote in the general meeting of shareholders of these entities.

All members of this subgroup became associates as at 30 June 2016. For details, please refer to Note 16.

(28) Maxon Motor (Suzhou) Co., Ltd/Maxon Electronic Machine International Trade (Shanghai) Co., Ltd

The Group controls the entity because the legal representative of the entity is one of the executive directors of the Company who can exercise his ability of directing and managing the entity's relevant business, sales, customers, and other operating and financing activities on a day to day basis and affecting the entity's returns as a whole by exercising its control. The non-controlling interest also has no substantive power to remove the legal representative from the entity.

Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd

The Group controls the entity because the legal representative of the entity, who holds 88% of the equity share of the non-controlling interest, undertakes that he will vote in conjunction with the Group through its subsidiary (i.e. the non-controlling interest), in the general meeting of the shareholders of the entity. This legal representative is also the general manager of the entity, who makes the key decisions to direct and manage the entity's relevant business, sales, customers, and other operating and financing activities on a day to day basis.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

- (29) The Group holds more than 50% of the intermediate/immediate holding company which holds more than a majority of voting rights of the entity.
- (30) Two out of three directors in the board of Eisele Asia Co., Ltd and the sole director of RLM Pte Ltd are/was appointed by the Group. Accordingly, management is of the view that it controls the composition of the majority of the board of Eisele Asia Co., Ltd and the board of RLM Pte Ltd. Consequently, the Group has the power to direct and manage the entities' relevant activities (i.e. financing and operating activities) on a day to day basis; and affect the entity's returns as a whole by exercising its control. Based on above, management is of the view that the Group can exercise control over these entities.
- (31) The Group controls the composition of the majority of the board of the entity (i.e. two out of three directors in the board of the entity are appointed by the Group); and the Group provides majority of the funding to the entity. Consequently, management is of the view that the Group has the power to direct and manage the entity's relevant operating activities on a day to day basis; and affect the entity's returns as a whole by exercising its control. Based on above, management is of the view that the Group can exercise control over the entity.

Interests in subsidiaries with material non-controlling interests are disclosed below:

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 interest			
	FY2013	FY2014	FY2015	FP2016	FY2013	FY2014	FY2015	1H2016	FY2013	FY2014	FY2015	FP2016
					S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Dirak Asia subgroup Singapore	51%	51%	51%	51%	320	533	237	59	4,882	5,453	5,759	5,495
Aenergy subgroup Hong Kong	-	45%	45%	-	-	(291)	(632)	-	-	4,056	4,914	-
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") PRC	50%	50%	50%	50%	1,940	2,073	3,477	1,196	3,248	3,162	4,444	2,073
Individual immaterial subsidiaries with non- controlling interests					41	1,222	(412)	(225)	3,643	4,983	4,424	4,475
Total					2,301	3,537	2,670	1,030	11,773	17,654	19,541	12,043

* FP2016 – as at 30 June 2016

** 1H2016 – six months ended 30 June 2016

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

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			
	FY2013	FY2014	FY2015	1H2016	FY2013	FY2014	FY2015	1H2016	FY2013	FY2014	FY2015	1H2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Summarised statement of comprehensive income</u>												
Revenue	15,035	17,607	21,092	8,611	-	-	-	-	25,722	31,359	39,079	20,344
Profit/(loss) before income tax	994	1,499	966	(48)	(73)	(647)	(1,405)	-	5,268	5,553	9,305	3,344
Income tax expense	(367)	(455)	(501)	163	-	-	-	-	(1,388)	(1,406)	(2,350)	(952)
Profit/(loss) after tax and total comprehensive income/(loss)	<u>627</u>	<u>1,044</u>	<u>465</u>	<u>115</u>	<u>(73)</u>	<u>(647)</u>	<u>(1,405)</u>	<u>-</u>	<u>3,880</u>	<u>4,147</u>	<u>6,955</u>	<u>2,392</u>
<u>Summarised statement of financial position</u>												
<u>Current</u>												
Assets	13,956	12,981	15,950	15,052	891	7,735	8,712	-	12,245	12,720	16,959	19,830
Liabilities	(5,858)	(3,790)	(6,182)	(5,618)	(1,692)	(1,331)	(3,977)	-	(5,990)	(6,562)	(8,196)	(15,906)
Net current assets	<u>8,098</u>	<u>9,191</u>	<u>9,768</u>	<u>9,434</u>	<u>(801)</u>	<u>6,404</u>	<u>4,735</u>	<u>-</u>	<u>6,255</u>	<u>6,158</u>	<u>8,763</u>	<u>3,924</u>
<u>Non-current</u>												
Assets	1,474	1,501	1,721	1,566	738	2,609	6,185	-	240	167	124	222
Liabilities	-	-	(196)	(225)	-	-	-	-	-	-	-	-
Net non-current assets	<u>1,474</u>	<u>1,501</u>	<u>1,525</u>	<u>1,341</u>	<u>738</u>	<u>2,609</u>	<u>6,185</u>	<u>-</u>	<u>240</u>	<u>167</u>	<u>124</u>	<u>222</u>
Net assets	<u>9,572</u>	<u>10,692</u>	<u>11,293</u>	<u>10,775</u>	<u>(63)</u>	<u>9,013</u>	<u>10,920</u>	<u>-</u>	<u>6,495</u>	<u>6,325</u>	<u>8,887</u>	<u>4,146</u>
<u>Other summarised information</u>												
Cash flow generated from/(used in) operating activities	<u>90</u>	<u>609</u>	<u>2,955</u>	<u>(481)</u>	<u>(162)</u>	<u>(633)</u>	<u>1,349</u>	<u>-</u>	<u>4,979</u>	<u>3,288</u>	<u>6,482</u>	<u>1,269</u>
Cash flow generated from/(used in) investing activities	<u>(469)</u>	<u>(605)</u>	<u>(810)</u>	<u>(185)</u>	<u>-</u>	<u>(2,254)</u>	<u>(3,758)</u>	<u>-</u>	<u>30</u>	<u>(30)</u>	<u>(49)</u>	<u>(124)</u>
Cash flow generated from/(used in) financing activities	<u>(407)</u>	<u>(18)</u>	<u>(506)</u>	<u>332</u>	<u>(612)</u>	<u>8,482</u>	<u>3,751</u>	<u>-</u>	<u>(3,925)</u>	<u>(4,425)</u>	<u>(4,479)</u>	<u>-</u>
Dividends paid to non-controlling interests during the year	<u>-</u>	<u>126</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,963</u>	<u>2,213</u>	<u>2,240</u>	<u>-</u>
Acquisition of property, plant and equipment	<u>469</u>	<u>631</u>	<u>821</u>	<u>185</u>	<u>738</u>	<u>2,253</u>	<u>3,194</u>	<u>-</u>	<u>30</u>	<u>29</u>	<u>49</u>	<u>124</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)**15 INVESTMENTS IN SUBSIDIARIES (Continued)**

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\$3,563,000, S\$2,503,000, S\$4,448,000 and S\$5,542,000 held by Maxon Suzhou in PRC as at 31 December 2013, 2014 and 2015 and 30 June 2016 are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

(a) Incorporation, share subscription and disposal of Aenergy Holdings Company Limited ("Aenergy")

During the year ended 31 December 2013, the Company, through its wholly-owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investments"), a 100% subsidiary of the Group, incorporated Aenergy in Hong Kong.

During the 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. Therefore, the Company's interest in Aenergy decreased from 100% to 55% as at 31 December 2014 and the effective equity interest held by the Group in Aenergy subgroup also decreased.

During the year ended 31 December 2015, 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 31 December 2015. This amount has been converted by the non-controlling interests as equity contribution in Aenergy during the six months period ended 30 June 2016. No changes on shareholdings arise from this transaction, Aenergy remains a subsidiary of the Company with a non-controlling interest of 45% and the effective equity interest held by the Company in Aenergy subgroup also remains unchanged.

On 30 June 2016, the Company's wholly owned subsidiary, ISDN Investments Pte Ltd ("ISDN Investments"), entered into a sale and purchase agreement (the "SPA") with Mr Robert (the "Purchaser"), to dispose of its 3,181 ordinary shares in Aenergy representing approximately 17.5% of the total issued share capital of Aenergy (the "Sale Shares") to the Purchaser, upon the terms of the SPA (the "Disposal"). The aggregate consideration is US\$2.6 million (S\$3.6 million) has been recorded as other receivables and will be paid on or before 31 March 2017.

The Disposal had been completed on 30 June 2016. Upon completion of the Disposal, ISDN Investments' shareholding interest in Aenergy was reduced to approximately 37.5%. As a result, Aenergy ceased to be a subsidiary of the Company and the financial position and operating results of Aenergy and its subsidiaries ceased to be consolidated as subsidiaries into the Group from 30 June 2016 onwards.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Incorporation, share subscription and disposal of Aenergy Holdings Company Limited ("Aenergy") (Continued)

Analysis of assets and liabilities over the disposal of 17.5% ownership interest

	As at 30 June 2016
	<u>S\$'000</u>
Cash and cash equivalents	4,631
Receivables	8,790
Property, plant and equipment	7,291
Payables	<u>(2,680)</u>
Net assets disposed of	<u>18,032</u>
Net assets disposed of 17.5% ownership interest	<u><u>3,156</u></u>
Non-controlling interest as at the date of disposal of 45%	<u><u>8,114</u></u>

Gain on disposal of 17.5% ownership interest

	As at 30 June 2016
	<u>S\$'000</u>
Consideration receivable	3,567
Net assets disposed of 17.5% ownership interest	<u>(3,156)</u>
Gain on disposal (Note 5)	<u><u>411</u></u>

The net cash outflow on disposal of subsidiary of S\$4,631,000 as shown in the consolidated statements of cash flows solely represents the cash and cash equivalents of Aenergy as of the date of disposal.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries

PT Potensia Tomini Energi ("PT PTE")

During the year ended 31 December 2013, Aenergy, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement to acquire 80% equity interest in PT PTE from third parties for an aggregate consideration of approximately S\$1,037,000. Accordingly, PT PTE became a subsidiary of the Group with an effective interest of 80%. The fair value of the assets and liabilities relating to PT PTE and the impact of the acquisition on the cash flows of the Group are as follows:

	2013
	S\$'000
Other receivables	1,296
Total identifiable net assets at fair value	1,296
Consideration transferred – cash	1,037
Plus: non-controlling interest	259
Less: fair value of identifiable net assets acquired	(1,296)
Goodwill arising on acquisition	–

As at 31 December 2013, PT PTE had not commenced operations. PT PTE contributed revenue of S\$Nil and loss of S\$41,000 to the Group for the period between the date of acquisition and 31 December 2013. If the acquisition had been completed on 1 January 2013, total Group's revenue for the year ended 31 December 2013 would have been S\$169,551,000, and profit for the year would have been S\$6,749,000. Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

PT Charma Paluta Energy ("PT Charma")

During the year ended 31 December 2014, Aenergy, a subsidiary of the Group, entered into a sale and purchase agreement to acquire 80% equity interest in PT Charma from third parties for an aggregate consideration of approximately S\$568,000. Accordingly, PT Charma became a subsidiary of the Group with an effective interest of 44%.

The impact of the acquisition on the cash flows of the Group is as follows:

	2014
	S\$'000
Freehold land	308
Cash and cash equivalent	4
Other receivables	825
Liabilities	(427)
Total identifiable net assets at fair value	710
Consideration transferred – cash	568
Plus: non-controlling interest	142
Less: fair value of identifiable net assets acquired	(710)
Goodwill arising on acquisition	–

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries (Continued)

PT Charma Paluta Energy ("PT Charma") (Continued)

Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

From the acquisition date, no revenue was generated by PT Charma and it incurred costs of S\$163,000 for the year ended 31 December 2014. If the business combination had taken place at the beginning of the year ended 31 December 2014, there would be no material impact on the financial performance of the Group.

PT SDM Bahagia Sejahtera ("PT SDM")

During the year ended 31 December 2014, Aenergy, a subsidiary of the Group, entered into a sale and purchase agreement to acquire 95% equity interest in PT SDM from third parties for an aggregate consideration of approximately S\$11,000. Accordingly, PT SDM became a subsidiary of the Group with an effective interest of 52.25%.

The impact of the acquisition on the cash flows of the Group is as follows:

	2014
	<u>S\$'000</u>
Cash and cash equivalent	8
Other receivables and prepayments	4
	<u>12</u>
Total identifiable net assets at fair value	12
Consideration transferred – cash	11
Plus: non-controlling interest	1
Less: fair value of identifiable net assets acquired	<u>(12)</u>
Goodwill arising on acquisition	<u>–</u>

Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

As at 31 December 2014, PT SDM had not commenced operations. If the business combination had taken place at the beginning of the year ended 31 December 2014, there would be no material impact on the financial performance of the Group.

Prima Infrastructure Sdn Bhd ("Prima Infrastructure")

During the year ended 31 December 2014, Agri Source Pte. Ltd., a subsidiary of the Group, entered into a sale and purchase agreement to acquire 49% equity interest in Prima Infrastructure from third parties for an aggregate consideration of approximately S\$16. Management is of the view that the Group controls Prima Infrastructure as it is exposed, or has rights, to variable returns from its involvement with Prima Infrastructure and has the ability to affect those returns through its power over Prima Infrastructure. Accordingly, Prima Infrastructure became a subsidiary of the Group with an effective interest of 49%.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries (Continued)

Prima Infrastructure Sdn Bhd ("Prima Infrastructure") (Continued)

The impact of the acquisition on the cash flows of the Group is as follows:

	2014
	<u>S\$'000</u>
Cash and cash equivalent	3
Other receivables and prepayments	160
Other payables	<u>(163)</u>
Total identifiable net assets at fair value	<u>–</u>
Consideration transferred – cash	–
Plus: non-controlling interest	–
Less: fair value of identifiable net assets acquired	<u>–</u>
Goodwill arising on acquisition	<u><u>–</u></u>

Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

As at 31 December 2014, Prima Infrastructure has not commenced operations. If the business combination had taken place at the beginning of the year ended 31 December 2014, there would be no material impact on the financial performance of the Group.

ISDN Bantaeng Pte. Ltd. ("ISDN Bantaeng")

During the year ended 31 December 2015, ISDN Investments, a directly wholly owned subsidiary of the Group, entered into a sale and purchase agreement to acquire 100% equity interest in ISDN Bantaeng from third parties for an aggregate consideration of approximately S\$10. Later in the same year, ISDN Investments reduced its stake in ISDN Bantaeng by transferring 40% equity interest to a third party. Accordingly, PT SDM became a subsidiary of the Group with an effective interest of 60%.

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries (Continued)

ISDN Bantaeng Pte. Ltd. ("ISDN Bantaeng") (Continued)

The impact of the acquisition on the cash flows of the Group is as follows:

	2015
	S\$
Cash and cash equivalent	10
Total identifiable net assets at fair value	10
Consideration transferred – cash	10
Plus: non-controlling interest	–
Less: fair value of identifiable net assets acquired	(10)
Goodwill arising on acquisition	–

Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

As at 31 December 2015, ISDN Bantaeng had not commenced operations. If the business combination had taken place at the beginning of the year ended 31 December 2015, there would be no material impact on the financial performance of the Group.

Jin Zhao Yu Pte. Ltd ("Jin Zhao Yu")

During the year ended 31 December 2015, ISDN Resource Pte. Ltd ("ISDN Resource"), a subsidiary of the Group, entered into a sale and purchase agreement to acquire 51% equity interest in Jin Zhao Yu from third parties for an aggregate consideration of approximately S\$1. Accordingly, Jin Zhao Yu became a subsidiary of the Group with an effective interest of 51%.

The impact of the acquisition on the cash flows of the Group is as follows:

	2015
	S\$'000
Cash and cash equivalent	3
Liabilities	(3)
Total identifiable net liabilities at fair value	–
Consideration transferred – cash	–
Plus: non-controlling interest	–
Less: fair value of identifiable net liabilities acquired	–
Goodwill arising on acquisition	–

Non-controlling interest was measured at the non-controlling interest's proportionate share of the identifiable net assets.

As at 31 December 2015, Jin Zhao Yu had not commenced operations. If the business combination had taken place at the beginning of the year ended 31 December 2015, there would be no material impact on the financial performance of the Group.

II. NOTES TO FINANCIAL INFORMATION (Continued)**15 INVESTMENTS IN SUBSIDIARIES (Continued)****(c) Dissolution, deregistration and dilution of subsidiaries**

During the year ended 31 December 2013, USAS Motion Company Limited, a 95% subsidiary of the Group had dissolved.

During the year ended 31 December 2014, Hefei Hongchengsheng Machinery & Equipment Co., Ltd had deregistered.

During the year ended 31 December 2015, Chongqing Junzhi Automatic Instrument Control Co., Ltd and RLM Pte Ltd had deregistered.

On 26 April 2016, a subsidiary of the Group, ISDN Energy Pte Ltd ("ISDN Energy"), increased its issued and paid-up share capital by the allotment and issuance of an additional 999 shares at S\$1.00 each to the following parties: (a) 509 shares to ISDN Investments, a wholly-owned subsidiary of the Company; and (b) 490 shares to M&M Resources Investment Pte Ltd, an independent third party. Following the allotment, the issued and paid up share capital of ISDN Energy has increased from S\$1 to S\$1,000 divided into 1,000 shares and the Group's effective interest in ISDN Energy has been reduced from 100% to 51%.

(d) Termination of partnership agreement

During the financial year ended 31 December 2015, the Company's wholly-owned subsidiary, ISDN Resource, together with a third party Indonesian company incorporated PT Leaptron Armadatrans International ("PTLAI") under a partnership agreement entered by both parties. Management was of the view that the Group can exercise control over the entity through the partnership agreement with evidenced through, among others, (i) its ability of directing and managing the entity's relevant operating and financing activities on a day to day basis; and (ii) its ability of affecting the entity's returns as a whole by exercising its control. The non-controlling interest, who has a shareholding of 51% of PTLAI, undertakes that it will vote in conjunction with ISDN Resources's vote in the general meeting of shareholders of PTLAI. As a result, the Group has substantive rights during the financial year ended 31 December 2015 over PTLAI, and consequently, PTLAI was consolidated as subsidiary during the financial year ended 31 December 2015.

During the six months ended 30 June 2016, the above-mentioned partnership agreement was terminated and the Group remains to have significant influence over PTLAI. As a result, PTLAI ceased to become a subsidiary of the Company and the financial position and operating results of PTLAI ceased to be consolidated as subsidiary into the Group from 30 June 2016 onwards. No gain/loss on disposal arises from this termination.

The impact of the disposal on the cash flows of the Group is as follows:

	2016
	<u>S\$'000</u>
Trade and other receivables	773
Trade and other payables	<u>(773)</u>
Net assets disposed of	–
Consideration transferred – cash	<u>–</u>
Gain/loss of disposal	<u><u>–</u></u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES

	Group			
	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Equity shares, at cost	1,688	1,773	1,798	9,445
Share of post-acquisition profits	2,731	3,748	4,543	4,067
Share of dividends paid	(509)	(707)	(1,105)	(1,210)
Translation adjustment	(285)	(274)	(291)	(324)
	3,625	4,540	4,945	11,978
Loans to associates	88	88	88	88
	<u>3,713</u>	<u>4,628</u>	<u>5,033</u>	<u>12,066</u>
	Company			
	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Equity shares, at cost	*	*	*	*
Share of post-acquisition profits	–	–	–	–
Share of dividends paid	–	–	–	–
Translation adjustment	–	–	–	–
	*	*	*	*
Loans to associates	31	31	31	31
	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>

* Less than S\$1,000

As at 31 December 2013, 2014 and 2015 and 30 June 2016, interests in associates includes goodwill of S\$125,000 for each year/period.

II. NOTES TO FINANCIAL INFORMATION (Continued)**16 INTERESTS IN ASSOCIATES (Continued)**

During the years ended 31 December 2013, 2014 and 2015, Prestech Industrial Automation Pte Ltd declared and paid a tax-exempt (one-tier) final dividend of S\$0.37, S\$0.37 and S\$0.58 per ordinary share in respect of the year ended 31 December 2012, 2013 and 2014.

Schneeberger Linear Technology Pte Ltd ("Schneeberger Linear") is 50:50 owned by a wholly-owned subsidiary of the Company, Motion Control and Schneeberger Holding AG ("Schneeberger Holding"). Under an agreement entered into by Motion Control 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, Motion Control and Schneeberger Holding are obliged to sell or purchase their shareholdings in the associate company when certain criteria were met.

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

During the years ended 31 December 2013, 2014 and 2015, Schneeberger Linear declared and paid a tax-exempt (one-tier) final dividend of S\$450.74, S\$276.04 and S\$246.66 per ordinary share in respect of the years ended 31 December 2012, 2013 and 2014. During the year ended 31 December 2015, the Company and Schneeberger Linear have converted this final dividend to loan to associate (Note 18(e)).

During the year ended 31 December 2015, Maxon Motor Taiwan Co., Ltd declared and paid a tax-exempt (one-tier) final dividend of S\$0.72 per ordinary share in respect of the year ended 31 December 2014.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes.

Aenergy subgroup

	As at 30 June 2016
	<u>S\$'000</u>
Current assets	13,421
Non-current assets	7,291
Current liabilities	(2,680)
Non-current liabilities	–
Non-controlling interests	227
	<u>227</u>
	For the six months ended 30 June 2016
	<u>S\$'000</u>
Revenue	–
Loss for the period	(126)
Total comprehensive income	<u>–</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES (Continued)

Aenergy subgroup (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy subgroup recognised in the consolidated financial statements:

	As at 30 June 2016
	<u>S\$'000</u>
Net assets of the associates	18,032
Proportion of the Group's ownership	<u>37.5%</u>
Carrying amount of the Group's interest in Aenergy subgroup	<u><u>6,762</u></u>

Aggregate financial information in respect of the Group's associates that are not individually material:

	Group			As at 30 June
	As at 31 December			2016
	2013	2014	2015	2016
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
The Group's share of profit/(loss)	604	1,054	795	(476)
The Group's share of other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
The Group's share of total comprehensive income	<u>604</u>	<u>1,054</u>	<u>795</u>	<u>(476)</u>
Aggregate carrying amount of the Group's interests in these associates	<u>3,713</u>	<u>4,628</u>	<u>5,033</u>	<u>5,304</u>

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

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES (Continued)

Aenergy subgroup (Continued)

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, date of incorporation, country of incorporation/ principal place of business	Principal activities	Effective equity interest held by the Group			
		As at 31 December			As at 30 June
		2013	2014	2015	2016
		%	%	%	%
W2Energy Pte Ltd 25 February 2009 Singapore	Inactive	35	35	35	35
Aenergy Holdings Company Limited ⁽¹¹⁾⁽¹³⁾ 27 March 2013 Hong Kong	Investment holdings	–	–	–	37.50
Maxon Motor Taiwan Co., Ltd ⁽¹⁰⁾ 13 September 2007 Republic of China (Taiwan)	Motion control solutions	50	50	50	50
DKM South Asia Pte Ltd ⁽⁸⁾ 15 May 2007 Singapore	Motion control solutions	35	35	35	35
Servo-matic Technology (M) Sdn Bhd ⁽⁸⁾ 31 March 2005 Malaysia	Motion control solutions	50	–	–	–
Precision Motion Control Philippines Inc. ⁽⁴⁾ 16 June 2005 Philippines	Motion control solutions	40	40	40	40
IDI Laser Services Pte Ltd ⁽⁵⁾ 21 December 1999 Singapore	Inactive	33.33	33.33	33.33	33.33
Prestech Industrial Automation Pte Ltd ⁽⁶⁾ 13 January 2006 Singapore	Motion control solutions	37.5	37.5	37.5	37.5
JM Vistec System Pte Ltd ⁽¹⁾ 14 September 2004 Singapore	Other specialised engineering solutions	40	40	40	40

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES (Continued)

Aenergy subgroup (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Effective equity interest held by the Group			
		As at 31 December			As at 30 June
		2013	2014	2015	2016
		%	%	%	%
Schneeberger Linear Technology Pte Ltd ⁽⁷⁾ 30 December 2010 Singapore	Motion control solutions	50	50	50	–
TDS Technology (Thailand) Company Limited ⁽³⁾ 8 October 2004 Thailand	Motion control solutions	30	28.15	28.15	28.15
JM Vistec (Suzhou) Co., Ltd ⁽²⁾ 今明視覺科技(蘇州)有限公司 18 August 2005 PRC	Other specialised engineering solutions	40	40	40	40
JM Vision Technologies Co., Ltd ⁽¹⁰⁾ 12 July 2010 Republic of China (Taiwan)	Other specialised engineering solutions	40	40	40	40
C True Vision Pte Ltd ⁽¹⁾ 7 August 2012 Singapore	Other specialised engineering solutions	40	40	40	40
JM Vistec System (Thailand) Co., Ltd ⁽⁹⁾ 23 November 2012 Thailand	Other specialised engineering solutions	19.6	19.6	19.6	19.6
PT Potensia Tomini Energi ⁽¹²⁾⁽¹³⁾ 26 June 2013 Indonesia	Inactive	–	–	–	30
PT Charma Paluta Energy ⁽¹²⁾⁽¹³⁾ 6 October 2008 Indonesia	Construction of a mini hydropower plant in progress	–	–	–	30
PT SDM Bahagia Sejahtera ⁽¹²⁾⁽¹³⁾ 27 July 2010 Indonesia	Investment holdings	–	–	–	35.63
PT Abantes Energi Indonesia ⁽¹²⁾⁽¹³⁾ 7 February 2014 Indonesia	Inactive	–	–	–	18.38
PT Simalem Bumi Energi ⁽¹²⁾⁽¹³⁾ 7 July 2014 Indonesia	Inactive	–	–	–	18.38

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES (Continued)

Aenergy subgroup (Continued)

Name, date of incorporation, country of incorporation/ principal place of business	Principal activities	Effective equity interest held by the Group			
		As at 31 December			As at
		2013	2014	2015	30 June
		%	%	%	2016
				%	
PT Senina Hidro Energi ⁽¹²⁾⁽¹³⁾ 7 July 2014 Indonesia	Inactive	–	–	–	18.38
PT Karo Bumi Energi ⁽¹²⁾⁽¹³⁾ 7 July 2014 Indonesia	Inactive	–	–	–	18.38
PT Galang Hidro Energi ⁽¹²⁾⁽¹³⁾ 7 July 2014 Indonesia	Inactive	–	–	–	18.38
PT Punggawa Datara Energy ⁽¹²⁾⁽¹³⁾ 22 December 2014 Indonesia	Inactive	–	–	–	17.46
PT Leaptron Armadatrans International 8 July 2015 Indonesia	Inactive	–	–	–	49

(1) Audited by Moore Stephens LLP Singapore

(2) Audited or reviewed by Suzhou Jia Tai Lian He CPA Firm (蘇州嘉泰聯合會計師事務所)

(3) Audited by TVT Absolution Co., Ltd

(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 Smile Audit Co

(10) Audited by Lin Hua CPA Firm (林華會計師事務所)

(11) Audited by Moore Stephens CPA Limited

(12) Audited by KAP Ahmad Raharjo Utomo

(13) Collectively referred to "Aenergy subgroup", the subgroup was a subsidiary as at 30 June 2016. For details, please refer to Note 15.

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 INTERESTS IN ASSOCIATES (Continued)

Aenergy subgroup (Continued)

Disposal of an associate

- (a) On 25 August 2014, the Company, through its wholly-owned subsidiary, Motion Control, entered into a sales and purchase agreement with certain individual to dispose 50% equity interest in Servo-matic Technology (M) Sdn Bhd ("STMSB") for a total consideration of RM264,000.

	As at 25 August
	2014
	S\$'000
Proceeds of disposal	102
Less: carrying amount of investment on the date of disposal	(25)
	<hr/>
Gain recognised on disposal of an associate (<i>Note 5</i>)	77
	<hr/> <hr/>

- (b) On 10 March 2016, the Company, through its wholly-owned subsidiary, MCG, entered into a sales and purchase agreement with Schneeberger Holding to dispose 500 ordinary shares in Schneeberger Linear representing 50.0% of all the ordinary shares in the share capital of Schneeberger Linear to Schneeberger Holding for a total consideration of S\$812,000. The Disposal had been completed on 17 March 2016.

	As at 30 June
	2016
	S\$'000
Proceeds of disposal	812
Less: carrying amount of investment on the date of disposal	(748)
	<hr/>
Gain recognised on disposal of an associate (<i>Note 5</i>)	64
	<hr/> <hr/>

Sale proceeds of S\$448,000 have been received in cash, the remaining balance of S\$364,000 has been recorded as other receivables at the 30 June 2016.

II. NOTES TO FINANCIAL INFORMATION (Continued)

17 INVENTORIES

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	S\$'000
Components parts	13,276	14,490	16,740	16,012
Finished goods	21,547	23,973	28,672	26,511
Work-in-progress	1,912	1,046	1,228	1,896
Goods-in-transit (finished goods)	123	748	885	972
Total inventories at cost	36,858	40,257	47,525	45,391
Less: allowance for inventory obsolescence	(5,121)	(5,645)	(6,670)	(6,919)
Total inventories at the lower of cost and net realisable value	<u>31,737</u>	<u>34,612</u>	<u>40,855</u>	<u>38,472</u>
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	<u>121,680</u>	<u>168,644</u>	<u>169,928</u>	<u>89,481</u>

The amounts of inventory obsolescence written-back and made during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 are disclosed in Note 5 and Note 7, respectively.

18 TRADE AND OTHER RECEIVABLES

Group	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables, net of impairment ^(a) :				
– note receivables ^(b)	5,814	7,174	7,336	11,614
– third parties	34,673	42,531	45,957	47,296
– associates	1,330	2,012	1,847	1,998
– related parties	857	650	814	848
	<u>42,674</u>	<u>52,367</u>	<u>55,954</u>	<u>61,756</u>
Other receivables:				
Funding to investee company ^(c)	1,847	6,394	7,820	4,343
Amount due from investor (Note 15(a))	–	–	–	3,567
Advances to				
– suppliers	3,327	3,762	3,284	3,664
– associates ^(d)	567	197	149	129
– related parties ^(d)	114	12	36	25
Deposits	327	707	671	657
Loans to associates ^(e)	341	479	1,031	1,029
Amount owing from a non-controlling interest ^(f)	209	83	–	–
Tax recoverable	116	125	–	–
Sundry debtors	2,022	2,833	3,457	3,182
	<u>8,870</u>	<u>14,592</u>	<u>16,448</u>	<u>16,596</u>
Prepayments	651	1,068	732	896
	<u>52,195</u>	<u>68,027</u>	<u>73,134</u>	<u>79,248</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

18 TRADE AND OTHER RECEIVABLES (Continued)

Company	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables:				
Funding to investee company ^(c)	246	–	–	–
Advances to subsidiaries	43	–	–	–
Tax recoverable	–	–	–	23
Sundry debtors	87	62	37	79
	376	62	37	102
Prepayments	5	3	2	8
	<u>381</u>	<u>65</u>	<u>39</u>	<u>110</u>

The aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	S\$'000
Within 30 days	20,783	26,780	28,281	34,194
31-90 days	10,854	14,203	15,424	16,945
Over 90 days	11,037	11,384	12,249	10,617
	<u>42,674</u>	<u>52,367</u>	<u>55,954</u>	<u>61,756</u>

(a) Trade receivables are non-interest bearing and are usually due within 30 – 90 days term. Included in trade receivables as at 31 December 2013, 2014 and 2015 and 30 June 2016 were trade receivables from third parties amounting to Nil, S\$692,000, S\$546,000 and S\$417,000, respectively, 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)

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	S\$'000
Funding to investee company				
Note (c)(i)	406	439	470	448
Note (c)(ii)	467	–	–	–
Note (c)(iii)	974	–	–	–
Note (c)(iv)	–	2,408	3,348	–
Note (c)(v)	–	3,492	3,947	3,895
Note (c)(vi)	–	55	55	–
	<u>1,847</u>	<u>6,394</u>	<u>7,820</u>	<u>4,343</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)**18 TRADE AND OTHER RECEIVABLES (Continued)**

- (i) The funding is secured by personal guarantees and shares pledged by the existing shareholders of an investee company and the amount is refundable on demand with 10% guaranteed return per annum.
- (ii) During the year ended 31 December 2013, the Group's wholly-owned subsidiary, ISDN Investments, provided US\$135,000 (equivalent to approximately S\$166,185) to an investee company as working capital pursuant to the signing of term sheet in August 2012. Additional advances of US\$231,170 (equivalent to approximately S\$301,048) was made by ISDN Investments to this investee company in the same year.

The funding shall be refunded to ISDN Investments at no interests if the investment risk or returns profile is not in favour to it.

During the year ended 31 December 2014, the subsidiary of the Group, PT SDM, has mutually agreed with the investee company to take over its project. Consequently, the receivable from this investee company was consolidated as part of the construction-in-progress to the Group.

- (iii) As at 31 December 2013, the funding shall be refunded to the Group at no interests if the investment risk or returns profile is not in favour to the Group.

During the financial year ended 31 December 2014, a wholly-owned subsidiary of the Group completed the acquisition of this investee company.

- (iv) For the year ended 31 December 2014, Aenergy funded S\$2,408,000 to two investee 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 year ended 31 December 2015, Aenergy has made additional fundings of S\$940,000 to these two investee 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 funding shall be refunded to Aenergy at no interests if the investment risk or returns profile is not in favour to it.

The amounts were deconsolidated as at 30 June 2016 as a result of disposal of 17.5% shares of Aenergy (Note 15(a)).

- (v) For the year ended 31 December 2014, ISDN Resource entered into mining operation agreement with two investee companies to which ISDN Resource will provide financing and other management related services to them. 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 year ended 31 December 2015, ISDN Resource has made an additional loan and advances of S\$455,000 to one of the abovementioned investee companies for working capital purpose.

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

- (vi) As at 31 December 2013 and 2014, the funding shall be refunded to the Group at no interests if the investment risk or returns profile is not in favour to the Group. The funding was fully repaid during the financial year ended 30 June 2016.

- (d) The advances to associates and related parties are non-trade, unsecured, interest-free, and are repayable on demand.
- (e) The loans to associates bear interest of 5% to 6%, 5% to 6%, 3.50% to 5% and 3.5% per annum for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively, and are unsecured and repayable on demand.
- (f) The amount owing from non-controlling interests is non-trade, unsecured, interest-free and repayable on demand.

II. NOTES TO FINANCIAL INFORMATION (Continued)

19 CASH AND CASH EQUIVALENTS

Group	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	31,535	33,170	34,034	30,977
Fixed deposits	10,019	4,323	5,062	1,228
	<u>41,554</u>	<u>37,493</u>	<u>39,096</u>	<u>32,205</u>
Effective interest rate per annum	<u>0.03%</u>	<u>0.03%</u>	<u>0.05% to 5.80%</u>	<u>0.14% to 5.80%</u>

Company	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	<u>3,710</u>	<u>327</u>	<u>331</u>	<u>264</u>

The fixed deposits have a maturity period of 1 to 12 months, 1 to 12 months, 1 to 6 months and 1 to 12 months for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively.

For the purposes of presentation in the consolidated statements of cash flows, the consolidated cash and cash equivalents comprise the following:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and bank balances	31,535	33,170	34,034	30,977
Fixed deposits	10,019	4,323	5,062	1,228
	<u>41,554</u>	<u>37,493</u>	<u>39,096</u>	<u>32,205</u>

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$12,224,000, S\$13,949,000, S\$14,578,000 and S\$18,119,000, respectively. The Chinese Renminbi is not freely convertible into other currencies. However, under PRC'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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

20 SHARE CAPITAL

	Issued and fully paid							
	No. of ordinary shares				Amount			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2013	2014	2015	2016	2013	2014	2015	2016
				S\$'000				
Group and Company								
At the beginning of year/period	301,319,950	361,049,950	361,049,950	361,049,950	44,855	63,925	63,925	63,925
Placement of shares ⁽¹⁾	59,730,000	-	-	-	18,892	-	-	-
Transfer of performance shares	-	-	-	-	178	-	-	-
At the end of year/period	<u>361,049,950</u>	<u>361,049,950</u>	<u>361,049,950</u>	<u>361,049,950</u>	<u>63,925</u>	<u>63,925</u>	<u>63,925</u>	<u>63,925</u>

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.

- (1) On 4 April 2013 and 8 May 2013, the Company completed and allocated 36,000,000 and 23,730,000 placement shares respectively, which rank pari passu in all respects with the existing ordinary shares in the capital of the Company as at the date of completion of these two placements. Total share placement proceeds was approximately S\$19.3 million.

21 WARRANTS ISSUE

	Issued and fully paid							
	No. of ordinary shares				Amount			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2013	2014	2015	2016	2013	2014	2015	2016
				S\$'000				
Group and Company								
At the beginning of year/period	-	179,972,475	179,972,475	179,972,475	-	3,384	3,384	3,384
Proceeds	179,972,475	-	-	-	3,600	-	-	-
Issue expense	-	-	-	-	(216)	-	-	-
At the end of year/period	<u>179,972,475</u>	<u>179,972,475</u>	<u>179,972,475</u>	<u>179,972,475</u>	<u>3,384</u>	<u>3,384</u>	<u>3,384</u>	<u>3,384</u>

On 11 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 market day immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 9 November 2018. There was no exercise of warrants during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016. As at 30 June 2016, the number of outstanding warrants amounted to 179,972,475.

II. NOTES TO FINANCIAL INFORMATION (Continued)

22 TREASURY SHARES

	Issued and fully paid							
	No. of ordinary shares				Amount			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2013	2014	2015	2016	2013	2014	2015	2016
				S\$'000				
Group and Company								
As at the beginning of year/period	1,105,000	1,105,000	6,365,000	6,365,000	162	162	1,517	1,517
Purchase of treasury shares	–	5,260,000	–	–	–	1,355	–	–
As at the end of year/period	<u>1,105,000</u>	<u>6,365,000</u>	<u>6,365,000</u>	<u>6,365,000</u>	<u>162</u>	<u>1,517</u>	<u>1,517</u>	<u>1,517</u>

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

During the year ended 31 December 2014, 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			
	31 December			30 June	31 December			30 June
	2013	2014	2015	2016	2013	2014	2015	2016
				S\$'000				
Merger reserve ^(a)	(436)	(436)	(436)	(436)	–	–	–	–
Exchange translation reserve ^(b)	313	602	944	(1,756)	–	–	–	–
Other reserves ^(c)	3,767	4,478	4,489	4,546	(178)	(178)	(178)	(178)
Retained earnings/(accumulated loss)	36,348	41,639	48,938	48,993	2,841	3,097	1,544	(2,416)
	<u>39,992</u>	<u>46,283</u>	<u>53,935</u>	<u>51,347</u>	<u>2,663</u>	<u>2,919</u>	<u>1,366</u>	<u>(2,594)</u>

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 in 2005.
- (b) The exchange translation reserve is used to record foreign exchange differences arising from the translation of the Financial Information 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

24 BANK BORROWINGS

Note	2013			2014			2015			2016		
	Unsecured	Secured	Total	Unsecured	Secured	Total	Unsecured	Secured	Total	Unsecured	Secured	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank loan #1	-	3,382	3,382	-	2,746	2,746	-	2,131	2,131	-	1,698	1,698
Bank loan #2	-	972	972	-	1,101	1,101	-	953	953	-	820	820
Bank loan #3	-	-	-	330	-	330	253	-	253	75	-	75
Bank loan #4	-	-	-	200	-	200	-	-	-	-	-	-
Bank loan #5	-	-	-	-	-	-	119	-	119	-	-	119
Bank loan #6	-	-	-	-	-	-	360	-	360	406	-	406
Bank loan #7	-	-	-	-	-	-	901	-	901	813	-	813
Bank loan #8	195	-	195	-	-	-	-	-	-	-	-	-
Bank loan #9	-	833	833	-	-	-	-	-	-	-	-	-
Bank loan #10	-	1,250	1,250	-	-	-	-	-	-	-	-	-
Bank loan #11	-	33	33	-	-	-	-	-	-	-	-	-
Bank loan #12	92	-	92	-	-	-	-	-	-	-	-	-
Bank loan #13	-	-	-	-	-	-	-	-	-	781	-	781
	287	6,470	6,757	530	3,847	4,377	1,633	3,084	4,717	2,075	2,518	4,593
Short-term loans #1	965	-	965	1,225	-	1,225	1,139	-	1,139	-	-	-
Short-term loans #2 (i)	4,080	-	4,080	1,787	-	1,787	-	-	-	-	-	-
Short-term loans #2 (ii)	730	-	730	1,643	-	1,643	3,410	-	3,410	3,077	-	3,077
Short-term loans #3	-	-	-	2,158	-	2,158	1,307	-	1,307	615	-	615
Short-term loans #4	-	-	-	322	-	322	347	-	347	-	-	-
Short-term loans #5	-	-	-	-	-	-	-	2,000	2,000	2,000	-	2,000
	5,775	-	5,775	7,135	3,847	10,982	6,203	2,000	8,203	4,362	2,000	6,362
Trust receipts #1	696	-	696	888	-	888	819	-	819	860	-	860
Trust receipts #2	149	-	149	-	-	-	-	-	-	-	-	-
	845	-	845	888	-	888	819	-	819	860	-	860
Account receivables	-	-	-	-	-	-	-	-	-	-	-	-
bulk factoring (Note 18)	-	-	-	692	-	692	546	-	546	417	-	417
Total borrowings	6,907	6,470	13,377	9,245	3,847	13,092	9,201	5,084	14,285	7,714	4,518	12,232
Non-current liabilities												
Repayable later than one year but not exceeding two years	-	814	814	162	-	162	97	-	97	101	-	101
Repayable later than two years but not exceeding five years	-	-	-	-	-	-	263	-	263	212	-	212
Current liabilities												
Repayable not later than one year	6,907	5,656	12,563	9,083	3,847	12,930	8,841	5,084	13,925	7,401	4,518	11,919
	6,907	6,470	13,377	9,245	3,847	13,092	9,201	5,084	14,285	7,714	4,518	12,232

II. NOTES TO FINANCIAL INFORMATION (Continued)**24 BANK BORROWINGS (Continued)**

- (a) Bank loan #1 is a 5-year term loan granted to a subsidiary. The 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 105%, 108%, 108% and 108% of the People's Bank of China's base rate per annum for the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2016, respectively.
- (b) Bank loan #2 is a 5-year term loan granted to a subsidiary. 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% for each of the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2016 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% per annum for the years ended 31 December 2014 and 2015, and six months ended 30 June 2016.
- (d) Bank loan #4 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 12 instalments commencing April 2014. Interest was charged at 2.90% per annum for the years ended 31 December 2014 and 2015. The loan was fully repaid during the year end 31 December 2015.
- (e) Bank loan #5 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 12 instalments commencing March 2015. Interest was charged at 2.90% per annum for the year ended 31 December 2015. The loan was fully repaid during the six months ended 30 June 2016.
- (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 for the year ended 31 December 2015 and six months ended 30 June 2016.
- (g) Bank loan #7 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan was repayable in 60 instalments commencing May 2015. Interest was charged at 3.50% per annum for the year ended 31 December 2015 and six months 30 June 2016.
- (h) Bank loan #8 granted to a subsidiary is repayable in 48 instalments commencing June 2010. The loan is secured by corporate guarantee provided by the Company. Interest is charged at 5% per annum for the years ended 31 December 2013 and 2014. The loan was fully repaid during the year ended 31 December 2014.
- (i) Bank loan #9, bank loan #10 and bank loan #11 are secured by a legal mortgage over the leasehold properties of a subsidiary (Note 11), investment properties of three subsidiaries (Note 12) and corporate guarantees provided by the Company.
- Bank loan #9 was originally granted as a 4-year term loan repayable in 6 half-yearly instalments with its first instalment due in February 2010. Each instalment payable was S\$1,666,667 with the last instalment being S\$1,666,665. During the year ended 31 December 2014, the loan tenor was extended by another 1.5 years from the date of acceptance and was restructured as a 5 half-yearly principal instalments of S\$833,333.34 each commencing from August 2011 and a final instalment of S\$833,333.29. Interest is charged at cost of funds plus 2.35% per annum for the years ended 31 December 2013 and 2014. The loan was fully repaid during the year ended 31 December 2014.
 - Bank loan #10 was a 3-year term loan repaid over 11 fixed quarterly principal instalments with its first instalment due in November 2011. Each instalment payable was S\$416,666.67 and a final instalment of S\$416,666.63. Interest was charged at 2.35% per annum over the applicable 3 months SWAP Offer Rate (SOR) or 2.35% per annum over the applicable 3-month Cost of Funds (COF), whichever is the higher or at such other rates as the bank may stipulate from time to time at its absolute discretion. The loan was fully repaid during the year ended 31 December 2014.
 - Bank loan #11 is a 5-year commercial property loan repayable in 60 monthly instalments with its first instalment due in March 2009. Interest is charged at 0.75% over the commercial financing rate per annum for the years ended 31 December 2013 and 2014. The loan was fully repaid during the year ended 31 December 2014.

II. NOTES TO FINANCIAL INFORMATION (Continued)**24 BANK BORROWINGS (Continued)**

- (j) Bank loan #12 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 36 instalments commencing July 2011. Interest was charged at 4.25% per annum for the years ended 31 December 2013 and 2014. The loan was fully repaid during the year ended 31 December 2014.
- (k) Bank loan #13 granted to a subsidiary is secured by corporate guarantee provided by the Company. The loan is repayable in 12 installments commencing June 2016. Interest is charged at 2.90% per annum for the six months ended 30 June 2016.
- (l) Short-term loans #1 granted to a subsidiary were unsecured. Interests were charged at 3.15% to 3.18%, 3.425% and 3.20% to 3.30% per annum for the years ended 31 December 2014, 2015 and period ended 30 June 2016, respectively. The loans was fully repaid during the six months ended 30 June 2016.
- (m) (1) Short-term loans #2 (i) granted to subsidiaries were secured by corporate guarantees provided by the Company and other subsidiaries of the Group. Interests were charged at a range of rate between 2.90% and 7.26% and 2.98% and 4.15% per annum for the years ended 31 December 2013 and 2014, respectively. The loans were repayable full repaid during the year ended 31 December 2014 and 2015.
- (2) Short term loans #2 (ii) granted to a subsidiary is unsecured. Interests are charged at a range of rate between 4.51% and 6.72%, 3.80% and 4.15%, 3.20% and 5.40% and 4.80% per annum for the years ended 31 December 2013, 2014 and 2015 and period ended 30 June 2016, respectively. The loans are repayable in various dates ranging from August to November 2016.
- (3) Short-term loan #2 (iii) granted to a subsidiary is secured by corporate guarantees provided by the Company and other subsidiaries of the Group. Interest is charged at 2.90%, 3.90%, 5.40% and 4.90% per annum for the years ended 31 December 2013, 2014 and 2015 and period ended 30 June 2016, respectively. The loan is repayable in September 2016.
- (n) Short-term loans #3 granted to a subsidiary were secured by corporate guarantees provided by the Company. Interest was charged at 120% of the People's Bank of China's base rate per annum for the years ended 31 December 2014 and 2015. The loans was fully repaid during the six months ended 30 June 2016.
- (o) 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 September 2016.
- (p) Short-term loans #5 granted to a subsidiary are secured by corporate guarantees provided by the Company. Interest is charged at 5.75% and 5.90% per annum for the six months ended 30 June 2016. The loans are repayable in July and October 2016.
- (q) The facility for trust receipts #1 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.66% to 5.00%, 2.54% to 5.00%, 2.54% to 5.00% and 2.504% to 3.09% per annum for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively, and repayable in 30 to 90 days.
- (r) The facility for trust receipts #2 of a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 1.38% to 2.55% and 1.70% to 1.80% per annum for the years ended 31 December 2013 and 2014. The trust receipts were fully repaid during the year ended 31 December 2014.
- (s) 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 are 5.93%, 5.86%, 4.56% and 3.5% per annum for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively.

II. NOTES TO FINANCIAL INFORMATION (Continued)

25 FINANCE LEASES

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Minimum lease payments payable:				
– due not later than one year	65	156	179	176
– due later than one year and not later than five years	238	467	379	293
– due later than five years	3	3	–	–
Finance charges allocated to future years	306 (35)	626 (68)	558 (59)	469 (50)
Present value of minimum lease payments	271	558	499	419
Non-current liabilities				
Due later than one year and not later than five years	214	418	339	262
Current liabilities				
Due not later than one year	57	140	160	157
	271	558	499	419

The weighted average effective interest rate of the Group's finance leases is 5.93%, 4.92%, 2.90% and 2.90% per annum for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, respectively.

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/LIABILITIES

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Deferred tax assets/(liabilities)				
– to be settled within one year	(49)	94	149	179
Movement in deferred tax assets is as follows:				
As at the beginning of year/period	30	(49)	94	149
Credited to profit or loss (Note 9)				
– (over)/under provision in respect of prior year	(85)	106	(2)	68
Translation adjustment	6	37	57	(38)
As at the end of year/period	(49)	94	149	179

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

II. NOTES TO FINANCIAL INFORMATION (Continued)

27 TRADE AND OTHER PAYABLES

Group	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Trade payables ^(a) :				
– note payables ^(b)	1	1,075	–	4
– third parties	14,574	17,742	21,152	22,259
– associates	95	383	143	393
– related parties	4,998	3,769	2,857	4,841
	19,668	22,969	24,152	27,497
Other payables:				
Advances received from customers	4,638	5,300	7,248	8,771
Accrued operating expenses	8,841	10,318	10,431	11,237
Amount owing to directors of subsidiaries ^(c)	68	28	–	78
Amount owing to non-controlling interests ^(c)	832	2,260	4,347	790
Amount owing to an associate ^(c)	–	–	–	4,141
Others ^(d)	4,789	4,263	5,733	8,125
	19,168	22,169	27,759	33,142
	<u>38,836</u>	<u>45,138</u>	<u>51,911</u>	<u>60,639</u>

Company	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Other payables:				
Advances received from subsidiaries	518	141	328	735
Accrued operating expenses	2,540	3,333	3,871	4,017
Others	135	126	55	366
	3,193	3,600	4,254	5,118
	<u>3,193</u>	<u>3,600</u>	<u>4,254</u>	<u>5,118</u>

The aging analysis of trade payables based on invoice date is as follows:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Within 90 days	15,632	19,929	20,654	23,718
91-180 days	2,358	2,362	1,474	2,117
Over 180 days	1,678	678	2,024	1,662
	19,668	22,969	24,152	27,497
	<u>19,668</u>	<u>22,969</u>	<u>24,152</u>	<u>27,497</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)**27 TRADE AND OTHER PAYABLES (Continued)**

- (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) The amounts owing to directors of subsidiaries, non-controlling interests and an associate are non-trade, unsecured, interest-free, and are repayable on demand.
- (d) Included in others was an amount of S\$602,000, S\$449,000, S\$877,000 and S\$4,132,000 being dividend payable to non-controlling interests as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

28 DIVIDENDS PAID

	For the year ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Paid during the financial year/period:					
Tax exempt (one-tier) final dividend of Singapore 0.4 cents per share (1H2015: 0.4 cents; 2015: 0.4 cents; 2014: 0.4 cents; 2013: 0.5 cents) in respect of the previous year*	1,800	1,440	1,419	1,419	1,419

* Declared by the Company for 1H2016: Nil; 1H2015: Nil; 2015: Singapore 0.4 cents; 2014: Singapore 0.4 cents; 2013: Singapore 0.4 cents per share

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

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

29 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control				Other Specialised Engineering Solutions				Industrial Computing Solution			
	For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June	
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
			(unaudited)				(unaudited)				(unaudited)	
Revenue												
External sales	124,592	172,861	184,101	95,020	40,599	51,988	46,127	23,077	4,360	5,601	5,071	3,578
Inter-segment sales	588	1,711	1,763	1,529	1,527	1,604	1,410	674	40	60	70	12
	125,180	174,572	185,864	96,549	42,126	53,592	47,537	23,751	4,400	5,661	5,141	3,590
Results												
Segment results	12,268	14,398	22,259	9,746	7,311	84	(83)	2,384	84	(192)	(561)	(33)
Share of profit of associates	604	1,054	795	743	(476)	—	—	—	—	—	—	—
Corporate expenses												
Rental income												
Interest income												
Finance costs												
Profit before income tax												
Income tax												
Profit for the year												
Assets												
Segment assets	92,258	95,218	103,959	107,318	27,696	27,972	30,750	31,427	2,568	3,127	2,276	2,886
Goodwill	2,178	2,178	2,178	2,178	9,508	9,508	9,508	9,508	—	—	—	—
Associates	3,713	4,628	5,033	5,168	—	—	—	—	—	—	—	—
Investment properties												
Cash and cash equivalents												
Consolidated total assets												
Liabilities												
Segment liabilities	38,745	34,634	33,442	35,216	10,585	9,092	15,295	13,664	716	1,039	698	751
Bank borrowings and finance leases												
Income tax liabilities												
Others unallocated corporate liabilities												
Consolidated total liabilities												

II. NOTES TO FINANCIAL INFORMATION (Continued)

29 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments (Continued)

	Others			Elimination			Consolidated				
	For the year ended 31 December		As at 30 June	For the year ended 31 December		As at 30 June	For the year ended 31 December		As at 30 June		
	2013	2014	2015	2013	2014	2015	2013	2014	2015		
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
			(unaudited)			(unaudited)				(unaudited)	
Revenue											
External sales	-	-	-	-	-	-	169,551	230,450	235,299	119,267	120,459
Inter-segment sales	-	-	-	(2,155)	(3,375)	(1,601)	-	-	-	-	-
	-	-	-	(2,155)	(3,375)	(1,601)	169,551	230,450	235,299	119,267	120,459
Results											
Segment results	(1,379)	(2,159)	(2,910)	-	-	-	-	-	-	-	-
Share of profit/(loss) of associates	-	-	-	-	-	-	604	1,054	795	743	(476)
Corporate expenses							(1,108)	(774)	(3,990)	(162)	(1,328)
Rental income							370	585	748	252	292
Interest income							161	190	226	117	115
Finance costs							(1,030)	(881)	(774)	(392)	(421)
Profit before income tax							9,770	15,237	17,213	9,404	4,934
Income tax							(2,992)	(4,632)	(5,329)	(2,784)	(1,697)
Profit for the year							6,778	10,605	11,884	6,620	3,237

II. NOTES TO FINANCIAL INFORMATION (Continued)

29 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments (Continued)

	Engineering Solutions – Motion Control				Other Specialised Engineering Solutions				Industrial Computing Solution			
	For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June	
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
			(unaudited)				(unaudited)					(unaudited)
Other information												
Capital expenditure on	1,533	1,527	1,720	479	378	608	699	900	252	479	252	5
– Property, plant and equipment												
– Progress payments for properties under development												
Depreciation of properties, plant and equipment	1,254	1,381	1,367	701	546	687	625	676	325	295	325	3
Depreciation of investment properties	19	17	17	8	8							
Other non-cash expenses												
– amortisation of intangible assets	23											
– amortisation of land use rights	35	35	36	18	17							
– trade receivables written off	83	18	192		20	1	25	18	1		1	
– allowance for inventory obsolescence	589	474	425	171	406	77	61	774	137	159	137	23
– allowance for impairment of trade receivables	129	148	(100)	40	14	146	245	235	140		140	
– property, plant and equipment written off	2	21	2			3	89	1		3		
– inventories written off	74	110	135	9	130	3	31	93	2	5	2	
– write back of allowance of trade receivables	(5)	(16)	(1)			(85)	(31)	(12)				
– write back of allowance of inventory obsolescence	(14)	(31)	(114)	(4)	(39)		(3)					

II. NOTES TO FINANCIAL INFORMATION (Continued)

29 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments (Continued)

	Others				Elimination				Consolidated			
	For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June		For the year ended 31 December		As at 30 June	
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
			(unaudited)				(unaudited)				(unaudited)	
Other information												
Capital expenditure on												
– Property, plant and equipment	69	113	23	6	47	–	–	–	2,212	2,355	2,643	964
– Progress payments for properties under development	738	1,915	3,358	3,773	1,049	–	–	–	738	1,915	3,358	3,773
Depreciation of properties, plant and equipment	131	119	129	61	65	–	–	–	2,096	2,127	2,178	1,060
Depreciation of investment properties	–	–	–	–	–	–	–	–	19	17	17	8
Other non-cash expenses	–	–	–	–	–	–	–	–	–	–	–	–
– amortisation of intangible assets	–	–	–	–	–	–	–	–	23	–	–	–
– amortisation of land use rights	–	–	–	–	–	–	–	–	35	35	36	18
– trade receivables written off	–	–	–	–	–	–	–	–	84	43	210	–
– allowance for inventory obsolescence	–	–	–	–	–	–	–	–	689	558	1,222	330
– allowance for impairment of trade receivables	–	–	–	–	–	–	–	–	275	393	135	40
– property, plant and equipment written off	–	302	–	–	–	–	–	–	5	412	3	3
– inventories written off	–	–	–	–	–	–	–	–	77	141	228	14
– write back of allowance of trade receivables	–	–	–	–	–	–	–	–	(90)	(47)	(13)	–
– write back of allowance of inventory obsolescence	–	–	–	–	–	–	–	–	(14)	(34)	(114)	(4)
												(39)

II. NOTES TO FINANCIAL INFORMATION (Continued)

29 SEGMENT INFORMATION (Continued)

(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				
	For the year ended 31 December			As at 30 June		For the year ended 31 December			As at 30 June	
	2013	2014	2015	2015	2016	2013	2014	2015	2016	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
				(unaudited)						
Singapore	27,573	35,472	35,004	18,365	18,419	19,869	20,631	20,765	27,524	
PRC	119,207	165,874	165,638	84,220	83,129	24,702	27,109	30,775	23,062	
HK	7,092	10,821	10,932	5,328	7,154	764	761	780	773	
Malaysia	6,240	7,911	5,723	3,225	3,768	572	433	1,037	1,038	
Others	9,439	10,372	18,002	8,129	7,989	622	943	1,068	1,113	
	<u>169,551</u>	<u>230,450</u>	<u>235,299</u>	<u>119,267</u>	<u>120,459</u>	<u>46,529</u>	<u>49,877</u>	<u>54,425</u>	<u>53,510</u>	

(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:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Future minimum lease payment receivable:				
– not later than one year	634	419	515	322
– later than one year and not later than five years	<u>475</u>	<u>295</u>	<u>413</u>	<u>232</u>
	<u>1,109</u>	<u>714</u>	<u>928</u>	<u>554</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 4 years, 1 to 2 years, 1 to 2 years and 2 to 3 years as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

II. NOTES TO FINANCIAL INFORMATION (Continued)

30 OPERATING LEASE COMMITMENTS (Continued)

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.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, commitments in respect of non-cancellable operating leases for the Group's rental of office premises and office equipment are as follows:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Future minimum lease payment payable:				
– not later than one year	1,346	1,915	1,611	1,378
– later than one year and not later than five years	1,236	2,094	1,320	1,070
	<u>2,582</u>	<u>4,009</u>	<u>2,931</u>	<u>2,448</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 5 years, 1 to 3 years, 1 to 3 years and 1 to 3 years as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

31 CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of reporting periods but not recognised in the Financial Information is as follows:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Commitment in respect of				
– plant and equipment	–	–	290	290
– construction in progress	–	–	12,999	–
	<u>–</u>	<u>–</u>	<u>13,289</u>	<u>290</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

32 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the following are significant transactions of the Group with related parties at mutually agreed amounts during the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sales to associates	(1,541)	(1,300)	(2,144)	(1,204)	(599)
Sales to related parties (i)	(3,378)	(3,323)	(3,704)	(1,877)	(1,585)
Purchases from associates	366	1,506	849	596	544
Purchases from related parties (i)	20,084	26,774	32,138	16,880	17,700
Administrative income charged to associates	(43)	(31)	(67)	(23)	(25)
Rental charged to associates	(5)	(5)	(5)	(2)	(3)
Rental charged to a related party (ii)	–	(283)	(323)	(126)	(146)
Interest charged to associates	(47)	(52)	(79)	(40)	–
Interest charged by a related party (i)	33	25	25	12	12
Management fee charged to related party (i)	–	(43)	(45)	(22)	(20)
Other expenses charged by related parties (i) & (ii)	202	259	254	27	134
Other income charged to associates	(21)	(3)	(12)	(25)	–
Other income charged to a related party (i)	(186)	(105)	(100)	(93)	(1)

(i) The related parties mainly pertain to non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.

(ii) Mr. Teo, the managing director of the Group, is a director of the related parties.

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

33 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

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.

In addition, the Group may adopt 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:

	<u>RMB</u>	<u>USD</u>	<u>CHF</u>	<u>Euro</u>
	S\$'000	S\$'000	S\$'000	S\$'000
31 December 2013				
Financial assets				
Trade and other receivables	31,567	5,157	1,257	1,697
Cash and cash equivalents	12,224	4,427	728	1,639
	<u>43,791</u>	<u>9,584</u>	<u>1,985</u>	<u>3,336</u>
Financial liabilities				
Bank borrowings	5,885	3,623	–	149
Trade and other payables	19,396	1,661	3,968	1,198
	<u>25,281</u>	<u>5,284</u>	<u>3,968</u>	<u>1,347</u>
Net financial assets/(liabilities)	18,510	4,300	(1,983)	1,989
Less: Net financial assets denominated in the respective entities' functional currencies	<u>(18,510)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Currency exposure	<u>–</u>	<u>4,300</u>	<u>(1,983)</u>	<u>1,989</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

	<u>RMB</u>	<u>USD</u>	<u>CHF</u>	<u>Euro</u>
	S\$'000	S\$'000	S\$'000	S\$'000
31 December 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
	<u>51,643</u>	<u>14,279</u>	<u>2,480</u>	<u>3,077</u>
Financial liabilities				
Bank borrowings	4,170	6,043	–	–
Trade and other payables	21,989	5,339	3,058	(250)
	<u>26,159</u>	<u>11,382</u>	<u>3,058</u>	<u>(250)</u>
Net financial assets/(liabilities)	25,484	2,897	(578)	3,327
Less: Net financial assets denominated in the respective entities' functional currencies	(25,484)	–	–	–
Currency exposure	<u>–</u>	<u>2,897</u>	<u>(578)</u>	<u>3,327</u>
31 December 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
	<u>55,669</u>	<u>16,087</u>	<u>2,371</u>	<u>2,681</u>
Financial liabilities				
Bank borrowings	7,461	1,825	–	–
Trade and other payables	21,679	7,488	2,275	1,007
	<u>29,140</u>	<u>9,313</u>	<u>2,275</u>	<u>1,007</u>
Net financial assets	26,529	6,774	96	1,674
Less: Net financial assets denominated in the respective entities' functional currencies	(26,529)	–	–	–
Currency exposure	<u>–</u>	<u>6,774</u>	<u>96</u>	<u>1,674</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

	<u>RMB</u>	<u>USD</u>	<u>CHF</u>	<u>Euro</u>
	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2016				
Financial assets				
Trade and other receivables	46,481	6,366	2,107	409
Cash and cash equivalents	14,477	7,909	614	1,378
	<u>60,958</u>	<u>14,275</u>	<u>2,721</u>	<u>1,787</u>
Financial liabilities				
Bank borrowings	6,880	320	–	482
Trade and other payables	38,113	4,064	5,278	1,592
	<u>44,993</u>	<u>4,384</u>	<u>5,278</u>	<u>2,074</u>
Net financial assets/(liabilities)	15,965	9,891	(2,557)	(287)
Less: Net financial assets denominated in the respective entities' functional currencies	(15,965)	–	–	–
Currency exposure	<u>–</u>	<u>9,891</u>	<u>(2,557)</u>	<u>(287)</u>

If the following currencies strengthen by 5% against S\$ at the balance sheet date for each of the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Year ended 31 December			Six months
	2013	2014	2015	ended 30 June
	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)
	Profit before tax	Profit before tax	Profit before tax	Profit before tax
	S\$'000	S\$'000	S\$'000	S\$'000
USD	215	145	339	495
CHF	(99)	(29)	5	(128)
Euro	99	166	84	(14)
	<u>215</u>	<u>166</u>	<u>428</u>	<u>353</u>

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 years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 were not significant.

II. NOTES TO FINANCIAL INFORMATION (Continued)**33 FINANCIAL INSTRUMENTS (Continued)****(a) Financial Risk Management Objectives and Policies (Continued)*****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 ("S\$"), Renminbi ("RMB") and United States Dollars ("USD"). If the S\$, RMB and USD interest rates increase/decrease by 0.5% for each of the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 with all other variables remain constant, the Group's profit before tax will be approximately lower/higher by S\$17,000, S\$29,000, S\$19,000 and S\$23,000; S\$15,000, S\$21,000, S\$30,000 and S\$34,000; and S\$25,000, S\$37,000, S\$9,000 and S\$2,000, respectively, as a result of higher/lower interest expense on these bank borrowings.

Credit risk

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

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

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

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

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

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
<u>By geographical areas</u>				
Singapore	10,708	11,269	6,405	7,023
PRC	27,477	33,102	40,163	44,231
HK	1,538	2,098	1,784	3,065
Malaysia	1,337	1,694	1,468	1,513
Others	1,614	4,204	6,134	5,924
	<u>42,674</u>	<u>52,367</u>	<u>55,954</u>	<u>61,756</u>

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

Bank balances 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 2013, 2014 and 2015 and 30 June 2016, trade and other receivables which are neither past due nor impaired amounted to S\$35,568,000, S\$50,509,000, S\$55,822,000 and S\$62,987,000, respectively.

(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:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Trade receivables past due:				
– not more than 3 months	6,335	6,645	7,538	4,380
– 3 to 6 months	2,284	1,854	2,169	2,556
– over 6 months	3,233	3,855	3,404	4,611
	<u>11,852</u>	<u>12,354</u>	<u>13,111</u>	<u>11,547</u>

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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)(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:

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Trade receivables	818	971	861	942
Less: Allowance for impairment	(818)	(971)	(861)	(942)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

	As at 31 December			As at
	2013	2014	2015	30 June
	S\$'000	S\$'000	S\$'000	2016
				S\$'000
Balance at beginning of year/period	619	818	971	861
Allowance for the year	275	393	135	154
Write back of allowance	(90)	(47)	(13)	–
Amount written off	(21)	(109)	(291)	(30)
Translation	35	(84)	59	(43)
Balance at end of year/period	<u>818</u>	<u>971</u>	<u>861</u>	<u>942</u>

Trade receivables which are impaired at the year end 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 as at 30 June 2016:

- (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;

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

- (iii) S\$56.02 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\$4.59 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2013, 2014, 2015 and 30 June 2016 amounted to approximately S\$50.08 million, S\$42.03 million, S\$58.27 million and S\$51.1 million, respectively.

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
31 December 2013					
Bank borrowings	13,377	13,706	12,877	829	–
Finance leases	271	306	65	238	3
Trade and other payables	34,198	34,198	34,198	–	–
	<u>47,846</u>	<u>48,210</u>	<u>47,140</u>	<u>1,067</u>	<u>3</u>
31 December 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	–	–
	<u>53,488</u>	<u>54,240</u>	<u>53,603</u>	<u>634</u>	<u>3</u>
31 December 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	–	–
	<u>59,447</u>	<u>60,001</u>	<u>59,221</u>	<u>780</u>	<u>–</u>
30 June 2016					
Bank borrowings	12,232	12,653	12,310	343	–
Finance leases	419	468	175	293	–
Trade and other payables	51,868	51,868	51,868	–	–
	<u>64,519</u>	<u>64,989</u>	<u>64,353</u>	<u>636</u>	<u>–</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(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.

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
31 December 2013					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer to Note 12)	–	904	–	904	517
Commercial property unit located in Malaysia (refer to Note 12)	–	96	–	96	73
	–	1,000	–	1,000	590
<u>Liabilities</u>					
Bank borrowings	–	778	–	778	814
Finance leases	–	214	–	214	214
	–	992	–	992	1,028
31 December 2014					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer to Note 12)	–	666	–	666	501
Commercial property unit located in Malaysia (refer to Note 12)	–	170	–	170	69
	–	836	–	836	570
<u>Liabilities</u>					
Bank borrowings	–	166	–	166	162
Finance leases	–	406	–	406	418
	–	572	–	572	580

II. NOTES TO FINANCIAL INFORMATION (Continued)

33 FINANCIAL INSTRUMENTS (Continued)

(b) Fair Value (Continued)

	Level 1	Level 2	Level 3	Total	Carrying amount
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
31 December 2015					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer to Note 12)	–	570	–	570	484
Commercial property unit located in Malaysia (refer to Note 12)	–	170	–	170	58
	–	740	–	740	542
	–	740	–	740	542
<u>Liabilities</u>					
Bank borrowings	–	401	–	401	360
Finance leases	–	379	–	379	339
	–	780	–	780	699
	–	780	–	780	699
30 June 2016					
<u>Assets</u>					
Investment properties					
Commercial property units located in Singapore (refer to Note 12)	–	570	–	570	476
Commercial property unit located in Malaysia (refer to Note 12)	–	196	–	196	57
	–	766	–	766	533
	–	766	–	766	533
<u>Liabilities</u>					
Bank borrowings	–	315	–	315	313
Finance leases	–	293	–	293	262
	–	608	–	608	575
	–	608	–	608	575

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

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\$778,000, S\$166,000, S\$401,000 and S\$315,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

34 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 years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016.

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 years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016.

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.

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Net debt	10,930	21,295	27,599	41,085
Total equity	118,912	129,729	139,268	129,182
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net debt-to-equity ratio	9%	16%	20%	32%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

35 Corporate Guarantees

	Company			As at 30 June
	As at 31 December			2016
	2013	2014	2015	S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	13,329	13,093	14,285	12,232
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

36 Subsequent Event

Subsequent to the financial period ended 30 June 2016, the deregistration of Shanghai Delta Automation International Trade Co., Ltd, a wholly-owned subsidiary of Group, has been completed.

II. NOTES TO FINANCIAL INFORMATION (Continued)**37 Subsequent Financial Statements**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878
Hong Kong

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

Under the Singapore Listing Manual pursuant to which the Shares were listed on SGX-ST, the Company is required to publish its interim financial results on a quarterly basis.

The information set out in this Appendix IA does not form part of the Accountant's Report prepared by the reporting accountants of the Company, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong as set out in Appendix I to this prospectus, and is included herein for information only.

The following is the unaudited interim condensed financial information, which comprises the audited company and consolidated statements of financial position as at 31 December 2015, the unaudited company and consolidated statements of financial position as at 30 September 2016; the unaudited consolidated statement of comprehensive income; the unaudited consolidated statement of cash flows and the unaudited company and consolidated statements of changes in equity for the three and nine months ended 30 September 2015 and 2016; and certain explanatory notes, prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the purpose of inclusion in this prospectus.

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
		S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Revenue	3	70,984	64,434	191,443	183,701
Cost of sales		(53,894)	(47,539)	(143,254)	(133,730)
Gross profit		17,090	16,895	48,189	49,971
Other operating income	4	938	1,455	2,915	2,895
Distribution costs		(5,627)	(5,671)	(16,612)	(16,870)
Administrative expenses		(8,749)	(7,171)	(23,181)	(20,778)
Other operating expenses		(657)	(214)	(2,485)	(871)
Finance costs	5	(148)	(210)	(569)	(602)
Share of profit/(loss) of associates		541	(30)	65	713
Profit before income tax	6	3,388	5,054	8,322	14,458
Income tax	7	(1,528)	(1,749)	(3,225)	(4,533)
Profit for the period		1,860	3,305	5,097	9,925
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss					
<i>Exchange differences on translation of foreign operations</i>					
– Gain on translation of foreign operations		587	1,621	(2,529)	2,665
– Reclassification		–	–	(260)	–
		587	1,621	(2,789)	2,665
Total comprehensive income/(loss) for the period		<u>2,447</u>	<u>4,926</u>	<u>2,308</u>	<u>12,590</u>
Profit for the period attributable to:					
Equity holders of the Company		698	1,990	2,229	6,912
Non-controlling interests		1,162	1,315	2,868	3,013
		<u>1,860</u>	<u>3,305</u>	<u>5,097</u>	<u>9,925</u>
Total comprehensive income for the period attributable to:					
Equity holders of the Company		1,224	3,361	55	9,460
Non-controlling interests		1,223	1,565	2,253	3,130
		<u>2,447</u>	<u>4,926</u>	<u>2,308</u>	<u>12,590</u>
Earnings per share attributable to the holder of the company:	8				
Basic		0.20 cents	0.56 cents	0.63 cents	1.95 cents
Diluted		0.20 cents	0.56 cents	0.63 cents	1.95 cents

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Financial Position

	<i>Note</i>	As at 30 September 2016	As at 31 December 2015
		<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		27,707	35,554
Investment properties		527	542
Land use rights		1,377	1,461
Goodwill		11,686	11,686
Interests in associates	9	12,555	5,033
Deferred tax assets		180	149
Total non-current assets		54,032	54,425
Current Assets			
Inventories		41,825	40,855
Trade and other receivables	11	86,641	73,134
Cash and bank balances	12	34,107	39,096
Total current assets		162,573	153,085
Total Assets		216,605	207,510
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		63,925	63,925
Warrants issue		3,384	3,384
Treasury shares		(1,517)	(1,517)
Reserves		52,571	53,935
Non-controlling interests		118,363	119,727
		13,093	19,541
Total Equity		131,456	139,268
Non-current Liabilities			
Bank borrowings	13	288	360
Finance leases		224	339
Total non-current liabilities		512	699
Current Liabilities			
Bank borrowings	13	12,440	13,925
Finance leases		152	160
Trade and other payables	14	70,491	51,911
Current tax liabilities		1,554	1,547
Total current liabilities		84,637	67,543
Total Liabilities		85,149	68,242
Total Liabilities and Equity		216,605	207,510

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Statements of Financial Position

	<i>Note</i>	As at 30 September 2016 <i>S\$'000</i> (Unaudited)	As at 31 December 2015 <i>S\$'000</i> (Audited)
ASSETS			
Non-current Assets			
Investments in subsidiaries	10	36,653	36,653
Interests in associates	9	–	31
Total non-current assets		36,653	36,684
Current Assets			
Amounts due from subsidiaries		28,856	30,888
Other receivables	11	51	39
Dividend receivable		–	3,470
Cash and bank balances	12	913	331
Total current assets		29,820	34,728
Total Assets		66,473	71,412
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		63,925	63,925
Warrants issue		3,384	3,384
Treasury shares		(1,517)	(1,517)
Reserves		(4,940)	1,366
Total Equity		60,852	67,158
Current Liabilities			
Trade and other payables	14	5,621	4,254
Total current liabilities		5,621	4,254
Total Liabilities		5,621	4,254
Total Liabilities and Equity		66,473	71,412

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity

	← Attributable to equity holders of the Company →							
	Share capital	Warrants issue	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group (Unaudited)								
2016								
Balance at 1 July 2016	63,925	3,384	(1,517)	(436)	(1,756)	4,546	48,993	117,139
Profit for the period	-	-	-	-	-	698	698	1,162
Other comprehensive income for the period	-	-	-	-	526	-	-	61
Total comprehensive income for the period	-	-	-	-	526	-	698	1,224
Dividend to non-controlling interest	-	-	-	-	-	-	-	(173)
Balance at 30 September 2016	63,925	3,384	(1,517)	(436)	(1,230)	4,546	49,691	118,363
2015								
Balance at 1 July 2015	63,925	3,384	(1,517)	(436)	1,779	4,478	45,142	116,755
Profit for the period	-	-	-	-	-	-	1,990	1,990
Other comprehensive income for the period	-	-	-	-	1,371	-	-	250
Total comprehensive income for the period	-	-	-	-	1,371	-	1,990	3,361
Balance at 30 September 2015	63,925	3,384	(1,517)	(436)	3,150	4,478	47,132	120,116

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Changes in Equity (Continued)

	← Attributable to equity holders of the Company →									
	Share capital S\$'000	Warrants issue S\$'000	Treasury shares S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Group (Unaudited)										
2016										
Balance at 1 January 2016	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Profit for the period	—	—	—	—	—	—	2,229	2,229	2,868	5,097
Other comprehensive loss for the period	—	—	—	—	(2,174)	—	—	(2,174)	(615)	(2,789)
Total comprehensive (loss)/income for the period	—	—	—	—	(2,174)	—	2,229	55	2,253	2,308
Capital contributed by non-controlling interest	—	—	—	—	—	—	—	—	3,200	3,200
De-recognition of a subsidiary (Note 10)	—	—	—	—	—	—	—	—	(8,114)	(8,114)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(310)	(310)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(3,477)	(3,477)
Payment of dividends (Note 15)	—	—	—	—	—	—	(1,419)	(1,419)	—	(1,419)
Transfer to other reserves	—	—	—	—	—	57	(57)	—	—	—
Balance at 30 September 2016	63,925	3,384	(1,517)	(436)	(1,230)	4,546	49,691	118,363	13,093	131,456
2015										
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 period	—	—	—	—	—	—	6,912	6,912	3,013	9,925
Other comprehensive income for the period	—	—	—	—	2,548	—	—	2,548	117	2,665
Total comprehensive income for the period	—	—	—	—	2,548	—	6,912	9,460	3,130	12,590
Capital contributed by non-controlling interest	—	—	—	—	—	—	—	—	616	616
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(252)	(252)
Payment of dividends (Note 15)	—	—	—	—	—	—	(1,419)	(1,419)	—	(1,419)
Balance at 30 September 2015	63,925	3,384	(1,517)	(436)	3,150	4,478	47,132	120,116	21,148	141,264

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Cash Flows

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
		S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Cash Flows from Operating Activities					
Profit before income tax		3,388	5,054	8,322	14,458
Adjustments for:					
Amortisation of land use rights	6	9	10	26	28
Trade receivables written off	6	56	3	77	3
Depreciation of property, plant and equipment	6	500	520	1,439	1,604
Depreciation of investment properties	6	5	5	13	13
Allowance for inventory obsolescence	6	–	207	566	537
Allowance for impairment of trade receivables	6	–	91	154	131
Gain on disposal of interest in a subsidiary	4, 10	–	–	(411)	–
(Gain)/loss on disposal of property, plant and equipment (net)	4, 6	–	1	(2)	(27)
Gain on disposal of interest in an associate	4	–	–	(64)	–
Property, plant and equipment written off	6	–	–	–	3
Inventories written off	6	18	92	150	106
Write back of allowance for inventory obsolescence	4	(59)	–	(98)	(4)
Write back of allowance for trade receivables	4	(229)	(97)	(229)	(97)
Interest expense	5	148	210	569	602
Interest income	4	(48)	(60)	(163)	(177)
Share of (profits)/loss of associates		(541)	30	(65)	(713)
Unrealised foreign exchange differences		(205)	(757)	791	(486)
Operating cash flow before working capital changes		3,042	5,309	11,075	15,981
Changes in working capital:					
Inventories		(3,351)	(3,961)	(1,627)	(6,554)
Trade and other receivables		(5,910)	371	(12,488)	(10,623)
Trade and other payables		10,858	2,299	14,432	9,856
Cash generated from operations		4,639	4,018	11,392	8,660
Interest paid		(148)	(210)	(569)	(602)
Interest received		48	60	163	177
Income tax paid		(936)	(1,230)	(3,286)	(3,902)
Net cash generated from operating activities		3,603	2,638	7,700	4,333

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

A. UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

Consolidated Statements of Cash Flows (Continued)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
		S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(383)	(432)	(2,114)	(5,169)
Proceeds from disposal of property, plant and equipment		–	3	5	55
Net cash outflows on disposal of a subsidiary	10	–	–	(4,631)	–
Loan to associates		(540)	124	(540)	(123)
Funds to investee companies		(12)	(136)	(413)	(1,388)
Proceeds from the disposal of associate		122	–	570	–
Dividend from associates		–	–	105	217
Consideration for acquisition of interest of a subsidiary		–	–	(310)	–
Net cash used in investing activities		(813)	(441)	(7,328)	(6,408)
Cash Flows from Financing Activities					
Dividends to equity holders of the Company	15	–	–	(1,419)	(1,419)
Dividends to non-controlling interests		(1,584)	–	(1,584)	(252)
Amount owing to non-controlling interests		–	72	–	1,435
Proceeds from bank loans		6,194	4,535	8,589	10,042
Repayment of bank loans		(6,148)	(3,470)	(10,637)	(7,375)
Proceeds from/(repayments of) trust receipts, net		451	(1,119)	492	62
Repayment of finance leases		(43)	(41)	(123)	(19)
Repayment from associates		–	–	2	–
Increase in fixed deposits pledged	12	(350)	–	(350)	–
Net cash (used in)/generated from financing activities		(1,480)	(23)	(5,030)	2,474
Net increase/(decrease) in cash and cash equivalents		1,310	2,174	(4,658)	399
Cash and cash equivalents at beginning of period		32,205	36,031	39,096	37,493
Effect of currency translation on cash and cash equivalents		242	961	(681)	1,274
Cash and cash equivalents at end of period	12	33,757	39,166	33,757	39,166

II. NOTES TO FINANCIAL INFORMATION

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 Assestraise Holdings Limited, a company incorporated in the British Virgin Islands. Assestraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, our president and managing Director and his spouse, Ms Thang Yee Chin.

The Company’s principal activities included the provision of technical consultancy, training services and management services. All companies comprising the Group have adopted 31 December as their financial year end date. The principal activities of its subsidiaries and associates are set out in Note 15 and 16 of Section II in the Appendix I with section headed “Accountant’s Report” in this prospectus.

2 BASIS OF PREPARATION

(a) Basis of Preparation

The interim condensed financial information comprises the audited company and consolidated statements of financial position as at 31 December 2015, the unaudited company and consolidated statements of financial position as at 30 September 2016; the unaudited consolidated statement of comprehensive income; the unaudited consolidated statement of cash flows and the unaudited company and consolidated statements of changes in equity for the three and nine months ended 30 September 2015 and 2016; and certain explanatory notes. The interim condensed financial information has been prepared by the directors in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The significant accounting policies adopted in the preparation of the interim condensed financial information are consistent with those adopted in the preparation of the Financial Information for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, details of which are set out in Note 3 of Section II in the Appendix I with section headed “Accountant’s Report” in this prospectus.

(i) Adoption of new and revised HKFRSs and requirements

During the Relevant Periods, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on 1 January 2016.

New and revised HKFRSs in issue but not yet effective

The following new standards, amendments and interpretations to existing standards which have been issued but are not effective and have not been early adopted by the Group:

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to HKAS 7	<i>Disclosure Initiative</i>	1 January 2017
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
HKFRS 9	<i>Financial Instruments</i>	1 January 2018
HKFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
HKFRS 16	<i>Leases</i>	1 January 2019

II. NOTES TO FINANCIAL INFORMATION (Continued)**2 BASIS OF PREPARATION (Continued)****(a) Basis of Preparation (Continued)****(i) *Adoption of new and revised HKFRSs and requirements (Continued)****New and revised HKFRSs in issue but not yet effective (Continued)*

HKFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group assesses that adopting HKFRS 9 will not have a material impact to the Group's financial information.

HKFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The Group assesses that adopting HKFRS 15 will not have a material impact to the Group's financial information.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises and office equipment which are currently classified as operating leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statements of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. The Group assesses that adopting HKFRS 16 may have a material impact to the Group's financial information depending on the then financial position of the Group.

There are no other new standards and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 REVENUE

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

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

4 OTHER OPERATING INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commission income	50	30	161	96
Gain on disposal of interest in a subsidiary (<i>Note 10</i>)	–	–	411	–
Gain on disposal of interest in an associate	–	–	64	–
Gain on disposal of property, plant and equipment	–	–	2	27
Finance income:				
– interest on bank deposits	38	55	148	163
– interest on loan to an associate	10	5	15	14
Foreign exchange gains, net	–	730	–	730
Government grants (<i>Note</i>)	146	67	257	155
Miscellaneous income	44	62	375	540
Operating lease rental income:				
– investment properties	14	15	44	38
– sub-let of office/warehouse premises	18	129	280	358
Property management income	180	64	380	211
Recovery of bad debts written off	–	29	–	29
Technical service income	150	172	451	433
Write back of allowance of inventory obsolescence	59	–	98	4
Write back of allowance of trade receivables	229	97	229	97
	<u>938</u>	<u>1,455</u>	<u>2,915</u>	<u>2,895</u>

Note: The government grants in the form of cash donations have been received for the Group's contribution to various of government grants given to the Company and its Singapore and PRC subsidiaries include mainly for Wage Credit Scheme (Singapore), Temporary Employment Credit (Singapore) and Advanced Tax Contribution Award (PRC). There are no unfulfilled conditions or contingencies attaching to these grants.

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

5 FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on:				
– bank loans	137	188	537	557
– trust receipts	6	14	17	27
– finance leases	5	8	15	18
	<u>148</u>	<u>210</u>	<u>569</u>	<u>602</u>

6 PROFIT BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax has been arrived at after charging:				
Amortisation of land use rights	9	10	26	28
Depreciation of property, plant and equipment				
– recognised in cost of sales	38	31	133	197
– recognised in distribution costs	44	72	137	200
– recognised in administrative expenses	418	417	1,169	1,207
Depreciation of investment properties	5	5	13	13
Directors' fees	33	25	98	75
Directors' remuneration				
– salaries and related costs	1,084	904	2,324	2,968
– defined contribution plans	7	8	21	21
Staff costs (other than directors)				
– salaries and related costs	6,574	6,218	18,509	18,241
– defined contribution plans	816	864	2,427	2,398
Other operating expenses included:				
– trade receivables written off	56	3	77	3
– allowance for inventory obsolescence	–	207	566	537
– allowance for impairment of trade receivables	–	91	154	131
– inventories written off	18	92	150	106
– loss on disposal of property, plant and equipment	–	1	–	–
– property, plant and equipment written off	–	–	–	3
– foreign exchange losses, net	638	–	1,557	–
Operating lease rental expense	275	395	1,204	1,153
	<u>275</u>	<u>395</u>	<u>1,204</u>	<u>1,153</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

7 INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Current income tax				
– Singapore	196	197	500	626
– The PRC	1,255	1,361	2,756	3,387
– Outside Singapore and the PRC	95	127	292	240
(Over)/under provision in respect of prior years:				
– current income tax	(18)	61	(255)	277
– deferred taxation	–	3	(68)	3
	<u>1,528</u>	<u>1,749</u>	<u>3,225</u>	<u>4,533</u>

8 EARNINGS PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Basic earnings per share (Singapore cents)	<u>0.20</u>	<u>0.56</u>	<u>0.63</u>	<u>1.95</u>
Fully diluted earnings per share (Singapore cents)	<u>0.20</u>	<u>0.56</u>	<u>0.63</u>	<u>1.95</u>

Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the period attributable to the equity holders of the Company dividend by the weighted average number of ordinary shares outstanding during the three months and nine months ended 30 September 2016 and 2015, excluding treasury shares.

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Profit for the year attributable to equity holders of the Company	<u>698</u>	<u>1,990</u>	<u>2,229</u>	<u>6,912</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>354,684,950</u>	<u>354,684,950</u>	<u>354,684,950</u>	<u>354,684,950</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)

8 EARNINGS PER SHARE (Continued)

Basic earnings per share (Continued)

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the three months and nine months period ended 30 September 2016 and 2015.

The outstanding warrants did not have dilutive effect on the Group's earnings per share for the three months and nine months ended 30 September 2016 and 2015 respectively, because their exercise price is higher than the average share price during the period.

9 INTERESTS IN ASSOCIATES

	As at 30 September 2016	As at 31 December 2015
	<u>S\$'000</u>	<u>S\$'000</u>
	(Unaudited)	(Audited)
Group		
Equity shares, at cost	9,445	1,798
Share of post-acquisition profits	4,608	4,543
Share of dividends paid	(1,210)	(1,105)
Translation adjustment	(376)	(291)
	<u>12,467</u>	<u>4,945</u>
Loans to associates	88	88
	<u>12,555</u>	<u>5,033</u>
Company		
Equity shares, at cost	*	*
Share of post-acquisition profits	–	–
Share of dividends paid	–	–
Translation adjustment	–	–
	<u>–</u>	<u>–</u>
Loans to associates	–	31
	<u>–</u>	<u>31</u>

* Less than S\$1,000

II. NOTES TO FINANCIAL INFORMATION (Continued)

9 INTERESTS IN ASSOCIATES (Continued)

Summarised unaudited financial information in respect of the Group’s material associate, Aenergy Holdings Company Limited (“Aenergy”) and its subsidiaries (“Aenergy subgroup”), and the reconciliation to the carrying amount of the Aenergy subgroup recognised in the consolidated financial statements as set out as below:

	As at 30 September 2016
	<u>S\$’000</u>
Current assets	14,571
Non-current assets	8,214
Current liabilities	(4,529)
Non-current liabilities	–
Non-controlling interests	(274)
	<hr/>
Net assets of the associates	17,982
Proportion of the Group’s ownership	37.5%
	<hr/>
Carrying amount of the Group’s interest in Aenergy subgroup	<u>6,743</u>
	<hr/>
	For the nine months ended 30 September 2016
	<u>S\$’000</u>
Revenue	–
Loss for the period	(233)
Total comprehensive income	–

10 INVESTMENTS IN SUBSIDIARIES

(a) Disposal of Aenergy Holdings Company Limited

During the year ended 31 December 2015, 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 31 December 2015. This amount has been converted by the non-controlling interests as equity contribution in Aenergy during the first six months of the period ended 30 September 2016. No changes on shareholdings arise from this transaction, Aenergy remains a subsidiary of the Company with a non-controlling interest of 45% and the effective equity interest held by the Company in Aenergy subgroup also remains unchanged.

On 30 June 2016, the Company’s wholly owned subsidiary, ISDN Investments Pte Ltd (“ISDN Investments”), entered into a sale and purchase agreement (the “SPA”) with Mr Robert (the “Purchaser”), to dispose of its 3,181 ordinary shares in Aenergy representing approximately 17.5% of the total issued share capital of Aenergy (the “Sale Shares”) to the Purchaser, upon the terms of the SPA (the “Disposal”). The aggregate consideration is US\$2.6 million (S\$3.6 million).

The Disposal had been completed on 30 June 2016. Upon completion of the Disposal, ISDN Investments’ shareholding interest in Aenergy was reduced to approximately 37.5%. As a result, Aenergy ceased to be a subsidiary of the Company and the financial position and operating results of Aenergy and its subsidiaries ceased to be consolidated as subsidiaries into the Group from the completion date of Disposal.

II. NOTES TO FINANCIAL INFORMATION (Continued)

10 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Disposal of Aenergy Holdings Company Limited (Continued)

Analysis of assets and liabilities over the disposal of 17.5% ownership interest

	<u>2016</u>
	S\$'000
Cash and cash equivalents	4,631
Receivables	8,790
Property, plant and equipment	7,291
Payables	<u>(2,680)</u>
Net assets disposed of	<u>18,032</u>
Net assets disposed of 17.5% ownership interest	<u><u>3,156</u></u>
Non-controlling interest as at the date of disposal of 45%	<u><u>8,114</u></u>

Gain on disposal of 17.5% ownership interest

	<u>2016</u>
	S\$'000
Consideration receivable	3,567
Net assets disposed of 17.5% ownership interest	<u>(3,156)</u>
Gain on disposal (<i>Note 4</i>)	<u><u>411</u></u>

The net cash outflow on disposal of subsidiary of S\$4,631,000 as shown in the consolidated statements of cash flows solely represents the cash and cash equivalents of Aenergy as of the date of disposal.

(b) Termination of partnership agreement

During the financial year ended 31 December 2015, the Company's wholly-owned subsidiary, ISDN Resource Pte Ltd, together with a third party Indonesian company incorporated PT Leaptron Armadatrans International ("PTLAI") under a partnership agreement entered by both parties. Management was of the view that the Group can exercise control over the entity through the partnership agreement with evidenced through, among others, (i) its ability of directing and managing the entity's relevant operating and financing activities on a day to day basis; and (ii) its ability of affecting the entity's returns as a whole by exercising its control. The non-controlling interest, who has a shareholding of 51% of PTLAI, undertakes that it will vote in conjunction with ISDN Resources's vote in the general meeting of shareholders of PTLAI. As a result, the Group has substantive rights during the financial year ended 31 December 2015 over PTLAI, and consequently, PTLAI was consolidated as subsidiary during the financial year ended 31 December 2015.

During the nine months ended 30 September 2016, the above-mentioned partnership agreement was terminated and the Group remains to have significant influence over PTLAI. As a result, PTLAI ceased to become a subsidiary of the Company and the financial position and operating results of PTLAI ceased to be consolidated as subsidiary into the Group upon the termination. No gain/loss on disposal arises from this termination.

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

10 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Termination of partnership agreement (Continued)

The impact of the disposal on the cash flows of the Group is as follows:

	2016
	<u>S\$'000</u>
Trade and other receivables	773
Trade and other payables	<u>(773)</u>
Net assets disposed of	–
Consideration transferred – cash	<u>–</u>
Gain/loss of disposal	<u><u>–</u></u>

11 TRADE AND OTHER RECEIVABLES

	As at 30 September 2016	As at 31 December 2015
	<u>S\$'000</u> (Unaudited)	<u>S\$'000</u> (Audited)
Group		
<u>Trade receivables, net of impairment:</u>		
– note receivables	5,952	7,336
– third parties	59,679	45,957
– associates	1,895	1,847
– related parties	<u>1,097</u>	<u>814</u>
	<u>68,623</u>	<u>55,954</u>
<u>Other receivables:</u>		
Funding to investee company	4,356	7,820
Amount due from investor	2,924	–
Advances to		
– suppliers	3,581	3,284
– associates	178	149
– related parties	118	36
Deposits	684	671
Loans to associates	1,569	1,031
Tax recoverable	2	–
Sundry debtors	<u>3,475</u>	<u>3,457</u>
	16,887	16,448
Prepayments	<u>1,131</u>	<u>732</u>
	<u>86,641</u>	<u>73,134</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

11 TRADE AND OTHER RECEIVABLES (Continued)

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Company		
Other receivables:		
Sundry debtors	37	37
Prepayments	14	2
	<u>51</u>	<u>39</u>

The aging analysis of trade receivables of the Group based on invoice date is as follows:

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Within 30 days	34,964	28,281
31 – 90 days	19,751	15,424
Over 90 days	13,908	12,249
	<u>68,623</u>	<u>55,954</u>

12 CASH AND BANK BALANCES

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Group		
Cash and bank balances	32,151	34,034
Fixed deposits	1,956	5,062
	<u>34,107</u>	<u>39,096</u>
Effective interest rate per annum	<u>0.10% to 5.80%</u>	<u>0.05% to 5.80%</u>
Company		
Cash and bank balances	<u>913</u>	<u>331</u>

The fixed deposits have a maturity period of 1 to 12 months (2015: 1 to 12 months).

For the purposes of presentation in the consolidated statements of cash flows, the consolidated cash and cash equivalents comprise the following:

II. NOTES TO FINANCIAL INFORMATION (Continued)

12 CASH AND BANK BALANCES (Continued)

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Cash and bank balances (as above)	34,107	39,096
Less: Bank deposits pledged (<i>Note 13(q)</i>)	(350)	–
Cash and cash equivalent per consolidated statement of cash flows	<u>33,757</u>	<u>39,096</u>

As at 30 September 2016, the cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$19,088,000 (2015: S\$14,518,000). The Chinese Renminbi is not freely convertible into other currencies. However, under PRC'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.

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

13 BANK BORROWINGS

	Note	← (Unaudited) → As at 30 September			← (Audited) → As at 31 December		
		2016			2015		
		Unsecured S\$'000	Secured S\$'000	Total S\$'000	Unsecured S\$'000	Secured S\$'000	Total S\$'000
Bank loan #1	(a)	–	1,402	1,402	–	2,131	2,131
Bank loan #2	(b)	–	750	750	–	953	953
Bank loan #3	(c)	140	–	140	253	–	253
Bank loan #4	(d)	–	–	–	119	–	119
Bank loan #5	(e)	288	–	288	360	–	360
Bank loan #6	(f)	767	–	767	901	–	901
Bank loan #7	(g)	572	–	572	–	–	–
Bank loan #8	(h)	551	–	551	–	–	–
		<u>2,318</u>	<u>2,152</u>	<u>4,470</u>	<u>1,633</u>	<u>3,084</u>	<u>4,717</u>
Short-term loans #1	(i)	–	–	–	1,139	–	1,139
Short-term loans #2	(j)(1)	2,068	–	2,068	3,410	–	3,410
Short-term loans #2	(j)(2)	1,241	–	1,241	1,307	–	1,307
Short-term loans #3	(k)	–	–	–	347	–	347
Short-term loans #4	(l)	–	2,000	2,000	–	2,000	2,000
Short-term loans #5	(m)	621	–	621	–	–	–
Short-term loans #6	(n)	600	–	600	–	–	–
		<u>4,530</u>	<u>2,000</u>	<u>6,530</u>	<u>6,203</u>	<u>2,000</u>	<u>8,203</u>
Trust receipts #1	(o)	803	–	803	819	–	819
Trust receipts #2	(p)	291	–	291	–	–	–
Trust receipts #3	(q)	217	–	217	–	–	–
		<u>1,311</u>	<u>–</u>	<u>1,311</u>	<u>819</u>	<u>–</u>	<u>819</u>
Account receivables bulk factoring	(r)	417	–	417	546	–	546
Total borrowings		<u>8,576</u>	<u>4,152</u>	<u>12,728</u>	<u>9,201</u>	<u>5,084</u>	<u>14,285</u>
Non-current liabilities							
Repayable later than one year but not exceeding two years		102	–	102	97	–	97
Repayable later than two years but not exceeding five years		186	–	186	263	–	263
Current liabilities							
Repayable not later than one year		8,288	4,152	12,440	8,841	5,084	13,925
		<u>8,576</u>	<u>4,152</u>	<u>12,728</u>	<u>9,201</u>	<u>5,084</u>	<u>14,285</u>

II. NOTES TO FINANCIAL INFORMATION (Continued)**13 BANK BORROWINGS (Continued)**

- (a) Bank loan #1 is a 5-year term loan granted to a subsidiary. The 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% (2015: 108%) of the People's Bank of China's base rate per annum for the nine months ended 30 September 2016.
- (b) Bank loan #2 is a 5-year term loan granted to a subsidiary. 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% (2015: 120%) for the nine months ended 30 September 2016 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% (2015: 3.00%) per annum for the nine months ended 30 September 2016.
- (d) Bank loan #4 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 12 installments commencing March 2015. Interest was charged at 2.90% per annum for the year ended 31 December 2015. The loan was fully repaid during the nine months ended 30 September 2016.
- (e) Bank loan #5 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% (2015: 3.50%) per annum for the nine months ended 30 September 2016.
- (f) Bank loan #6 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 60 instalments commencing May 2015. Interest was charged at 3.50% (2015: 3.50%) per annum for the nine months ended 30 September 2016.
- (g) Bank loan #7 granted to a subsidiary was secured by corporate guarantees provided by the Company. The loan is repayable in 12 installments commencing June 2016. Interest was charged at 2.90% per annum for the nine months ended 30 September 2016.
- (h) Bank loan #8 granted to a subsidiary was secured by corporate guarantees provided by the Company and personal guarantee by directors of the subsidiary. The loan is repayable in 12 installments commencing September 2016. Interest was charged at 2.90% per annum for the nine months ended 30 September 2016.
- (i) Short-term loans #1 granted to a subsidiary were unsecured. Interests were charged at 3.20% to 3.30% (2015: 3.425%) per annum for the nine months ended 30 September 2016. The loans was fully repaid during the nine months ended 30 September 2016.
- (j)
 - (1) Short-term loans #2 (i) granted to a subsidiary is secured by corporate guarantees provided by the Company. Interests are charged at 4.80% per annum for nine months ended 30 September 2016 (2015: 3.20% to 5.40%). The loans are repayable in various dates ranging from November 2016 to March 2017.
 - (2) Short-term loan #2 (ii) granted to a subsidiary is secured by corporate guarantees provided by the Company and other subsidiaries of the Group. Interest is charged at 4.90% (2015: 5.40%) per annum for the nine months ended 30 September 2016. The loan is repayable in January and March 2017.

II. NOTES TO FINANCIAL INFORMATION (Continued)**13 BANK BORROWINGS (Continued)**

- (k) Short-term loans #3 granted to a subsidiary were secured by corporate guarantees provided by the Company. Interest was charged at 120% of the People's Bank of China's base rate per annum for the year ended 31 December 2015. The loans was fully repaid during the nine months ended 30 September 2016.
- (l) 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 November to December 2016.
- (m) Short-term loans #5 granted to a subsidiary are secured by corporate guarantees provided by the Company. Interest is charged at 5.75% to 5.90% per annum for the nine months ended 30 September 2016. The loans are repayable in October 2016 and January 2017.
- (n) Short-term loans #6 granted to a subsidiary is secured by corporate guarantees provided by the Company and fixed deposit by subsidiary. Interest is charged at 2.50% per annum above the bank's cost of fund on monthly rest basis. The loans are repayable in 60 to 90 days.
- (o) The facility for trust receipts #1 of a subsidiary is secured by corporate guarantee provided by the Company and personal guarantee by the directors of the subsidiary. Interest is charged at 2.50% to 5.00% (2015: 2.54% to 5.00%) per annum for the nine months ended 30 September 2016 and they are repayable in 30 to 90 days.
- (p) The facility of trust receipt #2 granted to a subsidiary is secured by corporate guarantee provided by the Company. Interest is charged at 2.78% to 2.83% per annum for nine month ended 30 September 2016 and it is repayable in November 2016.
- (q) The facility of trust receipt #3 granted to a subsidiary is secured by corporate guarantees provided by the Company and charge of cash and security agreement for all monies and fixed deposit by subsidiary. Interest is charged at 5.00% and 4.00% per annum over the bank's prevailing cost of fund for Singapore dollars and foreign currency respectively. The loan is repayable in 90 days.
- (r) The facility for account receivables bulk factoring of a subsidiary is secured by corporate guarantee provided by the Company and personal guarantee by the directors of the subsidiary. 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 4.6% per annum for the nine months ended 30 September 2016 (2015: 4.56%).

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

14 TRADE AND OTHER PAYABLES

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Group		
Trade payables ^(a) :		
– note payables ^(b)	1,995	–
– third parties	30,012	21,152
– associates	131	143
– related parties	6,188	2,857
	38,326	24,152
Other payables:		
Advances received from customers	7,288	7,248
Accrued operating expenses	12,863	10,431
Amount owing to non-controlling interests ^(c)	888	4,347
Amount owing to an associate ^(c)	3,505	–
Others ^(d)	7,621	5,733
	32,165	27,759
	70,491	51,911
Company		
Other payables:		
Advances received from subsidiaries	154	328
Accrued operating expenses	4,328	3,871
Others	1,139	55
	5,621	4,254
	5,621	4,254

The aging analysis of trade payables of the Group based on invoice date is as follows:

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Within 90 days	33,050	20,654
91 – 180 days	2,165	1,474
Over 180 days	3,111	2,024
	38,326	24,152
	38,326	24,152

- (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) The amounts owing to non-controlling interests and an associate are non-trade, unsecured, interest-free, and are repayable on demand.
- (d) Included in others was an amount of S\$2,770,000 being dividend payable to non-controlling interests as at 30 September 2016 (2015: S\$877,000).

II. NOTES TO FINANCIAL INFORMATION (Continued)

15 DIVIDENDS PAID

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)	S\$'000 (Unaudited)
Paid during the financial period				
Tax-exempt (one-tier) final dividend of Singapore 0.4 cents per share (9M2015: 0.4 cents; 3Q2016: Nil; 3Q2015: Nil) paid in respect of the previous year*	–	–	1,419	1,419

* Declared by the Company for 9M2016: Nil; 9M2015: Nil; 3Q2016: Nil; 3Q2015: Nil)

16 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

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 3 of Section II in the Appendix I with the section headed “Accountant’s Report” in this prospectus. 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.

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control			Other Specialised Engineering Solutions			Industrial Computing Solution					
	For three months ended 30 September			For three months ended 30 September			For three months ended 30 September					
	2016	2015	2016	2015	2016	2015	2016	2015	2016			
	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)	\$'000 (unaudited)		
Revenue												
External sales	56,351	50,457	151,371	143,982	13,255	12,569	35,116	35,646	1,378	1,408	4,956	4,073
Inter-segment sales	461	556	1,990	1,431	399	424	964	1,098	9	11	21	63
	56,812	51,013	153,361	145,413	13,654	12,993	36,080	36,744	1,387	1,419	4,977	4,136
Results												
Segment results	3,335	5,591	10,646	15,337	1,575	(144)	1,014	(336)	23	168	457	379
Share of profit of associates	541	(30)	65	713	–	–	–	–	–	–	–	–
Corporate expenses												
Rental income												
Interest income												
Finance costs												
Profit before income tax												
Income tax												
Profit for the year												
Assets												
Segment assets	13,638	4,558	111,622	111,876	(233)	943	30,347	32,370	302	89	3,458	2,975
Goodwill	–	–	2,178	2,178	–	–	9,508	9,508	–	–	–	–
Associates	489	(55)	12,555	5,113	–	–	–	–	–	–	–	–
Investment properties												
Cash and cash equivalents												
Consolidated total assets												
Liabilities												
Segment liabilities	9,179	5,603	46,746	40,819	1,629	(2,493)	14,716	11,171	190	283	1,010	1,034
Bank borrowings and finance leases												
Income tax liabilities												
Others unallocated corporate liabilities												
Consolidated total liabilities												

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 SEGMENT INFORMATION (Continued)

(a) Reportable Operating Segments (Continued)

	Engineering Solutions – Motion Control			Other Specialised Engineering Solutions			Industrial Computing Solution			
	For three months ended 30 September		For nine months ended 30 September	For three months ended 30 September		For nine months ended 30 September	For three months ended 30 September		For nine months ended 30 September	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other information										
Capital expenditure on										
– Property, plant and equipment	182	153	560	632	199	324	451	803	2	7
– Progress payments for properties under development	–	–	–	–	–	–	–	–	–	–
Depreciation of properties, plant and equipment	510	343	1,056	1,068	40	153	365	448	2	1
Depreciation of investment properties	5	5	13	13	–	–	–	–	–	–
Other non-cash expenses										
– amortisation of land use rights	9	10	26	28	–	–	–	–	–	–
– trade receivables written off	42	1	63	1	–	2	–	2	–	–
– allowance for inventory obsolescence	–	154	423	325	–	53	143	212	–	–
– allowance for impairment of trade receivables	–	91	14	131	–	–	140	–	–	–
– property, plant and equipment written off	–	–	–	–	–	–	–	3	–	–
– inventories written off	15	1	145	10	3	91	5	96	–	–
– write back of allowance of trade receivables	(229)	(84)	(229)	(84)	–	(13)	–	(13)	–	–
– write back of allowance of inventory obsolescence	(36)	–	(75)	(4)	–	–	–	–	(23)	(23)

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

16 SEGMENT INFORMATION (Continued)

(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			
	For three months ended 30 September		For nine months ended 30 September		For three months ended 30 September		For nine months ended 30 September	
	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Singapore	9,817	8,614	28,236	26,979	1,115	(88)	28,639	20,948
PRC	50,189	47,506	133,318	131,726	(70)	659	22,992	25,478
HK	3,956	2,135	11,110	7,463	659	(70)	1,432	7,498
Malaysia	1,853	1,179	5,621	4,404	(845)	(56)	193	305
Others	5,169	5,000	13,158	13,129	(337)	56	776	775
	<u>70,984</u>	<u>64,434</u>	<u>191,443</u>	<u>183,701</u>	<u>522</u>	<u>501</u>	<u>54,032</u>	<u>55,004</u>

(c) Information about Major Customers

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

17 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:

	As at 30 September 2016 S\$'000 (Unaudited)	As at 31 December 2015 S\$'000 (Audited)
Future minimum lease payment receivable:		
– not later than one year	309	515
– later than one year and not later than five years	172	413
	<u>481</u>	<u>928</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2015: 1 to 2 years) as at 30 September 2016.

II. NOTES TO FINANCIAL INFORMATION (Continued)

17 OPERATING LEASE COMMITMENTS (Continued)

Where the Group is a lessee

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

As at 31 December 2015 and 30 September 2016, commitments in respect of non-cancellable operating leases for the Group's rental of office premises and office equipment are as follows:

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Future minimum lease payment receivable:		
– not later than one year	1,340	1,611
– later than one year and not later than five years	857	1,320
	<u>2,197</u>	<u>2,931</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2015: 1 to 3 years) as at 30 September 2016.

18 CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of reporting periods but not recognised is as follows:

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i> (Unaudited)	<i>S\$'000</i> (Audited)
Commitment in respect of		
– plant and equipment	290	290
– construction in progress	–	12,999
	<u>290</u>	<u>13,289</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

II. NOTES TO FINANCIAL INFORMATION (Continued)

19 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed, the following are significant transactions of the Group with related parties at mutually agreed amounts during the three months and nine months ended 30 September 2016 and 2015.

		Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
		<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales to					
– associates		(570)	(639)	(1,169)	(1,843)
– related parties	(i)	(998)	(1,151)	(2,583)	(3,028)
Purchases from					
– associates		231	130	775	726
– related parties	(i)	10,243	7,516	27,943	24,396
Administrative income charged to associates		(15)	(12)	(40)	(35)
Rental charged to					
– associates		3	–	–	(2)
– a related party	(ii)	(76)	(88)	(222)	(214)
Interest charged to					
– associates		(53)	(21)	(53)	(61)
– a related party	(i)	7	7	19	19
Management fee charged to related party	(i)	(2)	(1)	(22)	(23)
Other expenses charged by related parties	(i) & (ii)	35	4	169	31
Other income charged to					
– associates		–	(5)	–	(30)
– a related party	(i)	(99)	(8)	(100)	(101)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

(i) The related parties mainly pertain to non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.

(ii) Mr Teo, the managing director of the Group, is a director of the related parties.

II. NOTES TO FINANCIAL INFORMATION (Continued)

20 CORPORATE GUARANTEES

	As at 30 September 2016	As at 31 December 2015
	<i>S\$'000</i>	<i>S\$'000</i>
	(Unaudited)	(Audited)
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	12,728	14,285

21 SUBSEQUENT EVENTS

The Company has through its indirect wholly owned subsidiary, Servo Dynamics Co., Ltd (“SD Suzhou”), established TRACE Linear Technology (Suzhou) Co., Ltd (“TLT”). TLT has a registered capital of Euro 300,000 (being the equivalent of approximately S\$456,000 on the basis of an exchange rate of Euro 1: S\$1.52). SD Suzhou holds 50% of the equity interest in TLT. The remaining 50% equity interest in TLT is held by T Race S.P.A. TLT has not yet commenced operation as at the date of this report.

B. REPORT FROM REPORTING ACCOUNTANTS

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

30 December 2016

The Directors
ISDN Holdings Limited

Dear Sirs,

INTRODUCTION

We have reviewed the interim financial information set out on pages IA-1 to IA-33 which comprise the audited company and consolidated statements of financial position of ISDN Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as at 31 December 2015, the unaudited company and consolidated statements of financial position as at 30 September 2016; the unaudited consolidated statement of comprehensive income; the unaudited consolidated statement of cash flows and the unaudited company and consolidated statements of changes in equity for the three and nine months ended 30 September 2015 and 2016; and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), “Engagement to Review Historical Financial Statements” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group, prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place on 30 September 2016. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Group attributable to the owners of the Company had the Share Offer been completed on 30 September 2016 or at any future dates.

	Unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma of adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma of adjusted consolidated net tangible assets per Share attributable to owners of the Company	
	S\$'000 (Note 1)	S\$'000 (Note 2)	S\$'000	S\$ (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$1.25 (S\$0.22) per Share	106,677	6,988	113,665	0.29	1.64

Notes:

- (1) The unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2016 is extracted from the Accountant's Report set out in Appendix IA to this prospectus, which is based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2016 of S\$118,363,000 less goodwill attributed to owners of the Company of S\$11,686,000 as at 30 September 2016.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.25 (equivalent to S\$0.22) per Offer Share, after deduction of the underwriting fees and related expenses payable by the Company in connection with the Share Offer, excluding the listing expenses of approximately HK\$13,504,000 (equivalent to S\$2,369,000) that have been recognised in the profit or loss for the year ended 30 September 2016.
- (3) The unaudited pro forma of adjusted consolidated net tangible assets per Share attributable to the owners of the Company is calculated based on 40,000,000 Shares in issue immediately following the completion of the Share Offer. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the ISDN ESOS 2016 and the vesting of shares awards which may be granted under the ISDN EPSP 2012, and any Shares that may be allotted and issued or repurchased by us pursuant to the general mandates given to the directors of the Company as referred to in the section headed "Share Capital" in this prospectus.
- (4) Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from Singapore into Hong Kong dollar at the rate of HK\$5.7 to S\$1, being the same exchange rate used in this document.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results of other transactions of the Group entered into subsequent to 30 September 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF ISDN HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ISDN Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2016 and the related notes as set out in Part A of Appendix II on page II-1 of the prospectus dated 30 December 2016 (the "Prospectus") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Notes 1 to 5 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed placing and public offer of shares ("Share Offer") of the Company on the Group's financial position as at 30 September 2016 as if the proposed Share Offer had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information as at 30 September 2016, on which an accountant's report set out in Appendix I has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878
Hong Kong
30 December 2016

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



30 December 2016

The Directors
ISDN Holdings Limited

Dear Sirs,

In accordance with your instructions for us to value certain property interest held by ISDN Holdings Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 September 2016 (the “valuation date”) for the purpose of incorporating into the prospectus.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Company’s PRC legal advisers, AllBright Law Offices.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 30 September 2016 was SGD1=RMB4.8. There has been no significant fluctuation in the exchange rate for Renminbi against Singapore Dollars (SGD) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Certain property interest held by the Group in the PRC for owner occupation and investment

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2016
An industrial complex located at No. 1128 Jiangxing Road East, Wujiang Economic Development Zone (Songling Town), Suzhou City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land (Lot No. 202-13) with a site area of approximately 40,046.10 sq.m and 6 buildings erected thereon completed in 2010.</p> <p>The buildings have a total gross floor area of approximately 36,986.22 sq.m.</p> <p>The buildings mainly include workshops, offices, a dormitory, a pump room and a guard room.</p> <p>The land use rights of the property have been granted for a term expiring on 21 May 2056 for industrial uses.</p>	<p>Portions of the property having a total gross floor area of approximately 13,496 sq.m have been leased to various independent third parties tenants under various lease agreements at a total monthly rent of approximately RMB145,966.33 with the latest term expiring on 30 June 2019.</p> <p>The remaining portion of the property is occupied by the Group for production and office uses.</p>	<p>RMB85,600,000</p> <p>(equivalent to approximately SGD17,833,300)</p>

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Jiang Guo Yong (2006) No. 2600265), the land use rights of the property having a site area of approximately 40,046.10 sq.m have been granted to Excel Best Industries (Suzhou) Co., Ltd. (創優實業(蘇州)有限公司) ("Excel Best") for a term expiring on 21 May 2056 for industrial uses.
2. According to 2 Building Ownership Certificates (Document Nos.: Wu Fang Quan Zheng Songling Zi Nos. 01060904 and 01060905), the building ownership rights of 6 buildings of the property with a total gross floor area of approximately 36,986.22 sq.m have been granted to Excel Best.
3. The property is subject to 2 property mortgages in favour of United Overseas Bank (China) Limited, Shanghai Branch for a total credit amount of RMB19,780,000.
4. Excel Best is an indirect wholly-owned subsidiary of the Company.
5. The PRC legal opinion states, inter alia, the following:
 - (i) The land use rights and building ownership of the property held by Excel Best are legal and valid under the PRC Laws.
 - (ii) Excel Best is entitled to occupy, use, lease and mortgage the property.
 - (iii) The property is subject to 2 property mortgages in favour of United Overseas Bank (China) Limited, Shanghai Branch for a total credit amount of RMB19,780,000.
 - (iv) The property mortgages have been duly registered with the competent administrative authorities and are legal and valid under the PRC Laws.
 - (v) Excel Best can transfer or dispose by other legal means of the property subject to the prior de-registration of the property mortgages upon prior consent of the mortgagee.
 - (vi) Except the property mortgages disclosed in Note 5(iii), the property is free from defects and encumbrances.
 - (vii) The lease agreements are legal, valid and enforceable under the PRC Laws.

6. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:
- | | | |
|------|---|-----|
| (i) | State-owned Land Use Rights Certificate | Yes |
| (ii) | Building Ownership Certificate | Yes |
7. The property was inspected by Ms. Lu He Rong, China Real Estate Appraiser, on 27 July 2016.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

Set out below is a summary of certain provisions of the Constitution of our Company and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Company's Constitution.

The Company was incorporated in the Republic of Singapore as a private limited company on 28 December 2004 under the Companies Act.

The Constitution were adopted by special resolution of the Shareholders passed on 16 December 2016 to take effect on the day of the Shares of the Company are first traded on the Stock Exchange. The following is a summary of certain provisions of the Constitution:

The capitalised terms in the summary of the constitution of our Company in this Appendix IV shall be defined as follows:

“Act”	The Companies Act or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force concerning companies and affecting our Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent Companies Act.
“address” or “registered address”	In respect of any Member, his physical address for service or delivery of notices or documents personally or by post, unless otherwise expressly provided in the Constitution.
“Annual General Meeting”	An annual general meeting of our Company.
“book-entry securities”	Listed securities: (a) documents of title to which are deposited by a Depositor with the CDP or a clearing house (as the case may be) and are registered in the name of the CDP or a clearing house or their respective nominee; and (b) which are transferable by way of book-entry in the Depository Register and not by way of an instrument of transfer.
“CDP”	The Central Depository (Pte) Limited established by the Singapore Exchange Securities Trading Limited or any other corporation appointed by the Minister as a depository company or corporation for the purpose of the SFA, which as bare trustee operates the Central Depository System for the holding and transfer of book-entry securities.
“Chairman”	The chairman of the Directors or the chairman of the General Meeting as the case may be.
“Chief Executive Officer”	The chief executive officer of our Company for the time being.

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“clearing house”	A clearing house recognized by the laws of the jurisdiction in which the shares of our Company are listed or quoted on a stock exchange in such jurisdiction.
“close associate”	Shall have the meaning attributed to it in the Listing Rules.
“Constitution”	The constitution or other regulations of our Company for the time being in force.
“current address”	Shall have the meaning ascribed to it in the Act.
“Depositor”	A Depository Agent or a Direct Account Holder to the balance of whose Securities Account any shares are credited, but excluding a Sub-Account Holder.
“Depository Agent”	<p>A member of the Singapore Exchange Securities Trading Limited, a trust company (licensed under the Trust Companies Act (Chapter 336) of Singapore), a bank licensed under the Banking Act (Chapter 19) of Singapore, any merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Chapter 186) of Singapore, or any other person or body approved by CDP who or which:</p> <ul style="list-style-type: none">(a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between CDP and the Depository Agent;(b) deposits book-entry securities with CDP on behalf of the sub-account holders; and(c) establishes an account in its name with CDP.
“Depository Register”	A register maintained by CDP or the clearing house (as the case may be) in respect of book-entry securities.
“Designated Stock Exchange”	The Singapore Exchange Securities Trading Limited for so long as the shares of our Company are listed and quoted on the Singapore Exchange Securities Trading Limited, The Stock Exchange of Hong Kong Limited for so long as the shares of our Company are listed and traded on The Stock Exchange of Hong Kong Limited and/or such other stock exchange in respect of which the shares of our Company are listed or quoted.
“Direct Account Holder”	A person who has a securities account directly with CDP or a clearing house (as the case may be) and not through a Depository Agent.

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“Director”	Includes any person acting as director of our Company and includes any person duly appointed and acting for the time being as an alternate director.
“Directors”	The directors of our Company for the time being, as a body or as a quorum present at a meeting of directors.
“Dividend”	Includes bonus and payment by way of bonus.
“electronic communication”	Shall have the meaning ascribed to it in the Act and shall include any statutory modification, amendment or re-enactment thereof.
“General Meeting”	A general meeting of our Company.
“in writing” or “written”	Written or produced by any substitute for writing or partly one and partly the other, and includes (except where otherwise expressly specified in the Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Act) printing, lithography, typewriting and any other mode of representing or reproducing words, symbols or other information which may be displayed in visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.
“Managing Director”	Any person appointed by the Directors to be managing director.
“market day”	A day on which the Designated Stock Exchange is open for trading in securities.
“Member”	A registered member of our Company.
“month”	Calendar month.
“Office”	The registered office of our Company for the time being.
“Ordinary Resolution”	Shall have the meaning ascribed to it in the Act.
“paid-up”	Paid-up or credited as paid-up.
“Register of Members”	Our Company’s principal register of Members and where applicable, any branch register of Members to be maintained at such place within or outside Singapore as the Directors shall determine from time to time.

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“Registration Office”	In respect of any class of share capital, such place as the Directors may from time to time determined to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Directors otherwise directs) the transfers or other documents or title for such class of share capital are to be lodged for registration and are to be registered.
“Regulations”	The regulations of the Constitution as from time to time amended.
“relevant intermediary”	Shall have the meaning ascribed to it in the Act.
“Seal”	The common seal of our Company.
“Secretary”	Any person appointed by the Directors to perform any of the duties of the Secretary or where two or more persons are appointed to act as Joint Secretaries any one of those persons.
“Securities Account”	The securities account maintained by a depositor with CDP or a clearing house (as the case may be).
“SFA”	The Securities and Futures Act (Chapter 289) of Singapore or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force affecting our Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent SFA.
“shares”	Shares in the capital of our Company.
“Special Resolution”	Shall have the meaning ascribed to it in the Statutes.
“Statutes”	The Act, SFA and every other written law or regulations for the time being in force concerning companies and affecting our Company (including but not limited to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)).
“year”	Calendar year.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
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(A) DIRECTORS

(i) A Director's power to contract with the Company

Regulation 81A

(A) A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Directors after he knows that he is or has become so interested. For the purposes of this Regulation a general notice to the Directors to the effect that:

- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
- (b) he is to be regarded as interested in any contract or arrangement, which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Regulation in relation to any such contract or arrangement,

provided always that no such notice shall be effective unless either it is given at a meeting of the Directors or the Director takes reasonable steps to secure that it is brought up and read at the next Directors meeting after it is given.

(B) Except as would, if the Company were a company incorporated in Hong Kong, be permitted by section 505 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as in force at the date of adoption of these Regulations, and except as permitted under the Statutes, the Company shall not directly or indirectly:

- (a) make a loan to a Director or a director of any holding company of the Company or to any of their respective associates (as defined by the rules, where applicable, of the Designed Stock Exchange);
- (b) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director; or
- (c) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company. Regulation 81A(B) shall only have effect for so long as the shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

(C) A Director shall not vote (nor be counted in the quorum) on any resolution of the Directors approving any transaction, contract or arrangement or any other proposal in which he or any of his close associates directly or indirectly has a personal material interest. If any question shall arise at any meeting of the Directors as to the materiality of the interest of a Director or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting (or, where question relates to the interest of the chairman of the meeting, to the other Directors at

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
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the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to such other Director (or, as appropriate, the chairman of the meeting) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (or, as appropriate, the chairman of the meeting) as known to such Director (or, as appropriate, the chairman of the meeting) has not been fairly disclosed to the Directors. Upon approval by a majority of the independent non-executive Directors, professional advisors at the cost of the Company can be engaged without the need to obtain prior approval from other Directors.

- (D) The provisions of this Regulation may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting, and any particular contract, arrangement or transaction carried out in contravention of this Regulation may be ratified by ordinary resolution of the Company, subject to the Statutes and any applicable laws, provided that a Director whose action is being ratified by this ordinary resolution shall refrain from voting on this ordinary resolution as a shareholder at that general meeting.

(ii) The Director's power to vote on remuneration

Regulation 81

- (A) Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement or transaction with the Company either as vendor, purchaser or otherwise nor shall such contract, arrangement or transaction or any contract, arrangement or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract, arrangement or transaction by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director and Chief Executive Officer (or person(s) holding an equivalent position) shall observe the provisions of the Statutes or rules of the Designated Stock Exchange relating to the disclosure of the interests of the Directors and Chief Executive Officers (or person(s) holding an equivalent position) in transactions or proposed transactions with the Company or of any office or property held by a Director or a Chief Executive Officer (or person(s) holding an equivalent position) which might create duties or interests in conflict with his duties or interests as a Director or a Chief Executive Officer (or an equivalent position), as the case may be. For the avoidance of doubt, as long as the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, an independent non-executive Director or any firm of which he is a member shall not be allowed to act in any professional capacity for the Company during the tenure of his office as an independent non-executive Director and at any time during the twelve (12) months immediately preceding his appointment.

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(B) A Director may be or become a director of or hold any office or place of profit (other than as Auditor) or be otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director or officer of or by virtue of his interest in such other company. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Regulation, no such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be avoided.

(iii) Borrowing powers exercisable by the Directors

Regulation 108

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(iv) Appointment of Directors

Regulation 88

The Company may by Ordinary Resolution appoint any person to be a Director either as an additional Director or to fill a casual vacancy. Any person so appointed by the Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Regulation 89

At each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire at least once every three years.

Regulation 90

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

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Regulation 91

The Company at a General Meeting at which a Director retires under any provision of these Regulations may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:—

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected or where such Director is disqualified under the Statutes from holding office as a Director;
- (c) where such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or
- (d) where the default is due to the moving of a resolution in contravention of the next following Regulation.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

Regulation 93

No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for re-election, be eligible for appointment as a Director at any general meeting unless not less than eleven clear days before the day appointed for the meeting there shall have been left at the Office notice in writing signed by some Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him. Provided that in the case of a person recommended by the Directors for election nine clear days' notice only shall be necessary and notice of each and every candidate for election shall be served on all Members at least seven clear days prior to the meeting at which the election is to take place.

(v) Vacation of office/Rotation of Directors

Regulation 94

The office of a Director shall be vacated in any of the following events, namely:—

- (a) if he shall cease to be a Director by virtue of the Act or become prohibited or disqualified by the Statutes or any other law from acting as a Director; or
- (b) if (not being a Director holding any executive office for a fixed term) he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer; or
- (c) if he shall become bankrupt or have a receiving order made against him or shall make arrangement or composition with his creditors generally; or

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- (d) if he becomes of unsound mind or mentally disordered and incapable of managing himself or his affairs, or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
- (e) is absent, for more than six months and without leave of the Directors, from meetings of the Directors held during that period; or
- (f) if he is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds, he shall immediately resign from the Board of Directors; or
- (g) if he is removed by the Company in General Meeting pursuant to these Regulations.

Regulation 89

At each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire at least once every three years.

Regulation 90

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

Regulation 91

The Company at a General Meeting at which a Director retires under any provision of these Regulations may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:—

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected or where such Director is disqualified under the Statutes from holding office as a Director; or
- (c) where such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or
- (d) where the default is due to the moving of a resolution in contravention of the next following Regulation.

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The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

(vi) Holding of Shares by way of qualification

Regulation 76

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at General Meetings.

(B) AMENDMENT OF THE CONSTITUTION

Regulation 153

No Regulation shall be rescinded, altered or amended and no new Regulation shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Regulation, or to change the name of the Company and as permitted in the circumstances provided under the Statutes.

(C) ALTERATIONS OF CAPITAL

Regulation 10

(A) The Company may by Ordinary Resolution:–

- (a) consolidate and divide all or any of its share capital;
- (b) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled;
- (c) sub-divide its shares, or any of them (subject nevertheless to the provisions of the Act, this Constitution and the listing rules of the Designated Stock Exchange), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;
- (d) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency; and/or

(B) The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.

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Regulation 11

- (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.
- (B) The Company may purchase or otherwise acquire its issued shares or purchase for redemption a redeemable share either out of or otherwise than out of its distributable profits or the proceeds of a fresh issue of shares subject to and in accordance with the provisions of the Statutes (including the Act) and any applicable rules of the Designated Stock Exchange (hereafter, the “**Relevant Laws**”), on such terms and in such manner as it may from time to time think fit, and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Regulations and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Where the Company purchases for redemption a redeemable share, purchase not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Members in General Meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.

(D) ISSUE OF SHARES

There are generally no restrictions on the ownership of securities of the Company.

Regulation 3

- (A) Subject to the Act and to these Regulations, no shares may be issued by the Directors without the prior approval of the Company in a General Meeting, but subject thereto and the terms of such approval, and subject to Regulation 5, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and whether or not subject to the payment of any part of the amount (if any) thereof in cash or otherwise as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange’s listing rules.
- (B) Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of closing date (or such other period as may be approved by the Designated Stock Exchange). The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

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- (C) Except so far as otherwise provided by the conditions of issue or by these Regulations, all new shares shall be issued subject to the provisions of the Statutes and of these Regulations with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
- (D) Except as herein provided, no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members or (as the case may be) the Depository Register as a Member and shall have paid all calls and other moneys due for the time being on every share held by him.

Regulation 3A

The Company does not have an authorised share capital and the shares do not have par value. No shares shall be issued to bearer.

Regulation 4

The Company shall not have any treasury share.

Regulation 5

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares, the offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.
- (B) Notwithstanding Regulation 5(A) above, the Company may, subject to the provisions of the Statutes, by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–
 - (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

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

Provided that:–

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Regulations; and
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
- (C) Subject to the provisions of the Statutes and the listing rules of the Designated Stock Exchange, the Company may, notwithstanding Regulations 5(A) and 5(B) above, authorise the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

Regulation 8

- (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. The total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrear.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- (C) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.
- (D) The Company may issue shares for which no consideration is payable to the Company.

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(E) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Regulation 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, only be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than an adjourned meeting) shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Regulation 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The rights attached to any class of shares having preferential or other rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

(F) SPECIAL RESOLUTION

(i) Variation of rights

Regulation 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, only be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than an adjourned meeting) shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

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(B) The provisions in Regulation 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

(C) The rights attached to any class of shares having preferential or other rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

(ii) Company May Convert One Class of Shares into Another Class of Shares

Regulation 10(B)

(B) The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.

(iii) Notice of Meeting

Regulation 48

Subject to such other minimum period as may be specified in the Statute from time to time, an Annual General Meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any Extraordinary General Meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer). All other Extraordinary General Meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer) The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than those who are not under the provisions of these Regulations entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:–

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat.

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen clear days' or ten clear business days' (whichever is longer) notice (excluding the date of notice and the date of meeting) of any General Meeting shall be given to shareholders by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution and in the case of any Annual General Meeting, at least twenty-one clear days' or twenty clear business days' (whichever is longer) notice in writing (excluding the date of notice and the date of meeting) of such Extraordinary General Meeting shall be given to shareholders by advertisement in the daily press and in writing to the Designated Stock Exchange.

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(iv) Winding Up

Regulation 147

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the Members *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(v) Amendments of Regulations

Regulation 153

No Regulation shall be rescinded, altered or amended and no new Regulation shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Regulation, or to change the name of the Company and as permitted in the circumstances provided under the Statutes.

(G) VOTING RIGHTS

Regulation 58

- (A) All resolutions put to the vote at any General Meeting shall be decided by way of poll (unless such requirement is waived by the Designated Stock Exchange).
- (B) If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude.

Regulation 59

Unless a poll is required, a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets or electronic means) as the chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was required. The chairman of the General Meeting may (and, if required by the listing rules of the Designated Stock Exchange or if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Regulation 60

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is required shall be entitled to a casting vote.

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Regulation 62

- (A) Subject to any special rights, privileges or restrictions as to voting attached by or in accordance with these Regulations to any class of shares, each Member entitled to vote may vote in person or by proxy.
- (B) On a show of hands every Member who is present in person or by proxy shall have one vote, provided that:
 - (a) in the case of a Member who is not a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
 - (b) in the case of a Member who is a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.
- (C) On a poll every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents.
- (D) For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy or proxies may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP or a clearing house to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.

Regulation 62A

Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

Regulation 63

In the case of joint holders of a share, any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto, but if more than one of such persons is present at a meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the name which stands first in the Register of Members or, as the case may be, the name which appears first in the Depository Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

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Regulation 64

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

Regulation 65

No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

Regulation 66

No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive.

Regulation 67

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 68

(A) Save as otherwise provided in the Statutes:

- (a) a Member who is not a relevant intermediary or a clearing house (or its nominee(s)) may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid; and
- (b) a Member who is a relevant intermediary or a clearing house (or its nominee(s)) may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy 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 form of proxy.

(B) (a) In any case where a Member is a Depositor, the Company shall be entitled and bound:—

- (i) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP or a clearing house to the Company; and

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- (ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP or a clearing house to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- (b) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
- (C) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- (D) A proxy need not be a Member of the Company.

Regulation 69

- (A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:–
 - (a) in the case of an individual Member:
 - (i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or
 - (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and
 - (b) in the case of a Member which is a corporation:
 - (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or limited liability partnership if the instrument of proxy is delivered personally or sent by post; or
 - (ii) authorised by that corporation or limited liability partnership through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of this Regulation, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

- (B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Regulation, failing which the instrument of proxy may be treated as invalid.

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(C) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in Regulation 69(A)(a)(ii) and 69(A)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 69(A)(a)(i) and/or (as the case may be) Regulation 69(A)(b)(i) shall apply.

Regulation 70

(A) An instrument appointing a proxy or the power of attorney or other authority, if any:

(a) if sent personally or by post, must be left at the Office or Registration Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or

(b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid.

(B) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 70(A)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 70(A)(a) shall apply.

(C) An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

Regulation 71

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting.

Regulation 72

A vote cast by proxy in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made or the transfer of the share in

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respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Regulation 73

Subject to these Regulations and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Regulation 73A

If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members provided always that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Regulation 73A shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

Regulation 73B

- (A) The Company shall keep in one or more books a Register of Members and shall enter therein the following particulars, that is to say:
- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
 - (b) the date on which each person was entered in the Register of Members; and
 - (c) the date on which any person ceased to be a Member.
- (B) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Directors may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

Regulation 73C

The Register of Members and branch register of Members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by Members without charge or by any other person, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the

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Directors, at the Office or such other place at which the Register is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the Directors at the Registration Office. The Register of Members including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Directors may determine and either generally or in respect of any class of shares.

Regulation 73D

Notwithstanding any other provision of these Regulations, but subject to the rules of the Designated Stock Exchange, the Company or the Directors may fix any date as the record date for:

- (A) determining the Members entitled to receive any dividend, distribution, allotment or issue;
- (B) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

(H) GENERAL MEETINGS

Regulation 46

Save as otherwise permitted under the Act, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors (subject to the listing rules of the Designated Stock Exchange). If required by the listing rules of the Designated Stock Exchange, all general meetings shall be held in Singapore, unless prohibited by relevant laws and regulations of the jurisdiction of the Company's incorporation, or unless such requirement is waived by the Designated Stock Exchange. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed four months or such other period as prescribed by the Act and the byelaws and listing rules of the Designated Stock Exchange or other legislation applicable to the Company from time to time.

Regulation 47

The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting, or in default, the Extraordinary General Meeting may be conveyed by such requisitionists including Members holding a minority stake in the Company which have shareholdings not less than 10.0% of the total number of paid-up shares as at the date of the requisition carries the right of voting at general meetings.

(I) FINANCIAL STATEMENTS

Regulation 136

- (A) The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Statutes and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

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- (B) Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes, shall be kept at the Office or at such other place as the Directors think fit. No Member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorised by the Directors.

Regulation 137

The Directors shall from time to time, in accordance with the provisions of the Statutes, cause to be prepared and to be laid before a General Meeting of the Company financial statements, balance sheets, reports, statements and other documents as may be prescribed by the said Act. Once at least in every year the Company financial statements, balance sheets, reports, statements and other documents as may be prescribed by the Statutes shall be examined and the correctness of such documents shall be ascertained by one or more Auditors.

Regulation 138

A copy of the financial statements and Directors' report accompanied by the balance-sheet and profit and loss account or income and expenditure account (including every document required by law to be attached or thereto), which is duly audited and which is laid before the Company in General Meetings accompanied by a copy of the Auditor's report or the summary financial report, shall not less than twenty one clear days or twenty clear business days (whichever is longer) before the date of the meeting be sent to every Member of the Company and to every other person who is entitled to receive notices of General meetings under the provisions of the Statutes or of these Regulations, Provided always that this Regulation shall not require a copy of these documents to be sent to more than one of any joint holders or to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

(J) NOTICES OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

Regulation 48

Subject to such other minimum period as may be specified in the Statute from time to time, an Annual General Meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any Extraordinary General Meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer). All other Extraordinary General Meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer) The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than those who are not under the provisions of these Regulations entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:—

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat.

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Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen clear days' or ten clear business days' (whichever is longer) notice (excluding the date of notice and the date of meeting) of any General Meeting shall be given to shareholders by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution and in the case of any Annual General Meeting, at least twenty-one clear days' or twenty clear business days' (whichever is longer) notice in writing (excluding the date of notice and the date of meeting) of such Extraordinary General Meeting shall be given to shareholders by advertisement in the daily press and in writing to the Designated Stock Exchange.

Regulation 49

- (A) Every notice calling a General Meeting shall specify the place, day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him and that a proxy need not be a Member of the Company.
- (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

Regulation 50

Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:—

- (a) declaring Dividends;
- (b) receiving and adopting the financial statements, the Directors' statement, and the Auditors' reports and other documents required to be attached or annexed to the financial statements;
- (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
- (d) appointing Auditors or re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
- (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
- (f) fixing the Directors fees.

Regulation 51

Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

(K) TRANSFER OF SHARES

Regulation 32

- (A) All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange.

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- (B) All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the Designated Stock Exchange upon which the Company may be listed or where such approved form is not available, any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed provided that an instrument of transfer in respect of which the transferor or transferee is the CDP or the clearing house shall be effective although not signed or witnessed by or on behalf of the CDP or the clearing house, or if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.
- (C) No shares shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.

Regulation 33

The Registers of Members and of Transfers may be closed, and the registration of transfers may be suspended, at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

Regulation 34

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (to the extent permitted by the listing rules of the Designated Stock Exchange), Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) If the Directors refuse to register a transfer of any share, they shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of refusal as required by the Act.
- (C) The Directors may decline to register any instrument of transfer unless:—
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

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- (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
- (d) the instrument of transfer is in respect of only one class of shares.

Regulation 35

All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

Regulation 36

The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:—

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

Regulation 36A

Subject to, and in accordance with, the Statutes and any applicable rules of the Designated Stock Exchange and unless the Directors otherwise agrees (which agreement may be on such terms and subject to such conditions as the Directors in its absolute discretion may from time to time determine, and which agreement the Directors shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Member shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register of Member or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register of Member, at the Office or such other place at which the Register of Member is kept in accordance with the Statutes.

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(L) POWER FOR OUR COMPANY TO PURCHASE OUR OWN SHARES

Regulation 11

- (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.
- (B) The Company may purchase or otherwise acquire its issued shares or purchase for redemption a redeemable share either out of or otherwise than out of its distributable profits or the proceeds of a fresh issue of shares subject to and in accordance with the provisions of the Statutes (including the Act) and any applicable rules of the Designated Stock Exchange (hereafter, the “**Relevant Laws**”), on such terms and in such manner as it may from time to time think fit, and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Regulations and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Where the Company purchases for redemption a redeemable share, purchase not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Members in General Meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.

(M) DIVIDENDS AND RESERVES

Regulation 123

The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.

Regulation 124

If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

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Regulation 125

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Statutes:–

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Regulation 126

- (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such monies unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP or a clearing house returns any such Dividend or monies to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or monies against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other monies are first payable.
- (B) A payment by the Company to CDP or a clearing house of any Dividend or other monies payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

Regulation 127

No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Regulation 128

- (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.
- (C) A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

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Regulation 129

The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Regulation 130

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company or in any one or more of such ways) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Regulation 131

Any Dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct.

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Regulation 132

If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend, return of capital or other monies payable or property distributable on or in respect of the share.

Regulation 133

Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

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Regulation 134

- (A) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit.

In such case, the following provisions shall apply:

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and (notwithstanding any provision of the Regulations to the contrary), the Directors shall be empowered to do all things necessary and convenient for the purpose of implementing the aforesaid including, without limitation, the making of each necessary allotment of shares and of each necessary appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment and without prejudice to the generality of the foregoing the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

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- (B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Regulation shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any appropriation, capitalisation, application, payment and distribution of funds pursuant to the provisions of paragraph (A) of this Regulation, with full power to make such provisions as they think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Regulations, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down), or whereby the benefit of fractional entitlements accrues to the Company rather than the Members) and to authorize any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (c) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation 134.
- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 134, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Regulation 134 shall be read and construed subject to such determination.
- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 134, further determine that no allotment of ordinary shares or rights of election for ordinary shares under that paragraph shall be made available or made to Members whose registered addresses entered the Register of Members or (as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

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- (E) Notwithstanding the foregoing provisions of this Regulation 134, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Regulation 134 in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (A) of this Regulation 134.

Regulation 122

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

(N) PROXIES

Regulation 67

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 68

(A) Save as otherwise provided in the Statutes:

- (a) a Member who is not a relevant intermediary or a clearing house (or its nominee(s)) may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid; and
- (b) a Member who is a relevant intermediary or a clearing house (or its nominee(s)) may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy 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 form of proxy.

(B) (a) In any case where a Member is a Depositor, the Company shall be entitled and bound:–

- (i) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP or a clearing house to the Company; and

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- (ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP or a clearing house to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- (b) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
- (C) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- (D) A proxy need not be a Member of the Company.

Regulation 69

- (A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:–
 - (a) in the case of an individual Member:
 - (i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or
 - (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and
 - (b) in the case of a Member which is a corporation:
 - (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or limited liability partnership if the instrument of proxy is delivered personally or sent by post; or
 - (ii) authorised by that corporation or limited liability partnership through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of this Regulation, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

- (B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Regulation, failing which the instrument of proxy may be treated as invalid.

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(C) The Directors may, in their absolute discretion:

- (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
- (b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in Regulation 69(A)(a)(ii) and 69(A)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 69(A)(a)(i) and/or (as the case may be) Regulation 69(A)(b)(i) shall apply.

Regulation 70

(A) An instrument appointing a proxy or the power of attorney or other authority, if any:

- (a) if sent personally or by post, must be left at the Office or Registration Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or
- (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid.

(B) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 70(A)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 70(A)(a) shall apply.

(C) An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

Regulation 71

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting.

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Regulation 72

A vote cast by proxy in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Regulation 73

Subject to these Regulations and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Regulation 73A

If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members provided always that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Regulation 73A shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

(O) CALLS ON SHARES

Regulation 17

The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Regulation 18

Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls, instalments and interest (if any) in respect thereof. A call may be revoked or postponed as the Directors may determine.

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Regulation 19

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding eight per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

Regulation 20

Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Regulation 21

The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

Regulation 22

- (A) The Directors may if they think fit receive from any Member willing to advance the same all or any part of the monies uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made and upon the monies so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum, unless the Company in general meeting otherwise directs) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits subsequently declared and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so directs.
- (B) The Directors may apply all dividends which may be declared in respect of any shares in payment of any calls made or instalments payable and which may remain unpaid in respect of the same shares.

(P) FORFEITURE AND LIEN**Regulation 23**

If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

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Regulation 24

The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

Regulation 25

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

Regulation 26

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorise some person to transfer a share so forfeited or surrendered to any such other person as aforesaid. The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture or surrender thereof upon such conditions as they think fit.

Regulation 27

A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

Regulation 28

The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation 28.

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Regulation 29

- (A) The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto (if any) entitled to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice. Provided always that if a Member shall have died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person shall have given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice.
- (B) In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold.

Regulation 30

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities (including unpaid calls and accrued interest and expenses) and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assignees, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser.

Regulation 31

A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, the Depository Register) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

(Q) INSPECTION OF REGISTER OF MEMBERS

Regulation 73B

- (A) The Company shall keep in one or more books a Register of Members and shall enter therein the following particulars, that is to say:
- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;

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- (b) the date on which each person was entered in the Register of Members; and
 - (c) the date on which any person ceased to be a Member.
- (B) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Directors may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

Regulation 73C

The Register of Members and branch register of Members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by Members without charge or by any other person, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the Directors, at the Office or such other place at which the Register is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S\$1 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by the Directors) or such lesser sum specified by the Directors at the Registration Office. The Register of Members including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Directors may determine and either generally or in respect of any class of shares.

Regulation 73D

Notwithstanding any other provision of these Regulations, but subject to the rules of the Designated Stock Exchange, the Company or the Directors may fix any date as the record date for:

- (A) determining the Members entitled to receive any dividend, distribution, allotment or issue;
- (B) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

(R) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

Regulation 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, only be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than an adjourned meeting) shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll,

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Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

Regulation 53

No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present. In addition, for the purposes of a quorum, joint holders of any share shall be treated as one Member. A corporation or a limited liability partnership being a Member shall be deemed to be personally present if represented in accordance with the provisions of Regulation 74.

Regulation 54

If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

Regulation 55

The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

Regulation 97

Subject to the provisions of these Regulations, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. At any time, any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of Directors. Directors may participate in a meeting of the Directors by means of a conference telephone, video conferencing, audio visual, or other similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of another Director or Directors, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. The Directors for the time being entitled to receive notice of any meeting of the Directors (including any alternate for any Director) shall be entitled to notice of any meeting by telephone and to be linked by telephone, conference television or similar communication equipment or any other form of audio or audio-visual instantaneous communication for the purpose of such meeting. Notice of any such meeting may be

given by means of electronic communication to all the Directors whether such Directors are within Singapore or otherwise. Any Director may waive notice of any meeting and any such waiver may be retroactive. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Such a meeting shall be deemed to take place where the largest group of Directors physically present for the purpose of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is physically present. Each of the Directors taking part and the Secretary must be able to hear each of the other Directors taking part subject as hereinafter mentioned throughout the meeting. At the commencement of the meeting each Director must acknowledge his presence to all the other Directors taking part. Unless he has previously obtained the consent of the Chairman of the meeting, a Director may not leave the meeting by disconnecting his telephone, conference television or similar communication equipment or any other form or audio or audio-visual instantaneous communication and shall be conclusively presumed to have been present and to have formed part of the quorum throughout the meeting. The meeting shall be deemed to have been validly conducted notwithstanding that a Director's telephone, conference television or similar communication equipment or any other form or audio or audio-visual instantaneous communication is accidentally disconnected during the meeting, and the proceedings thereof shall be deemed to be as valid as if the telephone, conference television or similar communication equipment or any other form or audio or audio-visual instantaneous communication had not been disconnected. The minutes of the proceedings at such meeting by telephone or other means of communication shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as the correct minutes by the chairman of the meeting.

Regulation 98

The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number, shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

Regulation 99

Questions arising at any meeting of the Directors shall be determined by a majority of votes. In case of an equality of votes (except where only two Directors are present and form the quorum or when only two Directors are competent to vote on the question in issue), the Chairman of the meeting shall have a casting vote.

Regulation 101

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Regulations, the continuing Directors or Director may, except in an emergency, act only for the purpose of filling up such vacancies or of summoning General Meetings, but not for any other purpose. If there be no Directors or Director able or willing to act, then any two Members may summon a General Meeting for the purpose of appointing Directors.

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Regulation 102

- (A) The Directors may from time to time elect from their number a Chairman and a Deputy Chairman (or two or more Deputy Chairmen) and determine the period for which each is to hold office. The Deputy Chairman will perform the duties of the Chairman during the Chairman's absence for any reason. If no Chairman or Deputy Chairman shall have been appointed or if at any meeting of the Directors no Chairman or Deputy Chairman shall be present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.
- (B) If at any time there is more than one Deputy Chairman, the right in the absence of the Chairman to preside at a meeting of the Directors or of the Company shall be determined as between the Deputy Chairmen present (if more than one) by seniority in length of appointment or otherwise as resolved by the Directors.

(S) WINDING UP

Regulation 146

The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

Regulation 147

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the Members *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Regulation 147A

On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been ratified by the Members. The amount of such payment shall be notified to all Members at least seven days prior to the meeting at which it is to be considered.

(T) STOCKS

Regulation 43

The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.

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Regulation 44

The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

Regulation 45

The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

(U) INDEMNITY**Regulation 149**

Subject to the provisions of and so far as may be permitted by the Statutes, every Director, and other officer of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company. Without prejudice to the generality of the foregoing, no Director or other officer of the Company shall be liable for any loss or expense which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, default, breach of duty or breach of trust.

Regulation 150

The Company must not indemnify any person in respect of any costs, charges, losses, expenses and liabilities pursuant to Regulation 149, or pay any premium for a contract pursuant to Regulation 148, if and to the extent that the Company is prohibited by law from doing so.

(V) Share certificate renewal**Regulation 16**

Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and in case of defacement or wearing out on delivery of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

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The following summarises the salient provisions of the laws of Singapore as at the date of this prospectus. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed or conferred by the corporate laws of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations under the relevant laws.

Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the weblinks listed in the section headed “Documents Available for Inspection” in Appendix VII to this prospectus.

REPORTING OBLIGATIONS OF SHAREHOLDERS

1.1 Obligation to notify Company of substantial shareholding and change in substantial shareholding

Section 81 of the Companies Act

A person has a substantial shareholding in a company if he has an interest or interests in one (1) or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares in the company.

Section 82 of the Companies Act

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

Sections 83 and 84 of the Companies Act

A substantial shareholder is required to notify the company of any change in the percentage level of his shareholding or his ceasing to be a substantial shareholder, within two (2) business days after he is aware of such change.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold.

For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Consequence of non-compliance

Section 89 of the Companies Act provides for the consequences of non-compliance with Sections 82, 83 and 84. Under Section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

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Section 90 provides for a defence to a prosecution for failing to comply with Sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he:

- (a) was not so aware on the date of the summons; or
- (b) became so aware less than seven (7) days before the date of the summons.

However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time:

- (i) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or
- (ii) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

1.2 Powers of the court with respect to defaulting substantial shareholders

Section 91 of the Companies Act

Under Section 91 of the Companies Act, where a substantial shareholder fails to comply with Sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one (1) of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded;
- (h) for the purposes of securing compliance with any other order made under Section 91, an order directing the company or any other person to do or refrain from doing a specified act.

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Any order made under Section 91 may include such ancillary or consequential provisions as the Court thinks just.

The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied that:

- (a) the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and
- (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under Section 91 that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

1.3 Obligation to notify the SGX-ST of substantial shareholding and change in substantial shareholding

Sections 135, 136 and 137 of the SFA

A substantial shareholder is also required under Sections 135, 136 and 137 of the SFA to notify the company in writing, when the shareholder becomes a substantial shareholder, of changes to the percentage level of his substantial shareholding, or of his ceasing to be a substantial shareholder. Any person who fails to comply with these sections is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both (for an individual) and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.4 Duty of director or chief executive officer to notify corporation of his interests

Sections 133 and 134 of the SFA

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, *inter alia*, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares,

whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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1.5 Power of corporation to require disclosure of beneficial interest in its voting shares

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under Section 137F with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both (for an individual) and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.6 Duty of corporation to make disclosure

Section 137G of the SFA

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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1.7 Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and the Securities Industry Council

Section 330 of the SFA

Under Section 330 of the SFA, any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to any securities exchange, futures exchange, licensed trade repository, approved clearing house or recognised clearing house or any officers thereof relating to, *inter alia*, dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

Note: Under Section 4(10)(a) of the SFA, a person who holds securities as a bare trustee will not be regarded as having an interest in those securities. Accordingly, if HKSCC Nominees and other CCASS Participants hold shares as bare trustees, such holdings will not give rise to any disclosure obligation as detailed above by HKSCC Nominees and other CCASS Participants. The ultimate beneficial owner will be obliged to comply with the above disclosure and reporting requirements in connection with their respective shareholdings.

PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE COMPANY

2.1 Prohibitions against false trading and market manipulation

Section 197 of the SFA

Section 197 of the SFA prohibits a person from:

- (a) any activities for the purpose of creating a false or misleading appearance of:
 - (i) active trading in any securities on a securities market; or
 - (ii) with respect to the market for, or price of, any securities on a securities market;
- (b) any activities that create, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities:
 - (i) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
 - (ii) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (c) the purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

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Under Section 197(3), the purpose of a person's conduct is deemed to be the creation of a false or misleading appearance of active trading in securities on a securities market if he:

- (a) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (b) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (c) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the person establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

2.2 Prohibition against securities market manipulation Section 198 of the SFA

Under Section 198(1) of the SFA, no person shall carry out directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them.

Section 198(2) provides that transactions in securities of a corporation includes the making of:

- (a) an offer to purchase or sell such securities of the corporation; and
- (b) an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

2.3 Prohibition against the manipulation of the market price of securities by the dissemination of misleading information and the dissemination of information about illegal transactions

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely to:

- (a) induce other persons to subscribe for securities;
- (b) induce the sale or purchase of securities by other persons; or
- (c) have the effect of raising, lowering, maintaining or stabilising the market price of securities,

if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will or is likely to rise, fall or be maintained by reason of transactions entered into in contravention of Sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements:

- (i) is the person who entered or purports to enter into the illegal transaction; or
- (ii) is associated with the person who entered or purports to enter into the illegal transaction; or
- (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

2.4 Prohibition against fraudulently inducing persons to deal in securities

Section 200 of the SFA

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, by:

- (a) making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- (b) any dishonest concealment of material facts;
- (c) the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or

- (d) recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the person so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

2.5 Prohibition against employment of manipulative and deceptive devices

Section 201 of the SFA

Section 201 of the SFA prohibits a person from, directly or indirectly, in connection with the subscription, purchase or sale of any securities:

- (a) employing any device, scheme or artifice to defraud;
- (b) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (c) making any statement he knows to be false in a material particular; or
- (d) omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

2.6 Prohibition against insider trading

Sections 218 and 219 of the SFA

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it were generally available, might have a material effect on the price or value of securities of that corporation. Such persons include officers and substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship with the corporation or a related corporation, or by being an officer of a substantial shareholder in that corporation or in a related corporation.

For an alleged contravention of Section 218 or 219, Section 220 makes it clear that it is not necessary for the prosecution or the plaintiff to prove that the accused person or defendant intended to use the information referred to in Section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of Section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

2.7 Penalties

Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum:

- (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or
- (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation,

whichever is the greater.

If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes Sections 197 to 203 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 204 of the SFA.

Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

Section 221 of the SFA

Any person who contravenes Sections 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 221 of the SFA.

Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

TAKEOVER OBLIGATIONS

3.1 Offences and obligations relating to takeovers

Section 140 of the SFA

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if he has:

- (a) no intention to make a take-over offer; or
- (b) no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be.

A person who contravenes Section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both.

3.2 Obligations under the Singapore Code on Take-overs and Mergers (the “Singapore Code”) and the consequences of non-compliance

Obligations under the Singapore Code

The Singapore Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company’s voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company’s voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company’s voting Shares in any six month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

“Persons acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

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- (e) a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned thresholds is reached, the person acquiring an interest (the "**Offeror**") must make a public announcement stating, *inter alia*, the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

If a revised offer is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least 14 days from the date of posting of the written notification of the revision to shareholders. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

3.3 Consequences of non-compliance with the requirements under the Singapore Code

The Singapore Code is non-statutory in that it does not have the force of law. Therefore, as provided in Section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Code shall not of itself render that party liable to criminal proceedings.

However, the failure of any party to observe any of the provisions of the Singapore Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that the Securities Industry Council has the power, in the exercise of its functions, to enquire into any matter or thing related to the securities industry and may, for this purpose, summon any person to give evidence on oath or affirmation or produce any document or material necessary for the purpose of the enquiry.

3.4 Compulsory Acquisition under the Companies Act

Following the conclusion of an offer, pursuant to section 215 of the Companies Act, if an offeror acquires 90.0% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell its shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three (3) months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

MINORITY RIGHTS

Section 216 of the Companies Act

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company has taken an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of the affairs of the company in the future;
- (iii) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (iv) provide for the purchase of the shares of the company by other members of the company or by the company itself;
- (v) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital;
- (vi) order the amendment of the company's constitution; or
- (vii) provide that the company be wound up.

EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of a company's securities.

MEMBERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS

Section 176 of the Companies Act

Section 176 of the Companies Act provides that the directors shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10.0% of the total number of paid-up shares as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10.0% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition.

For the purpose of section 176 of the Companies Act, any of the Company's paid-up shares as treasury Shares shall be disregarded.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
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Section 183 of the Companies Act

Section 183 of the Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to:

- (a) give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of members as required for such a requisition shall be any number of members representing not less than 5.0% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

APPENDIX V FURTHER INFORMATION RELATING TO THE DUAL PRIMARY LISTING

INFORMATION RELATING TO SINGAPORE AND HONG KONG LAWS, RULES, REGULATIONS AND CODES

The Shares are currently listed on the SGX-ST and the Company intends to list its Shares on the Stock Exchange. The Company sets out below a summary of the major differences between the Listing Rules and the Singapore Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, the takeover rules under the Singapore Code, the Takeovers Code and certain relevant legislations concerning companies with listed securities.

However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to the Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise.

Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the Listing Rules and the Singapore Listing Manual, the Company shall comply with the more restrictive and stringent rule. The Sole Sponsor and the Directors are not aware of any major conflicts between the Listing Rules and the Singapore Listing Manual, which may cause difficulties to the Company to comply with the rules under both regimes.

I. SUMMARY OF THE MAJOR DIFFERENCES BETWEEN THE LISTING RULES AND THE SINGAPORE LISTING MANUAL AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS

LISTING RULES AND HONG KONG LAWS	SINGAPORE LISTING MANUAL AND SINGAPORE LAWS
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REPORTING REQUIREMENTS

Issuers in Hong Kong are required to comply with disclosure obligations under the Listing Rules upon the occurrence of the events which are prescribed under such Rules.

Issuers in Singapore are required to comply with disclosure obligations under the Singapore Listing Manual upon the occurrence of the events which are prescribed in the Singapore Listing Manual.

In the case that the Company makes a disclosure pursuant to Listing Rules, it will make the same disclosure in Singapore.

In the case that the Company makes a disclosure pursuant to Singapore laws, it will make the same disclosure in Hong Kong.

APPENDIX V FURTHER INFORMATION RELATING TO THE DUAL PRIMARY LISTING

LISTING RULES AND HONG KONG LAWS	SINGAPORE LISTING MANUAL AND SINGAPORE LAWS
1. Chapter 13 of the Listing Rules (Continuing Obligations)	Chapter 7 of the Singapore Listing Manual (Continuing Obligations)
Rule 13.09, Listing Rules: General Obligation of Disclosure	Rule 703, Singapore Listing Manual: Disclosure of Material Information
(1) Without prejudice to Rule 13.10 of the Listing Rules, where in the view of the Stock Exchange there is or there is likely to be a false market in an issuer's securities, the issuer must, as soon as reasonably practicable after consultation with the Stock Exchange, announce the information necessary to avoid a false market in its securities.	(1) An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which: (a) is necessary to avoid the establishment of a false market in the issuer's securities; or (b) would be likely to materially affect the price or value of its securities.
<i>Notes:</i>	
(1) This obligation exists whether or not the Stock Exchange makes enquiries under Rule 13.10 of the Listing Rules.	
(2) If an issuer believes that there is likely to be a false market in its listed securities, it must contact the Stock Exchange as soon as reasonably practicable.	
(2) (a) Where an issuer is required to disclose inside information under the Inside Information Provisions (as defined in the Listing Rules), it must also simultaneously announce the information.	
(b) An issuer must simultaneously copy to the Stock Exchange any application to the SFC for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the SFC's decision copy the Stock Exchange with the SFC's decision.	

APPENDIX V FURTHER INFORMATION RELATING TO THE DUAL PRIMARY LISTING

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Rule 13.10B, Listing Rules: Announce Information Disclosed to Other Stock Exchanges

An issuer must announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange.

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- (2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.
- (3) Rule 703(1) does not apply to particular information while each of the following conditions applies:-
- Condition 1: a reasonable person would not expect the information to be disclosed;
- Condition 2: the information is confidential; and
- Condition 3: one or more of the following applies:
- (a) the information concerns an incomplete proposal or negotiation;
 - (b) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (c) the information is generated for the internal management purposes of the entity;
 - (d) the information is a trade secret.
- (4) In complying with the SGX-ST's disclosure requirements, an issuer must:
- (a) observe the Corporate Disclosure Policy set out in Appendix 7.1 to the Singapore Listing Manual, and
 - (b) ensure that its directors and executive officers are familiar with the SGX-ST's disclosure requirements and Corporate Disclosure Policy.
- (5) The SGX-ST will not waive any requirements under this Rule.

**LISTING RULES AND
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**Rule 13.51, Listing Rules: Notification on
Changes**

An issuer must publish an announcement as soon as practicable in regard to:

- (1) any proposed alteration of the issuer's memorandum or articles of association or equivalent documents;
- (2) any changes in its directorate or supervisory committee, and shall procure that each new director or supervisor or member of its governing body shall sign and lodge with the Stock Exchange as soon as practicable after their appointment a declaration and undertaking in the form set out in Form B, H or I, where applicable in Appendix 5 to the Listing Rules. Where a new director, supervisor or chief executive is appointed or the resignation, re-designation, retirement or removal of a director, supervisor or chief executive takes effect, the issuer must announce the change as soon as practicable and include the details required pursuant to Rule 13.51(2) of the Listing Rules of any newly appointed or re-designated director, supervisor or chief executive in the announcement;
- (3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable;
- (4) any change in its auditors or financial year end, the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the issuer (including, but not limited to, information set out in the outgoing auditors' confirmation in relation to the change in auditors);

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**Rule 704, Singapore Listing Manual:
Announcement of Specific Information**

In addition to Rule 703, an issuer must immediately announce the following:-

General

- (1) Any change of address of the registered office of the issuer or of any office at which the register of members or any other register of securities of the issuer is kept.
- (2) Any proposed alteration to the memorandum of association or articles of association or constitution of the issuer (note also that Rule 730 requires issuers to seek the SGX-ST's approval for any alteration to their Articles or constituent documents).
- (3) Any call to be made on partly paid securities of the issuer or of any of its principal subsidiaries.
- (4) Any qualification or emphasis of a matter by the auditors on the financial statements of:-
 - (a) the issuer; or
 - (b) any of the issuer's subsidiaries or associated companies, if the qualification or emphasis of a matter has a material impact on the issuer's consolidated accounts or the group's financial position.

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- (5) any change in its secretary, share registrar (including any change in overseas branch share registrar) or registered address or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong;
- (6) any change in its compliance adviser; and
- (7) any revision of interim reports, annual reports or summary financial reports, the reason leading to the revision of published financial reports, and the financial impacts, if any.

Rule 13.25A, Listing Rules: Changes in Issued Shares

- (1) In addition and without prejudice to specific requirements contained elsewhere in the Listing Rules, an issuer must, whenever there is a change in its issued shares as a result of or in connection with any of the events referred to in Rule 13.25A(2) of the Listing Rules, submit for publication on the Stock Exchange's website a return in such form and containing such information as the Stock Exchange may from time to time prescribe by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.

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- (5) If an issuer has previously announced its preliminary full-year results, any material adjustment to the issuer's preliminary full year results made subsequently by auditors.

Appointment or cessation of service

- (6) (a) Any appointment or cessation of service of a key person such as a director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority, company secretary, registrar or auditors of the issuer. The announcement of an appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority must contain the information contained in Appendix 7.4.1 or Appendix 7.4.2, as the case may be.
- (b) In the case of a cessation of service of any director, chief executive officer, chief financial officer, chief operating officer, general manager or other executive officer of equivalent authority, such persons must inform the SGX-ST in writing as soon as possible if he is aware of any irregularities in the issuer which would have a material impact on the group, including financial reporting.
- (7) Any appointment or reappointment of a director to the audit committee.

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- (2) The events referred to in Rule 13.25A(1) of the Listing Rules are as follows:
- (a) any of the following:
- (i) placing;
 - (ii) consideration issue;
 - (iii) open offer;
 - (iv) rights issue;
 - (v) bonus issue;
 - (vi) scrip dividend;
 - (vii) repurchase of shares or other securities;
 - (viii) exercise of an option under the issuer's share option scheme by any of its directors;
 - (ix) exercise of an option other than under the issuer's share option scheme by any of its directors;
 - (x) capital reorganisation; or
 - (xi) change in issued shares not falling within any of the categories referred to in Rule 13.25A(2)(a)(i) to (x) or Rule 13.25A(2)(b) of the Listing Rules; and
- (8) Any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries.
- (9) Any promotion of an appointee referred to in Rule 704(9).
- (10) Any appointment of, or change in legal representative(s) (or person(s) of equivalent authority, however described), appointed as required by any relevant law applicable to the issuer and/or any of its principal subsidiaries, with sole powers to represent, exercise rights on behalf of, the issuer and/or that principal subsidiary.
- (11) For issuers with principal subsidiaries based in jurisdictions other than Singapore, any of its independent directors' appointment or cessation of service from the boards of these principal subsidiaries.
- (12) Within 60 days after each financial year, the issuer must make an announcement of each person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer as set out in Appendix 7.2 Part II. If there are no such persons, the issuer must make an appropriate negative statement. The SGX-ST may require the issuer to provide additional information on any such person, including his remuneration, any changes to his duties, responsibilities and remuneration package.

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- (b) subject to Rule 13.25A(3) of the Listing Rules, any of the following:
 - (i) exercise of an option under a share option scheme other than by a director of the issuer;
 - (ii) exercise of an option other than under a share option scheme not by a director of the issuer;
 - (iii) exercise of a warrant;
 - (iv) conversion of convertible securities; or
 - (v) redemption of shares or other securities.

- (3) The disclosure obligation for an event in Rule 13.25A(2)(b) of the Listing Rules only arises where:
 - (a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under Rule 13.25B of the Listing Rules or last return under this Rule 13.25A (whichever is the later), results in a change of 5% or more of the listed issuer's issued shares; or

 - (b) an event in Rule 13.25A(2)(a) of the Listing Rules has occurred and the event in Rule 13.25A(2)(b) of the Listing Rules has not yet been disclosed in either a monthly return published under Rule 13.25B of the Listing Rules or a return published under this Rule 13.25A.

Appointment of Special Auditors

- (13) The SGX-ST may require an issuer to appoint a special auditor to review or investigate the issuer's affairs and report its findings to the SGX-ST or the issuer's Audit Committee or such other party as the SGX-ST may direct. The issuer may be required by the SGX-ST to immediately announce the requirement, together with such other information as the SGX-ST directs. The issuer may be required by the SGX-ST to announce the findings of the special auditors.

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- (4) For the purposes of Rule 13.25A(3) of the Listing Rules, the percentage change in the listed issuer's issued shares is to be calculated by reference to the listed issuer's total number of issued shares as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under Rule 13.25B of the Listing Rules or a return published under this Rule 13.25A.

Rule 13.25B, Listing Rules: Monthly Return

A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit for publication on the Stock Exchange's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Stock Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements.

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2. General Meetings

General Meetings

Rule 13.73, Listing Rules: Notices

In addition to any direction of the court, the issuer shall ensure that notice of every meeting of its shareholders or its creditors concerning the issuer (e.g. for winding up petitions, schemes of arrangement or capital reduction) is published in accordance with Rule 2.07C of the Listing Rules. The issuer shall despatch a circular to its shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular. The issuer shall provide its shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued. The issuer must provide the information either in a supplementary circular or by way of an announcement in accordance with Rule 2.07C of the Listing Rules not less than ten (10) business days before the date of the relevant general meeting to consider the subject matter.

The meeting must be adjourned before considering the relevant resolution to ensure compliance with this ten (10) business day requirement by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

Rules 13.39(4) and (5), Listing Rules: Meetings of Shareholders

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The issuer must announce the meeting's poll results as soon as possible, but in any event at least thirty (30) minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

- (14) The date, time and place of any general meeting. All notices convening meetings must be sent to shareholders at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). For meetings to pass special resolution(s), the notice must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting).
- (15) Immediately after each general meeting and before the commencement of the pre-opening session on the market day following the general meeting, whether the resolutions put to a general meeting of an issuer were passed.

Rule 730A, Singapore Listing Manual: Facilitating Interaction with Shareholders

- (1) An issuer shall hold all its general meetings in Singapore, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation.
- (2) All resolutions at general meetings shall be voted by poll.
- (3) At least one scrutineer shall be appointed for each general meeting. The appointed scrutineer(s) shall be independent of the persons undertaking the polling process. Where the appointed scrutineer is interested in the resolution(s) to be passed at the general meeting, it shall refrain from acting as the scrutineer for such resolution(s).

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Paragraph E.1.3 in Appendix 14, Listing Rules: Communication with Shareholders – Effective Communication

The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least twenty (20) clear business days before the meeting and to be sent at least ten (10) clear business days for all other general meetings.

(4) The appointed scrutineer shall exercise the following duties:

- (a) ensuring that satisfactory procedures of the voting process are in place before the general meeting; and
- (b) directing and supervising the count of the votes cast through proxy and in person.

3. Rule 13.23(1), Listing Rules: Notifiable Transactions, Connected Transactions, Takeovers and Share Repurchases

An issuer must announce details of acquisitions and realisations of assets and other transactions required by Chapters 14 and 14A of the Listing Rules and, where applicable, must circularise holders of its securities with their details and obtain their approval thereto.

Acquisitions and Realisations

(16) Any acquisition of:-

- (a) shares resulting in the issuer holding 10.0% or more of the total number of issued shares excluding treasury shares of a quoted company;
- (b) except for an issuer which is a bank, finance company, securities dealing company or approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment exceeding each multiple of 5.0% of the issuer's latest audited consolidated net tangible assets;
- (c) shares resulting in a company becoming a subsidiary or an associated company of the issuer; and
- (d) shares resulting in the issuer increasing its shareholding in a subsidiary or an associated company.

Rules 14.06 and 14.07, Listing Rules: Classification and Explanation of Terms

Under Chapter 14 of the Listing Rules, the transaction classification is made by using the percentage ratios set out in Rule 14.07. The classifications are:

(17) Any sale of:

- (1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5%;
- (2) discloseable transaction: a transaction or a series of transactions (aggregated under Rules 14.22 and 14.23 of the Listing Rules) by a listed issuer where any percentage ratio is 5% or more, but less than 25%;
- (3) major transaction: a transaction or a series of transactions (aggregated under Rules 14.22 and 14.23) by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal;

- (a) shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;

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- (4) very substantial disposal: a disposal or a series of disposals (aggregated under Rules 14.22 and 14.23 of the Listing Rules) of assets (including deemed disposals referred to in Rule 14.29 of the Listing Rules) by a listed issuer where any percentage ratio is 75% or more;
- (5) very substantial acquisition: an acquisition or a series of acquisitions (aggregated under Rules 14.22 and 14.23 of the Listing Rules) of assets by a listed issuer where any percentage ratio is 100% or more;
- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Listing Rules.

The relevant category that a transaction falls under depends on the following percentage ratios computed on the following bases:-

- (1) assets ratio: the total assets which are the subject of the transaction divided by the total assets of the listed issuer;
- (2) profits ratio: the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer;
- (3) revenue ratio: the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer;

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- (b) except for an issuer which is a bank, a finance company, a securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuer's latest audited consolidated net tangible assets;
 - (c) shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer; and
 - (d) shares resulting in the issuer reducing its shareholding in a subsidiary or an associated company.
- (18) Any acquisition or disposal of shares or other assets which is required to be announced under Chapter 10 of the Singapore Listing Manual.

Chapter 10 of the Singapore Listing Manual (Acquisitions and Realisations)

Part IV Classification of Transactions Rule 1004, Singapore Listing Manual

Under Chapter 10, transactions are classified as:-

- (a) non-discloseable transactions,
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

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(4) consideration ratio: the consideration divided by the total market capitalisation of the listed issuer. The total market capitalisation is the average closing price of the listed issuer's securities as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of the transaction; and

(5) equity capital ratio: the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer's issued shares immediately before the transaction.

Rule 14.34, Listing Rules: Notification and Announcement

As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalised, the listed issuer must in each case inform the Stock Exchange and publish an announcement as soon as possible.

Rules 14.38A to 14.57, Listing Rules: Additional Requirements for Major Transaction, Very Substantial Disposal, Very Substantial Acquisition, Reverse Takeover

For a major transaction, very substantial disposal and very substantial acquisition, the shareholders' approval is required, while the approvals from both the shareholders and the Stock Exchange are required for reverse takeover.

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Rule 1005, Singapore Listing Manual

In determining whether a transaction falls within category (a), (b), (c) or (d) of Rule 1004, SGX-ST may aggregate separate transactions completed within the last 12 months and treat them as if they were one (1) transaction.

Rule 1006, Singapore Listing Manual

The relevant category that a transaction falls under depends on the size of the relative figures computed on the following bases:-

- (a) the net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets;
- (b) the net profits attributable to the assets acquired or disposed of, compared with the group's net profits;
- (c) the aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares;
- (d) the number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.

Transactions are categorised as follows in the Singapore Listing Manual:-

- **Rule 1008(1):** non-discloseable transaction: where all of the relative figures computed on the bases set out in Rule 1006 amount to 5.0% or less;
- **Rule 1010:** discloseable transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5.0% but does not exceed 20.0%;

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- **Rule 1014(1)**: major transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20.0%; and
- **Rule 1015(1)**: very substantial acquisition or reverse takeover: where an acquisition of assets (whether or not the acquisition is deemed in the issuer's ordinary course of business) is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100.0% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover respectively.

Where a transaction is classified as a discloseable transaction, major transaction or very substantial acquisition/reverse takeover, the Company must make an immediate announcement.

For very substantial acquisitions/reverse takeovers, the issuer must also immediately announce the latest three (3) years of pro forma financial information of the assets to be acquired.

Further, transactions that are major transactions are conditional upon the prior approval of shareholders. Very substantial acquisitions/reverse takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

A circular to shareholders will need to be distributed to seek shareholders' approval.

The disclosures required to be made in such circular for these types of transactions are prescribed in the Singapore Listing Manual.

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4. Rule 13.25, Listing Rules: Winding-up and Liquidation

Rule 704, Singapore Listing Manual: Announcement of Specific Information Winding Up, Judicial Management, etc

- (1) An issuer shall inform the Stock Exchange of the happening of any of the following events as soon as it comes to its attention:
- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Listing Rules;
 - (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Listing Rules;
 - (c) the passing of any resolution by the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Listing Rules that it be wound up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
- (19) Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.
- (20) The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.
- (21) Any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem.
- (22) Where Rule 704(20), (21) or (22) applies, a monthly update must be announced regarding the issuer's financial situation. If any material development occurs between the monthly updates, it must be announced immediately.

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- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under Rule 14.04(9) of the Listing Rules; or
- (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under Rule 14.04(9) of the Listing Rules.

- (2) Rules 13.25(1)(a), (b) and (c) will apply to a subsidiary of the issuer if the value of that subsidiary's total assets, profits or revenue represents 5% or more under any of the percentage ratios defined under Rule 14.04(9) of the Listing Rules.

5. Rules 13.45, Listing Rules: After Board Meetings

An issuer shall inform and announce immediately after approval by or on behalf of the board of:-

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities, including the rate and amount of the dividend or distribution and the expected payment date;
- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;

Announcement of Results, Dividends, etc

- (23) Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced.

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- (3) any preliminary announcement of profits or losses for any year, half-year or other period;
- (4) any proposed change in the capital structure, including any redemption of its listed securities; and
- (5) any decision to change the general character or nature of the business of the issue or group.

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- (24) After the end of each of the first three (3) quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:-
 - (a) dividend;
 - (b) capitalisation or rights issue;
 - (c) closing of the books;
 - (d) capital return;
 - (e) passing of a dividend; or
 - (f) sales or turnover

unless it is accompanied by the results of the quarter, half year or financial year, as the case may be, or the results have been announced.

6. Rule 13.66, Listing Rule: Closure of Books and Record Date

- (1) An issuer must announce any closure of its transfer books or register of members in respect of securities listed in Hong Kong at least six (6) business days before the closure for a rights issue, or ten (10) business days before the closure in other cases. In cases where there is an alteration of book closing dates, the issuer must, at least five (5) business days before the announced closure or the new closure, whichever is earlier, notify the Stock Exchange in writing and make a further announcement.
- (2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one (1) business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting.

Books Closure

- (25) Any intention to fix a books closure date, stating the date, reason and address of the share registry at which the relevant documents will be accepted for registration. At least five (5) market days of notice (excluding the date of announcement and the books closure date) must be given for any books closure date. Issuers could consider a longer notice period, where necessary. Subject to the provisions of the Companies Act, the SGX-ST may agree to a shorter books closure period. In fixing a books closure date, an issuer must ensure that the last day of trading on a cum basis falls at least one (1) day after the general meeting, if a general meeting is required to be held.
- (26) The issuer must not close its books for any purpose until at least eight (8) market days after the last day of the previous books closure period. This rule does not prohibit identical books closure dates for different purposes.

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7.

Treasury Shares

- (27) Any sale, transfer, cancellation and/or use of treasury shares, stating the following:-
- (a) date of the sale, transfer, cancellation and/or use;
 - (b) purpose of such sale, transfer, cancellation and/or use;
 - (c) number of treasury shares sold, transferred, cancelled and/or used;
 - (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
 - (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
 - (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

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<p>8. Chapter 17 of the Listing Rules (Share Option Schemes)</p>	<p>Employee share option scheme</p>
<p>Rule 17.02, Listing Rules: Adoption of a new scheme</p>	<p>Rule 843(3), Singapore Listing Manual</p>
<p>The adoption of share option scheme for specified participants of a listed issuer or any of its subsidiaries is subject to the approval of the shareholders of the issuer in general meeting.</p>	<p>The approval of an issuer’s shareholders must be obtained for any share option scheme or share scheme implemented by:-</p>
<p>Notes to Rule 17.03(3), Listing Rules: Terms of the scheme</p>	<p>(a) the issuer; and (b) a principal subsidiary of the issuer if the scheme may cause Rule 805(2) to apply.</p>
<p>The total number of securities which may be issued upon the exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit.</p>	<p>Rule 843(4), Singapore Listing Manual</p>
<p>The listed issuer may seek shareholders’ approval in general meeting to “refresh” the 10% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as “refreshed” must not exceed 10% of the relevant class of securities in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. The listed issuer must send a circular to its shareholders containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.</p>	<p>If shareholders’ approval is not required pursuant to Rule 843(3), an issuer must announce the principal terms of any such share option scheme or share scheme implemented by its subsidiaries.</p>
	<p>Rule 844, Singapore Listing Manual</p>
	<p>Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:-</p>
	<p>(1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company. (2) directors and employees of the issuer’s parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.</p>

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Rule 17.04(1), Listing Rules: Granting Options to a Director, Chief Executive or Substantial Shareholder of a Listed Issuer, or any of their Respective Associates

In addition to the shareholders' approval set out in note (1) to Rule 17.03(3) of the Listing Rules and the note to Rule 17.03(4) of the Listing Rules, each grant of options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this Rule 17.04(1). Each grant of options to any of these persons must be approved by independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve (12) month period up to and including the date of such grant, (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$ five million (5,000,000), such further grant of options must be approved by shareholders of the listed issuer. The listed issuer must send a circular to the shareholders. The grantee, his associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

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Rule 845, Singapore Listing Manual

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated. For SGX-ST main board issuers, the following limits must not be exceeded:-

- (1) the aggregate number of shares available under all schemes must not exceed 15.0% of the total number of issued shares excluding treasury shares from time to time;
- (2) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25.0% of the shares available under a scheme;
- (3) the number of shares available to each controlling shareholder or his associate must not exceed 10.0% of the shares available under a scheme;
- (4) the aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20.0% of the shares available under a scheme; and
- (5) the maximum discount under the scheme must not exceed 20.0%. The discount must have been approved by shareholders in a separate resolution.

Rule 847, Singapore Listing Manual

The exercise price of options to be granted must be set out. Options granted at a discount may be exercisable after two (2) years from the date of grant. Other options may be exercisable after one (1) year from the date of grant.

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Rule 17.06A, Listing Rules: Announcement on Grant of Options

Announcement on employee share option scheme

As soon as possible upon the granting by the listed issuer of an option under its share option scheme, the listed issuer must publish an announcement setting out the following details:-

(28) Any grant of options or shares. The announcement must be made on the date of the offer and provide details of the grant, including the following:-

- (1) date of grant;
- (2) exercise price of the options grant;
- (3) number of options granted;
- (4) market price of its securities on the date of grant;
- (5) where any of the grantees is a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and
- (6) validity period of the options.

- (a) date of grant;
- (b) exercise price of options granted;
- (c) number of options or shares granted;
- (d) market price of its securities on the date of grant;
- (e) number of options or shares granted to each director and controlling shareholder (and each of their associates), if any; and
- (f) validity period of the options.

9. Material change in use of proceeds

Use of Proceeds

Pursuant to section 307B(1) of the SFO, a listed corporation must, as soon as reasonably practicable after any inside information has come to its knowledge, disclose the information to the public. Any material change of use of proceeds is generally price sensitive and hence, inside information for the purpose of the SFO. If such information was not previously disclosed in the listing document, the listed issuer must make an announcement to notify investors of the change after listing.

(29) The use of the IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where there is any material deviation from the stated use of proceeds, the issuer must announce the reasons for such deviation.

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Loan Agreements/Issue of Debt Securities

- (30) When the issuer or any of its subsidiaries enters into a loan agreement or issues debt securities that contain a condition making reference to shareholding interests of any controlling shareholder in the issuer, or places restrictions on any change in control of the issuer, and the breach of this condition or restriction will cause a default in respect of the loan agreement or debt securities, significantly affecting the operations of the issuer:
- (a) The details of the condition(s) making reference to shareholding interests of such controlling shareholder in the issuer or restrictions placed on any change in control of the issuer; and
 - (b) The aggregate level of these facilities that may be affected by a breach of such condition or restriction.
- (31) Any breach of the terms of loan agreements or debt issues which may have a significant impact on the operations of the issuer.

**10. Rules 13.46 to 13.50, Listing Rules:
Disclosure of Financial Information**

**Announcement of financial results and
annual reports**

Distribution of annual report and accounts

**Rule 705, Singapore Listing Manual:
Financial Statements**

An issuer is required to send (i) every member of the issuer; and (ii) every other holder of its listed securities (not being bearer securities), a copy of either (a) its annual report including its annual accounts and, where the issuer prepares group accounts, its group accounts, together with a copy of the auditors' report thereon or (b) its summary financial report, not less than twenty-one (21) days before the date of the issuer's annual general meeting and in any event not more than four (4) months after the end of the financial year to which they relate.

- (1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.

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Interim reports

In respect of the first six (6) months of each financial year of an issuer unless that financial year is of six (6) months or less, the issuer shall send to (i) every member of the issuer; and (ii) every other holder of its listed securities (not being bearer securities), either (a) an interim report, or (b) a summary interim report not later than three (3) months after the end of that period of six (6) months. The issuer may send a copy of its summary interim report to a member and a holder of its listed securities in place of a copy of its interim report, provided that such summary interim report complies with the relevant provisions of the Companies (Summary Financial Reports) Regulation governing summary financial reports.

Preliminary announcements of results – Full financial year

An issuer shall publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than three (3) months after the end of the financial year.

Preliminary announcements of results – First half of the financial year

The issuer shall publish a preliminary announcement in respect of its results for the first six (6) months of each financial year, unless that financial year is of six (6) months or less, as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than two (2) months after the end of that period of six (6) months.

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- (2) An issuer must announce the financial statements for each of the first three (3) quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:-
- (a) its market capitalisation exceeded S\$75 million as at 31 March 2003; or
 - (b) it was listed after 31 March 2003 and its market capitalisation exceeded S\$75 million at the time of listing (based on the IPO issue price); or
 - (c) its market capitalisation is S\$75 million or higher on the last trading day of each calendar year commencing from 31 December 2006. An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalisation is S\$75 million or higher as at the end of the calendar year 31 December 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008. Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.
- (3) (a) An issuer who falls within the subsections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalisation subsequently decreases below S\$75 million.
- (b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.

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**Rule 4.03, Listing Rules: Reporting
Accountants**

All accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.

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- (4) Notwithstanding the foregoing, with respect to the first announcement to be made by the issuer pursuant to Rules 705(1) or (2) following its listing on the SGX-ST, where the time period between the date of its listing and the final date for the issuer to make the relevant announcement pursuant to Rule 705(1) or (2) above is less than 30 days, the issuer shall have 30 days from the relevant deadline to make the relevant announcement of the financial statements provided that the following conditions are satisfied:
- (a) the extension is announced by the issuer at the time of the issuer's listing; and
 - (b) in the announcement referred to in paragraph (a), the issuer must confirm that there is no material adverse change to the financial position of the issuer since the date of its prospectus or introductory document in connection with its listing on SGX-ST.
- (5) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by two (2) directors on behalf of the board of directors.

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**Rule 712, Singapore Listing manual:
Appointment of Auditors**

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.
- (2) The auditing firm appointed by the issuer must be:-
 - (a) registered with the Accounting and Corporate Regulatory Authority;
 - (b) registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST; or
 - (c) any other auditing firm acceptable by the SGX-ST.
- (3) A change in auditors must be specifically approved by shareholders in a general meeting.

Rule 713, Singapore Listing Manual

- (1) An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than five (5) consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two (2) years.
- (2) If the listing of an issuer occurs after five (5) consecutive audits by the same audit partner in charge, the same audit partner may complete the audit of the financial year in which the issuer lists.

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**11. Public Float Requirement Chapter 8 of the
Listing Rules (Qualifications for Listing)**

**Rule 8.08(1), Listing Rules: Qualifications
for listing**

Save and except for the circumstances specified under Chapter 8 of the Listing Rules, an issuer must maintain at least 25% of its total number of issued shares at all times be held by the public.

Rule 707, Singapore Listing Manual

- (1) The time between the end of an issuer's financial year and the date of its annual general meeting (if any) must not exceed four (4) months.
- (2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.

Rule 723, Singapore Listing Manual

An issuer must ensure that at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

Rule 724, Singapore Listing Manual

- (1) If the percentage of securities in public hands falls below 10.0%, the issuer must, as soon as practicable, make an announcement and the SGX-ST may suspend trading of the class, or all of the securities of the issuer.
- (2) The SGX-ST may allow the issuer a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of securities in public hands to at least 10.0%, failing which the issuer may be delisted.

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12. Shareholders' Reporting Obligations**Part XV of the SFO: Disclosure of Interests
by Substantial Shareholders**

The Listing Rules require that the interests held by directors and chief executives and substantial shareholders (i.e. shareholders interested in 10% or more of the voting power) be disclosed in annual reports, interim reports and circulars of the listed company.

The SFO and the Outline of Part XV of the SFO – Disclosure of Interests (“**Outline**”) issued by the SFC provides that a substantial shareholder (i.e. shareholder interested in 5% or more of any class of voting shares in a listed company) is required to disclose his interest, and short positions, in the shares of the listed company, within ten (10) business days after first becoming a substantial shareholder, or to disclose his changes in percentage figures of his shareholdings in the listed company or ceasing to be a substantial shareholder within three (3) business days after becoming aware of the relevant events. Please refer to Section 2.7 of the Outline for examples of relevant events.

**Obligation to notify the Company and
SGX-ST of substantial shareholding and
change in substantial shareholding****Substantial shareholder**

Under the Companies Act, a substantial shareholder (i.e. shareholder having not less than 5.0% of the total votes attached to all the voting shares in the company) of a company shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Companies Act) of the substantial shareholder's interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

Under the SFA, a substantial shareholder shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder's interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

Section 81 of the Companies Act

A person has a substantial shareholding in a company if her has an “interest” in one (1) or more voting shares in the company, and the total votes attached to those shares is not less than 5.0% of the total votes attached to all the voting shares in the company.

Section 82 of the Companies Act

A substantial shareholder of a company is required to notify the company of his “interests” in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

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**13. Part XV of the SFO: Disclosure of Interests
by Directors and Chief Executives**

A director or a chief executive of a listed company is required to disclose his interest and short position in any shares in a listed company (or any of its associated companies) and his interest in any debentures of the listed company (or any of its associated companies) within ten (10) business days after becoming a director or chief executive of the listed company or within three (3) business days after becoming aware of the relevant events.

Sections 83 and 84 of the Companies Act

A substantial shareholder is required to notify the company of changes in the “percentage level” of his shareholding or his ceasing to be a substantial shareholder, again within two (2) business days after he becomes aware of such changes.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Sections 135 to 137, SFA

A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

Directors

Under Sections 164(1) and 164(1A) of the Companies Act, a company shall keep a register showing with respect to each director of the company and the chief executive officer particulars of:-

- (a) shares;
- (b) debentures of or participatory interests;
- (c) rights or options of the director; and
- (d) contracts to which the director or under which he is entitled to a benefit,

of the company or a related company.

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If a person is both a substantial shareholder and a director of the listed company concerned under the SFO, such person may have separate duties to file notices (one in each capacity) as a result of a single event. For example, a person who is interested in 5.9% of the shares of a listed company and buys a further 0.2% will have to file a notice because he is a director (and therefore has to disclose all transactions) and will also have to file a notice as a substantial shareholder because his interest has crossed the 6.0% level.

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A director of a company or the chief executive officer shall be deemed to hold or have an interest or a right in or over any shares or debentures if the spouse or infant child of the director holds or has an interest or a right in or over any shares or debentures or makes or is granted any contract, assignment or right of subscription.

Under Section 165(1) of the Companies Act, a director of a company and the chief executive officer shall give notice in writing to the company of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with Section 164, among other disclosure requirements.

**Securities and Futures (Amendment) Act
2009**

The Securities and Futures (Amendment) Act 2009 (the “**Amendment Act**”) has, *inter alia*, migrated all the disclosure obligations in the Companies Act into the SFA and has also introduced new disclosure requirements, for example, the requirement for foreign incorporated companies which have a primary listing on the SGX-ST to comply with the disclosure obligations in the SFA. The new amendments to the SFA expand the current scope of disclosure obligations.

Under the Amendment Act, the disclosure obligations currently under the SFA and the Companies Act have been consolidated and inserted into the SFA.

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**Duty of director or chief executive officer to
notify corporation of his interests**

Sections 133 and 134 of the SFA

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, *inter alia*, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares,

whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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**Power of corporation to require disclosure
of beneficial interest in its voting shares**

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under Section 137F with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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Duty of corporation to make disclosure

Section 137G of the SFA

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

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14. Restrictions and notification requirements on issuers purchasing their own shares on a stock exchange

Share Buyback

Rule 10.05, Listing Rules

Subject to the provisions of the Code on Share Buy-backs, approved by the SFC and as amended from time to time, an issuer may purchase its shares on the Stock Exchange or on another stock exchange recognised for this purpose by the SFC and the Stock Exchange. All such purchases must be made in accordance with Rule 10.06 of the Listing Rules. The Code on Share Buy-backs must be complied with by an issuer and its directors and any breach thereof by an issuer will be a deemed breach of the Listing Rules and the Stock Exchange may in its absolute discretion take such action to penalise any breach of this paragraph or the listing agreement as it shall think appropriate. It is for the issuer to satisfy itself that a proposed purchase of shares does not contravene the Code on Share Buy-backs.

(a) Shareholder Approval Rule 881, Singapore Listing Manual

An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.

Rule 882, Singapore Listing Manual

A share buy-back may only be made by way of on-market purchases transacted through the SGX-ST's trading system or on another stock exchange on which the issuer's equity securities are listed ("**market acquisition**") or by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Companies Act. Unless a lower limit is prescribed under the issuer's law of incorporation, such share buy-back shall not exceed 10.0% of the total number of issued ordinary shares in the capital of the issuer as at the date of the resolution passed by shareholders for the share buy-back.

Rule 10.06, Listing Rules

An issuer with primary listing on the Stock Exchange can purchase its shares on the Stock Exchange, either directly or indirectly, if the relevant shares are fully-paid up, the issuer has previously sent to the shareholders an explanatory statement complying with the provisions of Rule 10.06(1)(b) of the Listing Rules and that the shareholders of the issuer have given specific approval or a general mandate to the directors to make such a purchase, provided that the amount of shares so purchased under the general mandate shall not exceed 10% of the number of issued shares of the issuer as at the date of the passing of the relevant shareholders' resolution granting the mandate of purchase.

Rule 883, Singapore Listing Manual

For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:-

- (1) the information required under the Companies Act;
- (2) the reasons for the proposed share buyback;
- (3) the consequences, if any, of share purchases by the issuer that will arise under the Singapore Code or other applicable takeover rules;
- (4) whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the SGX-ST;

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Rule 10.06(1)(b), Listing Rules: Explanatory statement

For the purpose of obtaining shareholders' approval, the issuer must have previously sent to its shareholders an explanatory statement (at the same time as the notice of the relevant shareholders' meeting) containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the issuer of shares including the information set out below:-

- (1) a statement of the total number and description of the shares which the issuer proposes to purchase;
- (2) a statement by the directors of the reasons for the proposed purchase of shares;
- (3) a statement by the directors as to the proposed source of funds for making the proposed purchase of shares, which shall be funds legally available for such purposes in accordance with the issuer's constitutive documents and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (4) a statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, or an appropriate negative statement;
- (5) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any close associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;

- (5) details of any share buy-back made by the issuer in the previous 12 months, giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (6) whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

(b) Dealing Restrictions: Rule 884, Singapore Listing Manual

In the case of a market acquisition, the purchase price must not exceed 105.0% of the average closing price ("**Average Closing Price**").

"Average Closing Price" means the average of the closing market prices of a share over the last five (5) market days preceding the day of the market acquisition on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

Rule 885, Singapore Listing Manual

In the case of off-market acquisition in accordance with an equal access scheme, an issuer must issue an offer document to all shareholders containing at least the following information:-

- (1) terms and conditions of offer;
- (2) period and procedures for acceptances; and
- (3) information in Rule 883(2), (3), (4), (5) and (6).

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- (6) a statement that the directors have undertaken to the Stock Exchange to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (7) a statement as to the consequences of any purchases which will arise under the Takeovers Code of which the directors are aware, if any;
- (8) a statement giving details of any purchases by the issuer of shares made in the previous six (6) months (whether on the Stock Exchange or otherwise) giving the date of each purchase and the purchase price per share or the highest and lowest prices paid for such purchases, where relevant;
- (9) a statement as to whether or not any core connected persons of the issuer have notified the issuer that they have a present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;
- (10) a statement giving the highest and lowest prices at which the relevant shares have traded on the Stock Exchange during each of the previous twelve (12) months; and
- (11) the disclaimer of the Stock Exchange in the form set out under the Listing Rules.

(c) Reporting Requirements Rule 886(1), Singapore Listing Manual

Where an issuer purchases its shares by way of a market acquisition, the issuer shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9:00 a.m. on the market day following the day of purchase of any of its shares.

Rule 886(2), Singapore Listing Manual

Notification of a purchase by the issuer of its shares must be in the form of Appendix 8.3.2 to the Singapore Listing Manual for an issuer with a dual listing on another stock exchange. Such notification would include, *inter alia*, the name of the overseas exchange on which the company's shares are also listed, the maximum number of shares authorised for purchase, details of the total number of shares authorised for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after the purchase.

15. Rule 10.06(2), Listing Rules: Dealing Restrictions

The buy-back of shares by an issuer is subject to various dealing restrictions, including, among others, that an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five (5) preceding trading days on which its shares were traded on Stock Exchange.

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**Rule 10.06(4), Listing Rules: Reporting
Requirements**

- (a) An issuer shall submit for publication to Stock Exchange not later than thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares (whether on the Stock Exchange or otherwise), the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the Stock Exchange were made in accordance with the Listing Rules and if the issuer's primary listing is on the Stock Exchange, that there have been no material changes to the particulars contained in the explanatory statement. In respect of purchases made on another stock exchange, the issuer's report must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange. Such reports shall be made on a return in such form and containing such information as the Stock Exchange may from time to time prescribe. In the event that no shares are purchased on any particular day then no return need be made to the Stock Exchange. The issuer should make arrangements with its brokers to ensure that they provide to the issuer in a timely fashion the necessary information to enable the issuer to make the report to the Stock Exchange.
- (b) An issuer shall also include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the issuer for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

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Solicitation for Proxy

Investors holding securities in listed companies listed on Stock Exchange through CCASS who want to attend the shareholders' meetings in person or appoint proxies to vote on their behalf must make a request through their broker firms or directly to HKSCC (as the case may be) to authorise the investors as corporate representatives or proxies of HKSCC Nominees (or any successor thereto) in respect of such shareholding of the investors in the listed companies.

Depositors who wish to attend and vote at the extraordinary general meeting, and whose names are shown in the records of the CDP as at a time not earlier than 72 hours prior to the time of the extraordinary general meeting supplied by CDP to the company, may attend the extraordinary general meeting in person. Such depositors who are individuals and who wish to attend the extraordinary general meeting in person need not take any further action and can attend and vote at the extraordinary general meeting.

ISSUANCE OF NEW SHARES, CONVERTIBLE BONDS OR BONDS WITH WARRANTS

1. Sections 140 and 141, Companies Ordinance: Allotment and Issues of Shares

The directors of a company may exercise a power (i) to allot shares in the company; or (ii) to grant rights to subscribe for, or to convert any security into, shares in the company, only if the company gives approval in advance by resolution of the company.

Rules 13.36(1) to (3), Listing Rules: Preemptive rights

Except in the circumstances, mentioned in Rule 13.36(2) of the Listing Rules:

- (a) the directors of the issuer shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting: (i) shares; (ii) securities convertible into shares; or (iii) options, warrants or similar rights to subscribe for any shares or such convertible securities; and
- (b) the directors of the issuer shall obtain consent of the shareholders in general meeting prior to allotting any voting shares if such allotment would effectively alter the control of the issuer.

Power of Directors to Allot and Issue Shares

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company.

However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

Rule 805, Singapore Listing Manual

Except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in general meeting for the following:-

- (1) the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer; or
- (2) if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in:-
 - (a) the principal subsidiary ceasing to be a subsidiary of the issuer; or
 - (b) a percentage reduction of 20.0% or more of the issuer's equity interest in the principal subsidiary.

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No such consent as is referred to in Rule 13.36(1)(a) of the Listing Rules shall be required:

- a) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings; or
- (b) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of (i) 20% of the number of issued shares of the issuer as at the date of the resolution granting the general mandate (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in Rule 7.14(3) of the Listing Rules, 20% of the number of issued shares of an overseas issuer following the implementation of such scheme) and (ii) the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the number of issued shares of the issuer as at the date of the resolution granting the repurchase mandate), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate.

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Rule 806(1), Singapore Listing Manual

A company need not obtain the prior approval of shareholders in a general meeting for the issue of securities if the shareholders had by ordinary resolution in a general meeting, given a general mandate to the directors of the issuer to issue:

- (i) shares; or
- (ii) convertible securities; or
- (iii) additional convertible securities issued pursuant to Rule 829, notwithstanding that the general mandate may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive; or
- (iv) shares arising from the conversion of the securities in (ii) and (iii) notwithstanding that the general mandate may have ceased to be in force at the time the shares are to be issued.

Rule 806(2), Singapore Listing Manual

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50.0% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20.0% of the total number of issued shares excluding treasury shares.

Unless prior shareholder approval is required under the Singapore Listing Manual, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

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A general mandate given to directors to issue and allot shares under Rule 13.36(2) of the Listing Rules shall only continue in force until (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) revoked or varied by ordinary resolution of the shareholders at general meeting, whichever occurs first.

2. Rule 13.36(5), Listing Rules: Placing of Securities for Cash

In the case of a placing of securities for cash consideration, the issuer may not issue any securities pursuant to a general mandate given under Rule 13.36 (2)(b) of the Listing Rules if the relevant price represents a discount of 20% or more to the benchmarked price of the securities, such benchmarked price being the higher of:-

- (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (b) the average closing price in the five (5) trading days immediately prior to the earlier of:-
 - (i) the date of the announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;

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Rule 806(6), Singapore Listing Manual

A general mandate may remain in force until the earlier of the following:-

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

Specific Mandate

Rule 824, Singapore Listing Manual

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

Issue of Shares, Company Warrants and Convertible Securities For Cash (Other than Rights Issues)

Rule 811, Singapore Listing Manual

- (1) An issue of shares must not be priced at more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.

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- (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (iii) the date on which the placing or subscription price is fixed,

unless the issuer can satisfy the Stock Exchange that it is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities at a price representing a discount of 20% or more to the benchmarked price of the securities or that there are other exceptional circumstances. The issuer shall provide the Stock Exchange with detailed information on the allottees to be issued with securities under the general mandate.

Rule 15.02, Listing Rules: Options, Warrants and Similar Rights

All warrants must, prior to the issue or grant thereof, be approved by the Stock Exchange and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting (unless they are issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with Rule 13.36(2) of the Listing Rules). In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the Stock Exchange will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:

- (1) the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the number of issued shares of the issuer at the time such warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit; and

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Issuance of warrants and other convertible securities

Rule 811(2), Singapore Listing Manual

An issue of company warrants or other convertible securities is subject to the following requirements:-

- (a) if the conversion price is fixed, the price must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement; and
- (b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10.0% of the prevailing market price of the underlying shares before conversion.

Rule 811(3), Singapore Listing Manual

Rules 811(1) and (2) are not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

Rule 811(4), Singapore Listing Manual

Where specific shareholders' approval is sought, the circular must include the following:-

- (a) information required under Rule 810 of the Singapore Listing Manual; and
- (b) the basis upon which the discount was determined.

Rule 824, Singapore Listing Manual

Every issue of company warrants or other convertible securities not covered under a general mandate (Rule 806, Singapore Listing Manual) must be specifically approved by shareholders in general meeting.

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- (2) such warrants must expire not less than one (1) and not more than five (5) years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than one (1) year or more than five (5) years after the date of issue or grant of the original warrants.

Rule 15.03, Listing Rules

The circular or notice to be sent to shareholders convening the requisite meeting under Rule 15.02 of the Listing Rules must include, at least, (1) the maximum number of securities which could be issued on exercise of the warrants, (2) the period during which the warrants may be exercised and the date when this right commences, (3) the amount payable on the exercise of the warrants, (4) the arrangements for transfer or transmission of the warrants, (5) the rights of the holders on the liquidation of the issuer, (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer, (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer, and (8) a summary of any other material terms of the warrants.

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Rule 825, Singapore Listing Manual

In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendations of the board of directors of the issuer on such an issue of company warrants or convertible securities and the basis for such recommendation(s).

Rule 826, Singapore Listing Manual

If application is made for the listing of company warrants or other convertible securities, the SGX-ST will normally require a sufficient spread of holdings to provide for an orderly market in the securities. As a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants.

Rule 827, Singapore Listing Manual

Company warrants or other convertible securities may be listed only if the underlying securities are (or will become at the same time) one of the following:-

- (1) a class of equity securities listed on the SGX-ST; or
- (2) a class of equity securities listed or dealt in on a stock market approved by the SGX-ST.

Rule 828, Singapore Listing Manual

Each company warrant must:-

- (1) give the registered holder the right to subscribe for or buy one (1) share in the total number of issued shares excluding treasury shares of the issuer; and
- (2) not be expressed in terms of dollar value.

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Rule 829, Singapore Listing Manual

The terms of the issue must provide for:-

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least one (1) month before the expiration date; and
- (3) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

Rule 830, Singapore Listing Manual

An issuer must announce any adjustment made pursuant to Rule 829(1).

Rule 831, Singapore Listing Manual

Except where the alterations are made pursuant to the terms of an issue, an issuer must not:-

- (i) extend the exercise period of an existing company warrant;
- (ii) issue a new company warrant to replace an existing company warrant;
- (iii) change the exercise price of an existing company warrants; or
- (iv) change the exercise ratio of an existing company warrant.

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Rule 832, Singapore Listing Manual

A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:-

- (1) the maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities;
- (2) the period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires;
- (3) the amount payable on the exercise of the company warrants or other convertible securities;
- (4) the arrangements for transfer or transmission of the company warrants or other convertible securities;
- (5) the rights of the holders on the liquidation of the issuer;
- (6) the arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer;
- (8) a summary of any other material terms of the company warrants or other convertible securities;

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3. Rules 7.19(6), Listing Rules: Rights Issue

If the proposed rights issue would increase either the number of issued shares or the market capitalisation of the issuer by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the twelve (12) month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such twelve (12) month period where dealing in respect of the shares issued pursuant thereto commenced within such twelve (12) month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers):

- (a) the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under Rule 2.17 of the Listing Rules in the circular to shareholders;

- (9) the purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities; and
- (10) the financial effects of the issue to the issuer.

Chapter 8 Part V: Rights Issue

Rule 814, Singapore Listing Manual

- (1) An issuer which intends to make a right issue must announce (having regard to Rule 704(25)) the issue promptly, stating the following:-
 - (a) price, terms and purpose of the issue, including the amount of proceeds proposed to be raised from the issue and the intended use of such proceeds on a percentage allocation basis (which could be expressed as a range if the exact allocation has not been determined);
 - (b) whether the issue will be underwritten;
 - (c) the financial circumstances which call for the issue; and
 - (d) whether it has obtained or will be seeking the approval of the SGX-ST for the listing and quotation of the new shares arising from the rights issue.

In addition, an issuer must observe the disclosure requirements in Appendix 8.2 to the Singapore Listing Manual.

- (2) If a rights issue involves an issue of convertible securities, the issuer must also comply with Part VI of Chapter 8 of the Singapore Listing Manual.

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- (b) the issuer shall set out in the circular to shareholders the purpose of the proposed rights issue, together with the total funds expected to be raised and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the twelve (12) months immediately preceding the announcement of the proposed rights issue, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount; and
- (c) the Stock Exchange reserves the right to require the rights issue to be fully underwritten.

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Rule 815, Singapore Listing Manual

An issuer must announce any significant disbursement of the proceeds raised from the rights issue.

Rule 816, Singapore Listing Manual

(1) Subject to Rule 816(2), a rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.

(2) (a) An issuer can undertake nonrenounceable rights issues:-

(i) subject to specific shareholders' approval; or

(ii) in reliance on the general mandate to issue rights shares in a non-renounceable rights issue if the rights shares are priced at not more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the rights issue is announced. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced.

(b) The non-renounceable rights issue must comply with Part V of Chapter 8 of the Singapore Listing Manual except Rule 816(1).

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Rule 823, Singapore Listing Manual

An issuer making a rights issue must observe any time-table published by the SGX-ST.

Rule 833, Singapore Listing Manual

The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue:-

- (1) The issuer's announcement of the rights issue or brought deal must include either:-
 - (a) the exercise or conversion price of the company warrants or other convertible securities; or
 - (b) a price-fixing formula to determine the exercise or conversion price. The price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.
- (2) Where a price-fixing formula is adopted:-
 - (a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or
 - (b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.

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4. Rule 17.03, Listing Rules: Terms of Share Option Schemes

Share Option Schemes or Share Schemes

The terms and provisions of the scheme must provide, *inter alia*:

Rule 844, Singapore Listing Manual

Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:-

- (i) the total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme – the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded. The period within which the securities must be taken up under the option must not be more than ten (10) years from the date of grant of the option, and the life of the scheme must not be more than 10 years;
- (ii) the maximum entitlement of each participant under the scheme (including both exercised and outstanding options) in any twelve (12) month period must not exceed 1% of the relevant class of securities of the issuer (or the subsidiary) in issue; and

- (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company; and
- (2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.

Rule 845, Singapore Listing Manual

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one (1) participant (where applicable) must be stated.

For SGX main board issuers, the following limits must not be exceeded:-

- (1) the aggregate number of shares available under all schemes must not exceed 15.0% of the total number of issued shares excluding treasury shares from time to time;
- (2) the aggregate number of shares available to controlling shareholder and their associates must not exceed 25.0% of the shares available under a scheme;
- (3) the number of shares available to each controlling shareholder or his associate must not exceed 10.0% of the shares available under a scheme;

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(iii) the basis of determination of the exercise price – the exercise price of the scheme, which must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(4) the aggregate number of shares available to directors and employees of the issuer’s parent company and its subsidiaries must not exceed 20.0% of the shares available under a scheme; and

(5) the maximum discount under the scheme must not exceed 20.0%. The discount must have been approved by shareholders in a separate resolution.

5. Section 270 of the SFO: Insider dealing

Sections 218 and 219, SFA

In general terms, subject to the specified exempted circumstances, Section 270 of the SFO prohibits persons from dealing in listed securities (or their derivatives) of a corporation, or otherwise counsels or procures another person to deal in such listed shares (or their derivatives) when such person is connected with the corporation and has information which he knows is relevant information in relation to the corporation.

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if any such person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it was generally available it might have a material effect on the price or value of securities of that corporation.

Such persons include:-

Section 278 of the SFO: Stock Market Manipulation

(1) officers of a corporation or a related corporation;

Section 278 of the SFO prohibits persons in Hong Kong or elsewhere from:

(2) substantial shareholders of a corporation or a related corporation; and

(a) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation;

(3) a person who occupies a position reasonably expected to give him access to inside information by virtue of:-

- any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or
- being an officer of a substantial shareholder in that corporation or in a related corporation.

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- (b) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation or of a related corporation of the corporation; or
- (c) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilise, or are likely to maintain or stabilise, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell, purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation or of a related corporation of the corporation.

RULES 3.10, 3.10A AND 8.12, LISTING RULES: BOARD COMPOSITION

Every board of directors of an issuer must include at least three (3) independent non-executive directors; and at least one (1) of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. An issuer must appoint independent non-executive directors representing at least one-third of the board.

A new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two (2) of its executive directors must be ordinarily resident in Hong Kong.

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Securities Market Manipulation Section 198(1), SFA

No person shall effect, take part in, be concerned in or carry out, directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have or likely to have the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.

BOARD COMPOSITION**Audit Committee****Rule 12 of the Code of Corporate Governance (“COCG”)**

The board of directors should establish an audit committee (“AC”) with written terms of reference which clearly set out its authority and duties.

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**Rules 3.21, 3.22 and paragraph C.3.3 of
Appendix 14, Listing Rules: Audit
Committee**

Every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three (3) members, at least one (1) of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The board of directors of the issuer must approve and provide written terms of reference as required under Rule 3.22 and paragraph C.3.3 of Appendix 14 to the Listing Rules for the audit committee.

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Rule 12.1, COCG

The AC should comprise at least three (3) directors, all non-executive, the majority of whom including the chairman should be independent. All of the members of the AC should be non-executive directors.

Rule 12.2, COCG

The board of directors should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two (2) members of the AC, including the AC chairman, should have accounting or related financial management expertise or experience, as the board of directors interprets such qualification in its business judgment.

Section 201B of Companies Act

- (1) Every listed company shall have an audit committee.
- (2) An audit committee shall be appointed by the directors from among their number (pursuant to a resolution of the board of directors) and shall be composed of 3 or more members of whom a majority shall not be –
 - (a) executive directors of the company or any related corporation;
 - (b) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive director of the company or of any related corporation; or
 - (c) any person having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the functions of an audit committee.

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**Rules 3.25, 3.26 and paragraph B.1.2 of
Appendix 14, Listing Rules: Remuneration
Committee**

An issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, with specific terms of reference that clearly establish its authority and duties, including the terms of references set out in paragraph B.1.2 of Appendix 14 to the Listing Rules.

The board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

**Paragraphs A.5.1 and A.5.2 of Appendix 14
of the Listing Rules: Nominating Committee**

Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties and should perform the duties as set out in paragraph A.5.2 of Appendix 14 to the Listing Rules.

- (3) The members of an audit committee shall elect a chairman from among their number who is not an executive director or employee of the company or any related corporation.
- (4) If a member of an audit committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the board of directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

Remuneration Committee**Rule 7, COCG**

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.

Rule 7.1, COCG

The board of directors should establish a remuneration committee (“**RC**”) with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three (3) directors, the majority of whom, including the RC chairman, should be independent.

Nominating Committee**Rule 4, COCG**

There should be a formal and transparent process for the appointment and reappointment of directors to the board of directors.

Rule 4.1, COCG

The board of directors should establish a nominating committee (“**NC**”) to make recommendations to the board of directors on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three (3) directors, the majority of whom, including the NC chairman, should be independent. The lead independent director, if any, should be a member of the NC.

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INTERESTED PERSON TRANSACTIONS OR CONNECTED TRANSACTIONS**Chapter 14A of the Listing Rules (Connected Transactions)**

Chapter 14A of the Listing Rules specifies circumstances in which transactions between an issuer and certain specified persons (including connected persons) are, unless otherwise exempted, subject to the shareholders' approval, annual review and disclosure requirements.

Rules 14A.07 and 14A.24, Listing Rules

"Connected person" is defined to include a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries, any person who was a director of the listed issuer or any of its subsidiaries in the last twelve (12) months, a supervisor of a PRC issuer or any of its subsidiaries, an associate of the respective persons as aforesaid, a connected subsidiary, or a person deemed to be connected by the Stock Exchange.

"Transaction" include both capital and revenue nature transactions, whether or not conducted in the ordinary and usual course of business of the listed issuer's group. This includes the following types of transactions:-

- (a) the acquisition or disposal of assets by a listed issuer's group including deemed disposals;
- (b) any transaction involving a listed issuer's group granting, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities; or the listed issuer's group deciding not to exercise an option to acquire or dispose of assets or to subscribe for securities;
- (c) entering into or terminating finance leases or operating leases or sub-leases;

Chapter 9, Singapore Listing Manual

Chapter 9 of the Singapore Listing Manual, which applies to the Company, prescribes situations in which transactions between entities at risk (as defined in the Singapore Listing Manual) and interested persons (as defined in the Singapore Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.

Rule 904, Singapore Listing Manual

For the purposes of Chapter 9, the following definitions apply:-

- (1) "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
- (2) "entity at risk" means:-
 - (a) the issuer;
 - (b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

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- (d) granting an indemnity or providing or receiving financial assistance. "Financial assistance" includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;
- (e) entering into an agreement or arrangement to set up a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement;
- (f) issuing new securities of the listed issuer or its subsidiaries;
- (g) providing, receiving or sharing of services; or
- (h) acquiring or providing raw materials, intermediate products and/or finished goods.

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- (3) "financial assistance" includes:-
 - (a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and
 - (b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.
- (4) "interested person" means:-
 - (a) a director, chief executive officer, or controlling shareholder of the issuer; or
 - (b) an associate of any such director, chief executive officer, or controlling shareholder.
- (5) "interested person transaction" means a transaction between an entity at risk and an interested person.
- (6) "transaction" includes:-
 - (a) the provision or receipt of financial assistance;
 - (b) the acquisition, disposal or leasing of assets;
 - (c) the provision or receipt of services;
 - (d) the issuance or subscription of securities;
 - (e) the granting of or being granted options; and
 - (f) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

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**Rules 14A.35 to 37, 14A.49, 14A.71, 14A.76,
Listing Rules: Reporting, Announcement
and Independent Shareholders' Approval
Requirements for Connected Transactions**

Rules 14A.35, 14A.36 and 14A.47

Where any connected transaction is proposed, the transaction must be announced as soon as practicable after its terms have been agreed and where shareholders' approval for the connected transaction is required, a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed, unless it is otherwise exempted under the Listing Rules.

Rules 14A.37, 14A.73, 14A.76

Certain categories of transactions are exempt from the general meeting requirements and the Stock Exchange accepts a written shareholder's approval (subject to certain conditions as set out in Rule 14A.37 of the Listing Rules), and certain transactions are subject only to annual review and disclosure requirements. Amongst other exemptions under the Listing Rules, a connected transaction conducted on normal commercial terms or better will constitute a de minimis transaction under Rule 14A.76(1) of the Listing Rules, which will be exempt from shareholders' approval, annual review and all disclosure requirements, where each of the percentage ratios (other than the profits ratio) is less than 0.1% or less than 1% (where the connected transaction only involves a connected person at the issuer's subsidiary's level), or each of the percentage ratios (other than the profits ratio) is less than 5% and the total consideration is less than HK\$3,000,000.

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**When an Announcement is Required, Rule
905, Singapore Listing Manual**

- (1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3.0% of the group's latest audited net tangible assets.
- (2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.
- (3) Rules 905 (1) and (2) do not apply to any transaction below \$100,000.

**When a Shareholder Approval is Required
Rule 906, Singapore Listing Manual**

- (1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:-
 - (a) 5.0% of the group's latest audited net tangible assets; or
 - (b) 5.0% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
- (2) Rule 906(1) does not apply to any transaction below \$100,000.

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**Rules 14A.49, 14A.71, Listing Rules:
Reporting Requirements**

The listed issuer's annual report must contain the following information on the connected transactions conducted in that financial year (including continuing connected transactions under agreements signed in previous years):

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms;
- (5) the nature of the connected person's interest in the transaction; and
- (6) for continuing connected transactions,
 - (a) confirmation from the listed issuer's independent non-executive directors on the matters set out in Rule 14A.55 of the Listing Rules; and
 - (b) statement from the listed issuer's board of directors whether the auditors have confirmed the matters set out in Rule 14A.56 of the Listing Rules.

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Rule 907, Singapore Listing Manual

An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.

Rule 920, Singapore Listing Manual

- (1) An issuer may seek a general mandate from shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.
 - (a) An issuer must:-
 - (i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year; and
 - (ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report.

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- (b) A circular to shareholders seeking a general mandate must include:-
 - (i) the class of interested persons with which the entity at risk will be transacting;
 - (ii) the nature of the transactions contemplated under the mandate;
 - (iii) the rationale for and benefit to the entity at risk;
 - (iv) the methods or procedures for determining transaction prices;
 - (v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;
 - (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;
 - (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
 - (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

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- (c) An independent financial adviser's opinion is not required for the renewal of a general mandate provided that the audit committee confirms that:-
 - (i) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and
 - (ii) the methods or procedures in Rule 920(1)(c)(i) of the Singapore Listing Manual are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.
- (d) Transactions conducted under a general mandate are not separately subject to Rules 905 and 906 of the Singapore Listing Manual.

**Rules 14A.81 to 14A.86 Listing Rules:
Aggregation of Transactions**

The Stock Exchange will aggregate a series of connected transactions and treat them as if they were one (1) transaction if they were all entered into or completed within a twelve (12) month period or are otherwise related. The listed issuer must comply with the applicable connected transaction requirements based on the classification of the connected transactions when aggregated. The aggregation period will cover twenty-four (24) months if the connected transactions are a series of acquisitions of assets being aggregated which may constitute a reverse takeover.

Rule 908, Singapore Listing Manual

In interpreting the term "same interested person" for the purpose of aggregation in Rules 905 and 906 of the Singapore Listing Manual, the following applies:-

- (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.
- (2) If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

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Factors that the Stock Exchange will consider for aggregation of a series of connected transactions include whether:

- (1) they are entered into by the listed issuer's group with the same party, or parties who are connected with one another;
- (2) they involve the acquisition or disposal of parts of one asset, or securities or interests in a company or group of companies; or
- (3) they together lead to substantial involvement by the listed issuer's group in a new business activity.

The Stock Exchange may aggregate all continuing connected transactions with a connected person.

The listed issuer must consult the Stock Exchange before the listed issuer's group enters into any connected transaction if:

- (1) the transaction and any other connected transactions entered into or completed by the listed issuer's group in the last twelve (12) months fall under any of the circumstances described in Rule 14A.82 of the Listing Rules; or
- (2) the transaction and any other transactions entered into by the listed issuer's group involve the acquisition of assets from a person or group of persons or any of their associates within twenty-four (24) months after the person(s) gain control (as defined in the Takeovers Code) of the listed issuer.

The listed issuer must provide information to the Stock Exchange on whether it should aggregate the transactions.

The Stock Exchange may aggregate a listed issuer's connected transactions even if the listed issuer has not consulted the Stock Exchange.

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Rule 918, Singapore Listing Manual

If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

Rule 919, Singapore Listing Manual

In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.

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Rules 14A.76, 14A.89, 14A.92 to 14A.95, 14A.97 to 14A.101, Listing Rules: Exemptions

The connected transactions which can be exempt from the connected transaction requirements include:-

- (1) de minimis transactions;
- (2) financial assistance;
- (3) issue of new securities by the listed issuer or its subsidiary if (a) the connected person receives a pro rata entitlement to the issue as a shareholder; (b) the connected person subscribes for the securities in a rights issue or open offer; (c) the securities are issued to the connected person under a share option scheme; or (d) the securities are issued under a “top-up placing and subscription”;
- (4) dealings in securities on the Stock Exchange as prescribed under Rule 14A.93 of the Listing Rules;
- (5) any repurchase of own securities by a listed issuer or its subsidiary from a connected person on Stock Exchange or a recognised stock exchange or under a general offer made under the Code on Share Buy-backs;
- (6) the entering into of a service contract by a director of the listed issuer with the listed issuer or its subsidiary;

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Exceptions

Rule 915, Singapore Listing Manual

The following transactions are not required to comply with Rules 905, 906 and 907 of the Singapore Listing Manual:-

- (1) a payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer;
- (2) the grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST;
- (3) a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5.0%;
- (4) a transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction;
- (5) a transaction between an entity at risk and an interested person for the provision of goods or services if:-
 - (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and
 - (b) the sale prices are applied consistently to all customers or class of customers.

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- (7) the acquisition as consumer or selling consumer goods or services to a connected person on normal commercial terms or better in its ordinary and usual course of business if such goods and services are (a) of a type ordinarily supplied for private use or consumption, (b) for the acquirer's own consumption or use, (c) consumed or used by the acquirer in the same state as when they were acquired, (d) on terms no more favorable to the connected person or no less favorable to the listed issuer's group than those available from independent third parties;
- (8) the sharing of administrative services between the listed issuer's group and a connected person on a cost basis;
- (9) transactions with associates of passive investors; and
- (10) transactions with connected persons at the subsidiary level.

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Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.

- (6) the provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
- (7) the receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
- (8) director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

Rule 916, Singapore Listing Manual

The following transactions are not required to comply with Rule 906 of the Singapore Listing Manual:-

- (1) the entering into, or renewal of a lease or tenancy of real property of not more than three (3) years if the terms are supported by independent valuation;
- (2) investment in a joint venture with an interested person if:-
 - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and

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- (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.
- (3) The provision of a loan to a joint venture with an interested person if:-
- (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
 - (c) the issuer confirms by an announcement that its audit committee is of the view that:
 - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
 - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.

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- (4) the award of a contract by way of public tender to an interested person if:-
 - (a) the awarder entity at risk announces the following information:-
 - (i) the prices of all bids submitted;
 - (ii) An explanation of the basis for selection of the winning bid; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
- (5) the receipt of a contract which was awarded by way of public tender, by an interested person if:-
 - (a) the bidder entity at risk announces the prices of all bids submitted; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, the listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

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RESTRICTIONS ON DEALINGS OF DIRECTORS BEFORE PUBLICATION OF THE FINANCIAL RESULTS**Rules A3, B8, B9 and C14 of Appendix 10, Listing Rules****Rule 1207(19)(c), Singapore Listing Manual*****Rule A3***

A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:-

A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two (2) weeks before the announcement of the company financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the company's full year financial statements (if required to announce quarterly financial statements), or one (1) month before the announcement of the company's half year and full year financial statements (if not required to announce quarterly financial statements).

- (i) during the period of sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional as described in Rule C14 below. In any event, the director must comply with the procedure in the Rules B.8 and B.9 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Directors Dealing Code**").

The listed issuer must notify the Stock Exchange in advance of the commencement of each period during which directors are not allowed to deal under Rule A.3 of the Directors Dealing Code. Such period will cover any period of delay in the publication of a results announcement.

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Rule C14

If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under the Directors Dealing Code, the director must comply with the provisions of the Rule B.8 of the Directors Dealing Code regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to the Stock Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with Rule 2.07C of the Listing Rules immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.

Rule B8

Under the Directors Dealing Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.

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In each case, (a) a response to a request for clearance to deal must be given to the relevant director within five (5) business days of the request being made; and (b) the clearance to deal in accordance with (a) above must be valid for no longer than five (5) business days of clearance being received.

Rule B9

The procedure established within the listed issuer must, as a minimum, provide for there to be a written record maintained by the listed issuer that the appropriate notification was given and acknowledged pursuant to Rule B.8 of the Directors Dealing Code, and for the director concerned to have received written confirmation to that effect.

II. TAKEOVER OBLIGATIONS**1. The Singapore Code**

The Singapore Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company's voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company's voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company's voting Shares in any six (6) month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

"Persons acting in concert" comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

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- a financial or other professional adviser and its clients in respect of shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six (6) months preceding the acquisition of Shares that triggered the mandatory offer obligation. Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

Following the conclusion of an offer, pursuant to Section 215 of the Companies Act, if an offeror acquires 90.0% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell its shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three (3) months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

2. The Takeovers Code

Public companies with a primary listing of their equity securities in Hong Kong fall within the regulatory framework of the Takeovers Code. The Takeovers Code is not legally enforceable. Its purpose is to provide guidelines for companies and their advisers contemplating, or becoming involved in, takeovers and mergers affecting public companies in Hong Kong.

The aim of the Takeovers Code is to ensure fair treatment of shareholders who are affected by takeovers, mergers and share buy-backs. It requires the timely disclosure of adequate information to enable shareholders to make an informed decision as to the merits of any offer. It also provides an orderly framework within which takeovers, mergers and share buy-backs are to be conducted.

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The Takeovers Code regulates acquisitions of shares (whether by way of takeovers, mergers and share buy-back) in an offeree company and a potential offeree company, or a company in which control may change or be consolidated would be relevant. Control is currently defined as a holding, or aggregate holdings, of 30.0% or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control.

The Takeovers Code also applies not only to the offeror and the offeree company, but also to those persons “acting in concert” with the offeror. Under the Takeovers Code, “persons acting in concert” are persons who “pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company”. The Takeovers Code also describes classes of persons who are presumed to be acting in concert with others in the same class unless the contrary is established.

The Takeovers Code requires the making of a mandatory general offer to holders of each class of equity share capital of the offeree company, whether the class carries voting rights or not, and also to the holders of any class of voting non-equity share capital in which such person, or persons acting in concert with him, hold shares, unless a waiver has been granted by the executive of the Securities and Futures Commission, where a person or a group of persons acting in concert (a) acquires control of a company (meaning 30.0% or more of the voting rights), whether by a series of transactions over a period of time, or not; or (b) when already holding between 30.0% and 50.0% of the voting rights of a company, acquires more than 2.0% of the voting rights in the offeree company in a twelve (12) month period ending on and inclusive of the date of the relevant acquisition.

In either of the above cases, an offer must be made to the shareholders. The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the offeror (or any person acting in concert with it) for shares of that class of the offeree company during the offer period and within six (6) months prior to its commencement.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in Singapore under the Companies Act as a private limited company under the name “Automation Control Group Pte Ltd” on 28 December 2004. On 6 May 2005, our Company changed its name to “ISDN Holdings Pte Ltd” and on 11 November 2005, our Company was converted into a public company and our Company changed its name to “ISDN Holdings Limited”. Our Company has established its principal place of business in Singapore at 10 Kaki Bukit Road 1 #01-30 KB Industrial Building, Singapore 416175, and was registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 21 July 2016. Mr. Chow Ka Man has been appointed as our authorized representative for acceptance of service of process in Hong Kong.

As we are incorporated in Singapore, we are subject to the laws of Singapore and our Constitution. A summary of certain parts of our Constitution and relevant aspects of Singapore company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

There has been no alteration in the share capital of our Company in the two years immediately preceding the date of this prospectus.

On 19 December 2016, 6,365,000 Shares held by our Company as treasury Shares were cancelled pursuant to Section 76K of the Companies Act.

As at the Latest Practicable Date, our Company did not have any founder shares, management shares or deferred shares.

3. Resolution of the Shareholders passed at the general meetings of our Company held on 22 April 2016 and 16 December 2016

At the annual general meeting of our Company held on 22 April 2016, resolutions of Shareholders were passed pursuant to which, amongst other things, pursuant to section 161 of Companies Act and Rule 806 of the Singapore Listing Manual, approval was given to the Directors:

- (a) to allot and issue Shares (whether by way of rights, bonus or otherwise); and/or
- (b) 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 our Company shall in their absolute discretion deem fit; and (notwithstanding the authority conferred by such resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while such resolution was in force, (the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to such resolution) and convertible securities to be issued pursuant to such resolution shall not exceed fifty per cent. (50%) of the total number

of issued Shares (excluding treasury Shares) in the capital of our 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 our Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as at the time of passing of such 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 our Company shall be based on the total number of issued Shares (excluding treasury Shares) in the capital of our Company at the time of the passing of such 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 such resolution, provided the options or awards were granted in compliance with the rules of the Singapore Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by such resolution, our Company shall comply with the provisions of the Singapore Listing Manual 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 our Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.

At the same annual general meeting, the Shareholders also authorised the Directors to offer and grant share awards in accordance with the ISDN EPSP 2012 and to issue such Shares as may be required to be issued pursuant to the ISDN EPSP 2012 provided always that the aggregate number of Shares to be issued pursuant to the ISDN EPSP 2012 (and any other share scheme of our Company) shall not exceed fifteen per cent. (15%) of the issued share capital of our Company from time to time.

At a separate extraordinary general meeting of our Company held on 22 April 2016, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given for:

- (a) the proposed renewal of the share buy-back mandate. Pursuant to the share buy-back mandate, the Directors are authorised to purchase or acquire Shares not exceeding in aggregate the Maximum Percentage (as defined below), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:
 - (i) on-market purchases on the SGX-ST ("**Market Purchase**"); and/or
 - (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**").

Unless varied or revoked by our Company in general meeting, the authority conferred on the Directors of our Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

- (i) the date on which the next annual general meeting of our Company is held;
- (ii) the date by which the next annual general meeting of our Company is required by law to be held;
- (iii) the time when such mandate is revoked or varied by the Shareholders of our Company in general meeting; or
- (iv) the date on which the share buy-back is carried out to the full extent mandated, whichever is earlier.

In this resolution:

“Maximum Percentage” means that number of issued Shares representing 10.0% of the total number of issued Shares as at the date of the passing of such resolution (excluding any Shares which are held as treasury Shares as at that date); and

“Maximum Price” in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the average closing market price. For this purpose, the average closing market price is:
 - (a) the average of the closing market prices of the Shares over the last five (5) Market Days (on which transactions in the Shares were recorded) immediately before the date of the Market Purchase by our Company; and
 - (b) deemed to be adjusted for any corporate action that occurs after the relevant five (5)-Market Day period; and
 - (ii) in the case of an Off-Market Purchase, 105% of the highest price at which a Share is transacted on the SGX-ST on the Market Day (when transactions in the Shares are recorded) immediately preceding the date on which our Company announces an Off-Market Purchase offer stating the purchase price and the relevant terms of the equal access scheme.
- (b) the proposed adoption of the ISDN ESOS 2016 and to authorise the Directors to offer and grant options in accordance with the ISDN ESOS 2016 and to issue such Shares as may be required to be issued pursuant to the exercise of the options under the ISDN ESOS 2016 provided always that the aggregate number of Shares to be issued pursuant to the share schemes of our Company shall not exceed fifteen per cent. (15%) of the issued share capital (excluding treasury Shares) of our Company from time to time, and when added to the amount of Shares issued and issuable and/or transferred and transferable in respect of (a) all Shares available under the ISDN ESOS 2016; and (b) all Shares, options or awards granted under any other share option scheme, share award scheme or share incentive scheme of our Company then in force, shall not exceed fifteen per cent. (15%) of the total issued share capital (excluding treasury Shares) of our Company from time to time and provided also that subject to such adjustments as may be made to the ISDN ESOS 2016 as a result of any variation in the capital structure of our Company.

As the explanatory statement on the Share Buy-Back Mandate as appended to our circular to our Shareholders dated 7 April 2016 does not contain all the information required under Rule 10.06(1)(b) of the Listing Rules, our Company will not exercise the Share Buy-Back Mandate.

At the extraordinary general meeting of our Company held on 16 December 2016, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given for:

- (a) the proposed Share Offer and Listing;
- (b) the proposed adoption of the new Constitution;
- (c) the proposed amendments to the ISDN EPSP 2012;
- (d) the proposed amendments to the ISDN ESOS 2016;
- (e) the proposed grant of award to Mr. Teo under the ISDN EPSP 2012;
- (f) the proposed grant of award to Mrs. Teo under the ISDN EPSP 2012; and
- (g) the proposed adoption of the Chinese name “億仕登控股有限公司” as our Company's secondary name.

4. Changes in share capital of subsidiaries

Our subsidiaries are listed in Note 15 of Section II in the Accountant's Report.

The following are alterations in the share or registered capital of each of our subsidiaries which have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 5 March 2015, the issued and paid up share capital of TDS Indonesia was decreased from IDR878,900,000 (US\$100,000) comprising 100,000 ordinary shares to IDR747,065,000 (US\$85,000) comprising 85,000 ordinary shares.
- (b) On 16 April 2015, Suzhou Xiancheng was established with a registered capital of US\$210,000 of which US\$210,000 has been fully paid up as at 26 May 2015.
- (c) On 24 June 2015, Shanghai Dirak was established with a registered capital of RMB100,000 of which RMB100,000 has been contributed to the registered capital as at the Latest Practicable Date.
- (d) On 27 July 2015, ISDN Bantaeng was incorporated with an issued and paid up share capital of S\$10 comprising 10 ordinary shares.
- (e) On 4 August 2015, the issued and paid up share capital of TDS Indonesia was increased from IDR747,065,000 (US\$85,000) comprising 85,000 ordinary shares to IDR878,900,000 (US\$100,000) comprising 100,000 ordinary shares.
- (f) On 14 August 2015, Zhuzhou Dirak was established with a registered capital of RMB5,080,000. RMB1,000,000 has been contributed to the registered capital as at the Latest Practicable Date.
- (g) On 8 October 2015, ISDN Bantaeng Indonesia was incorporated with an authorised share capital of IDR58,492,000,000 (US\$4,000,000) and an issued and paid up share capital of IDR14,623,000,000 (US\$1,000,000) comprising 10,000 ordinary shares.

- (h) On 26 April 2016, the issued and paid up share capital of ISDN Energy was increased from S\$1 comprising 1 ordinary share to S\$1,000 comprising 1,000 ordinary shares.
- (i) On 7 June 2016, the authorised share capital of Prima Infrastructure was increased from MYR400,000 to MYR500,000 and the issued and paid up share capital of Prima Infrastructure was increased from MYR100 comprising 100 ordinary shares to MYR500,000 comprising 500,000 ordinary shares.
- (j) On 12 August 2016, HK\$95,000 was contributed by SD Hong Kong to the registered capital of SDHK Shenzhen.
- (k) On 13 October 2016, Suzhou TRACE was incorporated with a registered share capital of EUR300,000, of which EUR300,000 has been fully paid up as at 14 November 2016.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) a sale and purchase agreement dated 10 March 2016 between Motion Control Group Pte Ltd and Schneeberger Holding AG pursuant to which Motion Control Group Pte Ltd disposed of its 500 ordinary shares in the capital of Schneeberger Linear Technology Pte Ltd representing 50.0% of the issued and paid-up share capital of Schneeberger Linear Technology Pte Ltd to Schneeberger Holding AG at an aggregate consideration of S\$811,710;
- (b) a sale and purchase agreement dated 7 March 2016 between Agri Source Pte. Ltd. and Ho Lee Group Pte Ltd pursuant to which Agri Source Pte. Ltd. acquired 588,000 ordinary shares in the issued and paid-up capital of Dietionary Farm Holding Pte. Ltd. from Ho Lee Group Pte Ltd for an aggregate consideration of S\$310,000;
- (c) a sale and purchase agreement dated 30 June 2016 between ISDN Investments Pte. Ltd. and Robert Alexander Stone pursuant to which ISDN Investments Pte. Ltd. disposed of its 3,181 ordinary shares in the share capital of Aenergy Holdings Company Limited to Robert Alexander Stone at an aggregate consideration of US\$2,625,000;
- (d) the Deed of Non-competition; and
- (e) the Public Offer Underwriting Agreement.

2. Material properties

As at the Latest Practicable Date, our Group had the following material properties with the details set out below:

<u>Address and Description of Location</u>	<u>Use</u>	<u>Gross floor area in sq.m (approx.)</u>	<u>Restrictions on use</u>	<u>(A) Type of ownership/ (B) Term of lease</u>	<u>Details of encumbrances, liens, pledges and mortgages</u>
<p>Singapore Units #1-29, #1-30, #1-37 and #1-40 in KB Industrial Building, No. 10 Kaki Bukit Road 1, Singapore 416175</p> <p>This property is located in an industrial area.</p>	<p>Headquarters, sales office, workshop and storage facilities.</p> <p>A portion of the storage facilities is leased to JM Vistec Singapore, one of our associated companies.</p>	1,876	For industrial purposes	Owned by our Group (Leasehold estate with a tenure of 60 years commencing on 9 January 1995)	Mortgaged to a bank
<p>PRC ISDN Hightech Industrial Park, comprising of eight buildings at the North side of East Jiangxing Road, Wujiang Economic Development Zone (吳江經濟開發區江興東路北側)</p> <p>This property is located in an economic development zone.</p>	<p>Sales office, production and warehouse.</p> <p>A portion of the property is leased to Independent Third Parties and Sand Profile (Suzhou) Co. Ltd, a related party.</p>	40,657	For industrial purposes	Owned by our Group (Land use right from 22 May 2006 to 21 May 2056)	Mortgaged to a bank

Prior to and/or during the Track Record Period, some of our PRC subsidiaries were required to submit environment protection acceptance applications to the relevant PRC environment administrative authorities in respect of certain operations at our ISDN Hightech Industrial Park. Please refer to the section headed “Business – Compliance – PRC” in this prospectus for further details on the above.







As at the Latest Practicable Date, there were no investigations, notices, pending litigation, breaches of law or title defects in relation to the material properties of our Group.

As at the Latest Practicable Date, our Group had no plans to dispose of, change the use of, construct, renovate, improve or develop any of our Group’s material properties.

3. Intellectual property rights

(a) Trademarks

(i) Material trademarks owned by our Group as at the Latest Practicable Date

	<u>Trademark</u>	<u>Registration Number</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Duration of validity</u>	<u>Registered owner</u>
1	 ISDN Holdings LIMITED	T0509701E	42	Singapore	14 June 2005 to 14 June 2025	Our Company
2	 Portwell	T0507737E	09	Singapore	10 May 2005 to 10 May 2025	Portwell
3		T0501445D	09	Singapore	11 February 2005 to 11 February 2025	Servo Dynamics
4		T0501444F	07	Singapore	11 February 2005 to 11 February 2025	Servo Dynamics
5	 Servo Dynamics	6486494	7	PRC	21 March 2010 to 20 March 2020	Servo Suzhou
6		303830931	42	Hong Kong	7 July 2016 to 6 July 2026	Our Company

(ii) Classes and specifications for trademarks in Singapore

<u>Trademark</u>	<u>Class number</u>	<u>Classes and specifications</u>
T0509701E	42	Scientific and technological services, design and development of computer hardware and software, industrial analysis and research services.
T0507737E	09	Data processing equipment and computers.
T0501445D	09	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, digital video discs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
T0501444F	07	Machines and machine tools; motor and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles).

(iii) Classes and specifications for trademarks in the PRC

<u>Trademark</u>	<u>Class number</u>	<u>Classes and specifications</u>
6486494	07	機械台架; 自動操作機(機械手); 伺服電機; 步進電機; 機器、發動機和引擎的氣壓控制器; 閥(機器零件); 軸承(機器零件). Stands for machines; handling machines, automatic (manipulators); servo motor; stepping motor; controls (pneumatic) for machines, motors and engines; valves (parts of machines); bearings (parts of machines).

(iv) Classes and specifications for trademarks in Hong Kong

<u>Trademark</u>	<u>Class number</u>	<u>Classes and specifications</u>
30380931	42	Scientific and technological services, design and development of computer hardware and software, industrial analysis and research services.

(b) Patents*Patents owned by our Group*

As at the Latest Practicable Date, our Group was the registered owner of the following patents which are material in relation to our business:

	<u>Name of patent</u>	<u>Patent Number</u>	<u>Place of Registration</u>	<u>Date of Application</u>	<u>Registered Owner</u>
1	基於總線控制方式的單個座椅控制系統 (One control system of single seat based on control mode of bus)	201521018949.0	PRC	10 December 2015	Servo Suzhou
2	用於座椅執行機構中螺桿位移量實時反饋裝置 (A real-time feedback device of screw displacement in seat actuator)	201521019647.5	PRC	10 December 2015	Servo Suzhou
3	防止螺桿在自然狀態下旋轉的結構 (A mechanism for preventing the screw from rotary under natural state)	201521018488.7	PRC	10 December 2015	Servo Suzhou
4	一種座椅中執行機構的位置保護裝置 (A mechanism for protecting the seat actuator from position)	201520757999.4	PRC	28 September 2015	Servo Suzhou
5	鋁/ 鋁泡罩包裝的膠囊或藥片檢測方法 (A method for detecting capsule or tablet packaged by aluminium or aluminium blister)	200810195782.3	PRC	29 August 2008	Servo Suzhou
6	基於總線控制方式的多個座椅組網監控系統 (One network supervisory system of multiple seat based on control mode of bus)	201520899787.x	PRC	12 November 2015	Servo Suzhou

(c) Domain names

	<u>Domain name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
1	www.isdnholdings.com	6 May 2005	6 May 2017
2	www.portwell.com.sg	29 October 2004	29 October 2017
3	www.servo.com.sg	11 June 1997	11 June 2018
4	www.leaptron.com	19 April 2001	19 April 2017
5	www.tdstech.com	28 May 1997	27 May 2018
6	servodynamics.com.cn	16 March 2000	16 March 2020
7	bjservo.com	2 June 2004	2 June 2018
8	szservo.com.cn	19 November 2003	19 November 2018
9	www.servoline.com	7 September 2001	7 September 2020
10	www.servo.my	6 July 2010	6 July 2017
11	www.servodynamics.com.vn	15 August 2012	15 August 2017

Save as aforesaid, there are no other trademarks, patents or other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Directors' service contracts****(a) Executive Directors**

Mr. Teo entered into a service contract with our Company pursuant to which he was appointed as an executive Director of our Company on 15 November 2005 for a term of three years. Upon the expiration of the abovementioned service agreement, Mr. Teo entered into a service contract with our Company on 16 November 2008 for an initial period of three years with an automatic extension clause on a year to year basis unless terminated in accordance with the service contract and subject to retirement for re-election by our Shareholders pursuant to our Constitution, with a monthly basic salary of S\$42,000 subject to any increment as recommended by our Remuneration Committee. On 16 December 2016, for the purpose of compliance with the Listing Rules, Mr. Teo entered into a service agreement which shall supersede the previous service agreement with our Company for a term of three years commencing on the Listing Date at a monthly basic salary of S\$48,620.

Further, under his service agreement, Mr. Teo is also entitled to, among other things, an annual wage supplement of two months' basic salary upon the completion of each year of service, a motorcar and reimbursements for expenses related to the motorcar, a country club membership, as well as reimbursements for reasonable traveling, hotel, entertainment and other expenses in the performance of his duties. Finally, Mr. Teo is entitled to an annual performance bonus based on our Group's consolidated profit before tax.

Mr. Kong entered into a service contract with our Company pursuant to which he was appointed as an executive Director of our Company on 15 November 2005 for a term of three years. Upon the expiration of the abovementioned service agreement, Mr. Kong entered into a service contract with our Company on 16 November 2008 for an initial period of three years with an automatic extension clause on a year to year basis unless terminated in accordance with the service contract and subject to retirement for re-election by our Shareholders pursuant to our Constitution, with a monthly basic salary of RMB43,300 subject to any increment as recommended by our Remuneration Committee. On 16 December 2016, for the purpose of compliance with the Listing Rules, Mr. Kong entered into a service agreement which shall supersede the previous service agreement with our Company for a term of three years commencing on the Listing Date at a monthly basic salary of RMB58,800.

Further, under his service agreement, Mr. Kong is also entitled to, among other things, a fixed monthly transport and housing reimbursements, as well as reimbursements for reasonable traveling, hotel, entertainment and other expenses in the performance of his duties. Finally, Mr.

Kong is entitled to an annual performance bonus based on the consolidated profit before tax attributable to the members of our Group and/or all joint ventures and associated companies of our Company which are incorporated and having business and operations in the PRC.

(b) Independent non-executive Directors

Each of Mr. Lim Siang Kai and Mr. Soh Beng Keng has been appointed as an independent non-executive Director of our Company since 26 September 2005. Mr. Tan Soon Liang has been an independent non-executive Director since 18 August 2016. Each of them is subject to retirement for re-election by the Shareholders pursuant to our Constitution. Each of them has entered into a letter of appointment on 16 December 2016 for compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Under the letters of appointment, each of the independent non-executive Directors will be appointed for a term of three years commencing from the Listing Date, and each of the independent non-executive Directors will be entitled to a basic annual Director's fee of S\$40,000. Save for the Director's fees, Mr. Lim Siang Kai, one of our independent non-executive Directors, will be entitled to receive an additional fee of S\$10,000 for being the chairman of our Board. Other than stated herein, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, we have not entered, and do not propose to enter, into any service contracts with any of our Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration

- (a) For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the aggregate remuneration and Directors' fees paid by our Group to our Directors were approximately S\$2,832,000, S\$3,639,000, S\$4,168,000 and S\$1,319,000 respectively.
- (b) Our Directors confirm that our Company's remuneration policies for Directors will remain the same immediately after the Share Offer.
- (c) Under the arrangements currently in force, the aggregate remuneration to be paid and benefits in kind to be granted (excluding performance bonus(es)) by our Group to our Directors for the year ending 31 December 2016 is expected to be approximately S\$862,000 for our executive Directors and approximately S\$129,000 for our independent non-executive Directors.
- (d) None of our Directors or any past Directors of any member of our Group has been paid any sum of money or Shares or otherwise for the three financial years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; or (iii) for services rendered in connection with the promotion or formation of our Group.

3. Disclosure of interests

(a) Directors and chief executive of our Company

Immediately following completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the Warrants, the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and vesting of share awards that have been or may be granted under the ISDN EPSP 2012, based on the information available as at the Latest Practicable Date, the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under the SFO); (b) will be required pursuant to section 352 of the SFO, to be entered in the register required to be kept therein; or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange are as follows:

(i) Interests in our Company

<u>Name of Director/ chief executive</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u> %
Mr. Teo	Interest of controlled corporation, interest of spouse	131,055,150 (Long position)	33.21 (Note)
Mr. Kong	Beneficial owner	2,050,000 (Long position)	0.52

Note: Assetraise is beneficially owned by Mr. Teo and Mrs. Teo. As such, Mr. Teo is deemed to have an interest in 131,055,150 Shares held by Assetraise. Assetraise is also interested in 63,945,125 Warrants. Assuming full exercise of the Warrants held by Assetraise and other holders of the Warrants, Assetraise will be allotted and issued by our Company an additional of 63,945,125 Shares, together with 131,055,150 Shares currently held, representing approximately 33.93% of the issued share capital of our Company immediately following completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and the vesting of shares awards that have been or may be granted under ISDN EPSP 2012.

(ii) Interests in our associated corporations

<u>Name of associated corporations</u>	<u>Name of Director/chief executive</u>	<u>Capacity/ Nature of interest</u>	<u>Number of shares</u>	<u>Approximate percentage of shareholding</u> %
Dirak Asia	Mr. Teo	Beneficial owner	5,547 (Long position)	1

Note: Dirak Asia is an indirect non-wholly owned subsidiary of our Company.

(b) Substantial Shareholders

So far as our Directors or chief executive of our Company are aware, immediately following completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the Warrants, the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and vesting of share awards that have been or may be granted under the ISDN EPSP 2012, based on the information available as at the Latest Practicable Date, the following persons (other than a Director or a chief executive of our Company) will have an interest and/or a short position in our Shares or underlying Shares of our Company that would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be expected, directly or indirectly, to be interested in 10% or more of issued voting shares of any other member of our Group, once our Shares are listed on the Stock Exchange:

(i) Interests in our Company

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding	Note
			%	
Assetraise	Beneficial owner	131,055,150 (Long position)	33.21	1
Tan Thiam Chye	Beneficial owner interest of spouse	28,320,000 (Long position)	7.18	2
Cheng Siew Heah	Beneficial owner interest of spouse	28,320,000 (Long position)	7.18	3
Karl Walter Braun	Beneficial owner	20,000,000 (Long position)	5.07	4

Notes:

- Assetraise is beneficially owned by Mr. Teo and Mrs. Teo. Assetraise held 63,945,125 Warrants as at the Latest Practicable Date.
- Based on the latest disclosure forms received by our Company, Mr. Tan Thiam Chye has direct interests in 28,290,000 Shares and is also deemed to have an interest in 30,000 Shares held by his spouse, Mdm. Cheng Siew Heah. Mr. Tan Thiam Chye had direct interests in 6,152,000 Warrants as at the Latest Practicable Date.
- Based on the latest disclosure forms received by our Company, Mdm. Cheng Siew Heah has a direct interest in 15,930,000 Shares and is also deemed to have an interest in 12,390,000 Shares held by her spouse, Mr. Tan Thiam Chye. Mdm. Cheng Siew Heah had direct interests in 15,000 Warrants as at the Latest Practicable Date.
- Mr. Karl Walter Braun and his immediate family control the entire shareholding interests in Interelectric AG ("**Interelectric**"), which in turn controls Maxon Motor. Please refer to the section headed "Business – Suppliers" in this prospectus for further information.

(ii) *Interests in issued voting shares of other members of our Group*

Name of members of our Group	Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held or interested/ Amount of capital contributed	Approximate percentage of shareholding %
SD Thailand	Udom Worasathien	Beneficial owner	27,715 ordinary shares and 26,500 preferred shares	32.08%
SD Thailand	Srisumpun Worasathien	Beneficial owner	18,685 ordinary shares and 26,100 preferred shares	26.50%
Beijing AMC	Beijing NCAT	Beneficial owner	RMB1,000,000	50%
Eisele Asia	Eisele Antriebstechnik G.m.b.H	Beneficial owner	USD105,000	50%
Weiyi	Shanghai Junkong	Beneficial owner	USD68,600	49%
Dirak Asia	Dirak Holding GmbH	Beneficial owner	277,345 ordinary shares	50%
Beijing Dirak	Beijing NCAT	Beneficial owner	RMB175,000	35%
Taiwan Dirak	Martin Wang	Beneficial owner	100,000 ordinary shares	20%
Taiwan Dirak	Liu Pin Zong	Beneficial owner	95,000 ordinary shares	19%
Zhuzhou Dirak	Liu Ni	Beneficial owner	RMB400,000	40%
Dbasix Singapore	DBasix Global	Beneficial owner	400,000 ordinary shares	50%
ADL Singapore	Ong Siew Leng	Beneficial owner	10,000 ordinary shares	10%
ADL Singapore	Kyaw Kyaw Aung	Beneficial owner	10,000 ordinary shares	10%
TDS KL	Yeap Ching Ling	Beneficial owner	10,000 ordinary shares	10%
TDS KL	Bea Hwa Chee	Beneficial owner	10,000 ordinary shares	10%
TDS Penang	Bea Hwa Chee	Beneficial owner	20,000 ordinary shares	20%

Name of members of our Group	Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held or interested/ Amount of capital contributed	Approximate percentage of shareholding
TDS Indonesia	Thangappa Nadar Harihesa Pandian Balaji	Beneficial owner	10,000 ordinary shares	% 10%
TDS Indonesia	Mei Toping	Beneficial owner	15,000 ordinary shares	15%
TDS Indonesia	Agres Setyandi	Beneficial owner	15,000 ordinary shares	15%
A Tracks	Lim Soon Ann	Beneficial owner	10 ordinary shares	10%
A Tracks	Low Yin Fan Ken	Beneficial owner	20 ordinary shares	20%
Maxon Suzhou	Interelectric	Beneficial owner	USD345,000	50%
Maxon Shanghai	Interelectric	Beneficial owner	USD100,000	50%
SD Vietnam	Kelly Kao Thiam Leong	Beneficial owner	VND2,940,000,000	49%
Prima Infrastructure	Wong Kwok Whye Peter	Beneficial owner	255,000 ordinary shares	51%
Jin Zhao Yu	Chong Seng Lai	Beneficial owner	600 ordinary shares	20%
Jin Zhao Yu	Chen Xiaodong	Beneficial owner	450 ordinary shares	15%
Jin Zhao Yu	Zhang Jie	Beneficial owner	420 ordinary shares	14%
ISDN Energy	M&M Resources Investment Pte Ltd	Beneficial owner	490 ordinary shares	49%
ISDN Bantaeng Singapore	Aditya Christian	Beneficial owner	4 ordinary shares	40%
ISDN Bantaeng Indonesia	PT Centuri Indonesia Sekawan	Beneficial owner	1,000 ordinary shares	10%
IGB Hong Kong	SejinIGB Company Limited	Beneficial owner	4,900 ordinary shares	49%
Suzhou TRACE	T RACE S.p.A.	Beneficial owner	EUR150,000	50%

Save as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive of our Company was aware of any other person who will, immediately following the completion of the Share Offer without taking into account the Shares which may be issued upon the exercise of the Warrants, the exercise of the options that have been or may be granted under the ISDN ESOS 2016 and the vesting of share awards that have been or may be granted under ISDN EPSP 2012, based on the

information available as at the Latest Practicable Date, have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

4. Agency fees or commission received

For details of the agency fees and commissions to be received by the Underwriters, please refer to the section headed “Underwriting – Underwriting Arrangements and Expenses – Commission and expenses” in this prospectus.

5. Related party transactions

Details of our related party transactions during the two years preceding the date of this prospectus are set out in Note 32 of Section II in the Accountant’s Report.

6. Disclaimers

Save as disclosed in this section and the sections headed “Business”, “Relationship with Controlling Shareholders” and “Substantial Shareholders” in this prospectus:

- (a) none of our Directors has any interests or short positions in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies;
- (b) our Directors are not aware of any person (not being a Director of our Company) who will, immediately after the completion of the Share Offer, have an interest or a short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (c) none of our Directors or the experts named in the section headed “F. Other Information – 5. Qualifications of experts” in this appendix is interested, directly or indirectly, in our promotion, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the section headed “F. Other Information – 5. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) none of our Directors has any existing or proposed service contracts with our Company or any of its subsidiaries, excluding contracts which are expiring or determinable by the employer within one year without payment or compensation (other than statutory compensation);
- (f) our Directors confirm that none of our Directors, their respective associates or our Shareholders who are interested in 5% or more of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group during the Track Record Period;

- (g) none of our Directors is interested in any business apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business; and
- (h) none of the experts named in the section headed "F. Other Information – 5. Qualifications of experts" in this appendix is interested legally or beneficially in any of our Shares or any shares in any other member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any securities in any member of our Group.

D. ISDN ESOS 2016

The following is a summary of the principal terms of the ISDN ESOS 2016 as adopted by our Company on 22 April 2016 and amended on 16 December 2016 to satisfy the requirements of the Listing Rules. The following summary does not form, nor is intended to be, part of the ISDN ESOS 2016 nor should it be taken to affect the interpretation of the rules of the ISDN ESOS 2016.

1. Purpose

The purpose the ISDN ESOS 2016 is to provide an opportunity for participants who have contributed significantly to the growth and performance of our Group and satisfy the eligibility criteria as set out in paragraph 2, to participate in the equity of our Company.

2. Eligible persons

Subject to the absolute discretion of our Remuneration Committee, the following persons shall be eligible to participate in the ISDN ESOS 2016:

- (i) Group employees (including Group executive Directors) and Group non-executive Directors; and/or
- (ii) directors, non-executive directors and employees of any associated company (if and where applicable) subject to our Company having control over such associated company;

provided that, as of the relevant offer date, such persons have attained the age 21 years, have not entered into any compositions with their respective creditors and are not undischarged bankrupts, and in the opinion of our Remuneration Committee, have contributed or will contribute to the success and development of our Group and/or the relevant associated company; and in the case of Group employees or employees of the relevant associated companies, must hold such position as may be designated by our Company from time to time, and whose eligibility have been confirmed by our Company and/or any of its Subsidiaries and/or any of its associated companies (as the case may be) as at each proposed offer date as determined by our Remuneration Committee (together, the "eligible persons" and each an "eligible person").

3. Conditions and administration

The ISDN ESOS 2016 will be administered by our Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by our Board. A participant who is a member of our Remuneration Committee shall abstain from deliberation in respect of an option to be granted to that participant.

Our Remuneration Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the ISDN ESOS 2016) for the implementation and administration of the ISDN ESOS 2016 as it thinks fit.

Any decision of our Remuneration Committee, made pursuant to any provision of the ISDN ESOS 2016 (other than a matter to be certified by the auditors), shall be final and binding (including any decisions pertaining to disputes and uncertainty as to the interpretation of the ISDN ESOS 2016 or any rule, regulation, or procedure thereunder or as to any rights under the ISDN ESOS 2016).

As a safeguard against abuse, pursuant to the Singapore Listing Manual and the Listing Rules, a participant who is a member of our Remuneration Committee shall not be involved in its deliberation in respect of options (if any) to be granted to him. Further, where options are proposed to be granted to or held by Group executive Directors, Controlling Shareholders or their associates, all members of the Board (and not just members of our Remuneration Committee) who are not Group executive Directors, Controlling Shareholders or associates of Controlling Shareholders, will be involved in deliberation on the same.

Every option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore and Hong Kong or any other relevant country having jurisdiction in relation to the issue of Shares thereto.

4. Determination of eligibility

Persons who are Controlling Shareholders or their associates shall not participate in the ISDN ESOS 2016, unless:

- (i) written justification has been provided to Shareholders for their participation at the introduction of the ISDN ESOS 2016 or prior to the first grant of options to them;
- (ii) their participation and the actual number and terms of any options to be granted to them have been specifically approved by Shareholders who are not beneficiaries of the ISDN ESOS 2016 in a general meeting in separate resolutions for each such Controlling Shareholder or his associates; and
- (iii) all conditions for their participation in the ISDN ESOS 2016 as may be required by the regulations of the SGX-ST from time to time are satisfied.

In this regard, (1) the aggregate number of Shares available to Controlling Shareholders and their associates must not exceed 25% of the Shares available under the ISDN ESOS 2016; and (2) the number of Shares available to each Controlling Shareholder or his associate must not exceed 10% of the Shares available under the ISDN ESOS 2016.

The following additional restrictions shall apply for such time as our Company is listed on the Stock Exchange:

- (i) Any option proposed to be granted to a Director, a chief executive officer of our Company (or equivalent position), or a Substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).
- (ii) Where grant of option to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the total number of Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in a 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such further grant shall be approved by the Shareholders in a general

meeting (voting by way of poll) convened and held in accordance with our Constitution, the Singapore Listing Manual and the Listing Rules. The grantee of the options, his associates and all core connected persons of our Company must abstain from voting at such general meeting.

Participants who are also Shareholders and are eligible to participate in the ISDN ESOS 2016 must abstain from voting on any resolution relating to the participation of, or grant of options to the participants.

Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the ISDN ESOS 2016 and grant of options to them.

For the purposes of determining eligibility to participate in the ISDN ESOS 2016, the secondment of a Group employee to another company within our Group or to an associated company or to another company outside the Group in which our Group has an equity interest shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of our Group.

There shall be no restriction on the eligibility of any participant to participate in any other share incentive schemes or share plans implemented or to be implemented by our Company or any other company within our Group.

Subject to the Companies Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in the ISDN ESOS 2016 may be amended from time to time at the absolute discretion of our Remuneration Committee.

5. Duration

The ISDN ESOS 2016 shall continue to be in force at the discretion of our Remuneration Committee, subject to a maximum period of 10 years, commencing on the date on which the ISDN ESOS 2016 is adopted by Shareholders in general meeting. Subject to compliance with any applicable laws and regulations in Singapore and Hong Kong, the ISDN ESOS 2016 may continue beyond the above stipulated period with the approval of the Shareholders by resolution at a general meeting and of any relevant authorities which may then be required.

The ISDN ESOS 2016 may be terminated at any time by our Remuneration Committee or by resolution of the Shareholders at a general meeting, subject to all relevant approvals which may be required. If the ISDN ESOS 2016 is so terminated, no further options shall be offered by our Company hereunder.

The termination, discontinuance or expiry of the ISDN ESOS 2016 shall be without prejudice to the rights accrued to options which have been granted and accepted as provided in rule 8, whether such options have been exercised (whether fully or partially) or not.

6. Grant of options

Our Remuneration Committee may, on and subject to the terms in the ISDN ESOS 2016, offer to grant options to such grantees as it may select in its absolute discretion at any time during the period when the ISDN ESOS 2016 is in force, except that, for so long as the Shares are listed and quoted on the SGX-ST, no option shall be granted during the period of one month immediately preceding the earlier of (1) the date of the board meeting for approving our Company's results for the first three quarters of its financial year or our Company's full year results (as the case may be), or (2) the deadline for our Company to publish its results for the first three quarters of its financial year or our Company's full year results (as the case may be), and ending on the date of the publication of the results announcement. In

addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made or inside information (as defined in the Listing Rules) has come to our Company's knowledge, offers to grant options may only be made on or after the second market day on which such announcement is released.

The grant of options shall be accepted within 30 days from the date of offer. Offers of options made to grantees, if not accepted by the closing date, will automatically lapse and shall forthwith be deemed to be null and void and of no effect. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00 or such amount as the Remuneration Committee may decide.

7. Exercise price

Subject to any adjustment pursuant to variation in the issued share capital of our Company, the exercise price for each Share in respect of which an option is exercisable shall be determined by our Remuneration Committee at its discretion, subject to the following restrictions: the exercise price must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's or the SGX-ST's (whichever is higher) daily quotations sheet on the date of grant, which must be a market day; (ii) the average closing price of the Shares as stated in the Stock Exchange's or the SGX-ST's daily quotations sheets for the five consecutive market days immediately preceding the date of grant (whichever is higher); and (iii) the nominal value of the Shares (if any).

8. Exercise of options

- (i) Any performance targets attached to a grant of options must be achieved before the relevant participant may exercise such options. An option may be exercised, in whole or in part (provided that an option may be exercised in part only in respect of 100 Shares or any multiple thereof), by a grantee giving notice in writing to our Company in or substantially in the form set out in the exercise notice, subject to such amendments as our Remuneration Committee may from time to time determine. Every exercise notice must be accompanied by a remittance for the full amount of the aggregate exercise price in respect of the Shares which have been exercised under the option, the relevant CDP charges (if any) or CCASS charges (if any), any other applicable administrative or handling fees or charges by the SGX-ST, CDP or agent, and any other documentation the Remuneration Committee may require. All payment shall be made by cheque, cashier's order, bank draft or postal order made out in favour of our Company. An option shall be deemed to be exercised upon the receipt by our Company of the said notice duly completed and the receipt by our Company of the full amount of the aggregate exercise price in respect of the Shares which have been exercised under the Option.
- (ii) Subject to the Companies Act, the Singapore Listing Manual and the Listing Rules, our Company shall have the flexibility to deliver Shares to grantees upon the exercise of their options by way of:
 - (a) an allotment of new Shares; and/or
 - (b) the transfer of existing Shares, including (subject to applicable laws) any Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury Shares.

In determining whether to issue new Shares or to deliver existing Shares to grantees upon the exercise of their options, our Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

- (iii) Subject to:
- (a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST and/or Stock Exchange); and
 - (b) compliance with the rules of the ISDN ESOS 2016 and the Constitution of our Company,
- our Company shall, as soon as practicable after the exercise of an option by a grantee allot, transfer or procure the transfer (as the case may be) of the Shares in respect of which such option has been exercised by the grantee and, where required, despatch the relevant share certificates to the grantee or, if the Shares are listed and quoted on the SGX-ST, to CDP for the credit of the securities account or securities sub-account of that grantee by ordinary post or such other mode of delivery as our Remuneration Committee may deem fit.
- (iv) Where new Shares are allotted upon the exercise of an option, our Company shall, as soon as practicable after the exercise of an option, apply to the SGX-ST or Stock Exchange or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the option and the Shares (if any) which may be issued to the grantee pursuant to any adjustments made in accordance with paragraph 12 below.
 - (v) Participants may request in their notice in writing to our Company (as referred to in paragraph 8(ii) above) whether they wish for the Shares to be allotted and issued to them on the exercise of an option to be issued (a) in the name of CDP to the credit of the securities account of that participant maintained with CDP, the securities sub-account of that participant maintained with a depository agent or the CPF investment account maintained with a CPF agent bank; or (b) in the name of HKSCC Nominees for deposit with CCASS. It is at the sole and absolute discretion of our Company whether to accede to such request. The Participants shall be responsible and pay all charges imposed by CDP or CCASS and any other fees chargeable.
 - (vi) Shares acquired upon the exercise of an option shall be subject to all provisions of the Companies Act and our Constitution (including all provisions thereof relating to the voting, dividend, transfer and other rights attached to such Shares, including those rights which arise from a liquidation of our Company) and shall rank pari passu in all respects with the then existing issued Shares of our Company except for any dividend, right, allotment or other distribution, the record date for which is prior to the date such option is exercised.
 - (vii) Options shall be exercised before the 10th anniversary of the relevant date of grant and options granted to Group non-executive Directors shall be exercised before the 5th anniversary of the relevant date of grant or such earlier date as may be determined by our Remuneration Committee, failing which all unexercised options shall immediately lapse and become null and void and a grantee shall have no claim against our Company.

9. Lapse of options

- (i) Unless our Remuneration Committee determines otherwise, an option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
 - (a) it is not accepted in the manner as provided in the ISDN ESOS 2016 within the 30-day period referred to therein; or
 - (b) the grantee dies prior to his acceptance of the option; or
 - (c) the grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the option; or

- (d) the grantee, being a Group employee or an employee of an associated company, ceases to be in the employment of the Group or the relevant associated company prior to his acceptance of the option;
 - (e) the grantee, being a Group Director or the director of an associated company, ceases to be a Group Director or the director of the relevant associated company and also ceases to be a Group employee or an employee of the associated company (if applicable) prior to his acceptance of the option;
 - (f) our Company is liquidated or wound-up prior to the grantee's acceptance of the option.
- (ii) Subject to the discretion of our Remuneration Committee, an option shall, to the extent unexercised, immediately lapse and become null and void and shall have no claim against our Company:
- (a) subject to paragraphs 9(iii), (iv) and (v) below, upon the grantee ceasing to be a Group employee or a Group Director, or in the case of an employee or director of an associated company, ceasing to be an employee or director of the relevant associated company, for any reason whatsoever;
 - (b) upon the bankruptcy of the grantee or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such option; or
 - (c) in the event of events resulting in termination for cause including but not limited to gross negligence, wilful misconduct, insubordination or incompetence on the part of the grantee, as determined by our Remuneration Committee in its absolute discretion.

For the purpose of paragraph 9(ii)(a) above, the grantee shall be deemed to have ceased being so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date. For the avoidance of doubt, no option shall lapse pursuant to paragraph 9(ii)(a) above in the event of any transfer of employment of a grantee within the Group or to an associated company or upon the cessation of employment of a Group executive Director who shall continue to serve as a Group non-executive Director.

- (iii) Where a grantee who is a Group Director or who is a director of an associated company ceases to be a Group Director or director of the associated company (as the case may be) for any reason whatsoever, but continues to be an employee of the Group or an employee of the associated company, he shall continue to be entitled to exercise the unexercised options held by him. In the event such person also ceases to be an employee of our Group or ceases to be an employee of the associated company, all unexercised options held by him at the time shall immediately lapse and become null and void and shall have no claim against our Company.
- (iv) If a grantee ceases to be a Group Director, ceases to be in the employment of our Group, and/or ceases to be a director or employee of any associated company by reason of:
- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by our Remuneration Committee;
 - (b) redundancy;
 - (c) retirement at or after the legal retirement age;
 - (d) retirement before that age with the consent of our Remuneration Committee;

- (e) the subsidiary or associated company, by which he is principally employed and/or a director thereof ceasing to be a company within our Group or ceasing to be an associated company (as the case may be) or the undertaking or part of the undertaking of such subsidiary or associated company, being transferred otherwise than to another company within our Group; or
- (f) for any other reason approved in writing by our Remuneration Committee,

he may, at the absolute discretion of our Remuneration Committee, exercise any unexercised option within the relevant option period, and upon the expiry of such period, the option shall immediately lapse and become null and void.

- (v) If a grantee dies and at the date of his death holds any unexercised option(s), such option(s) may, at the absolute discretion of our Remuneration Committee, be exercisable by the duly appointed legal personal representatives of the grantee from the date of his death to the end of the relevant option period and upon the expiry of such period, the option shall immediately lapse and become null and void.
- (vi) Our Remuneration Committee may, by notification, provide for further restrictions on the period during which options may be exercised whether by providing a schedule for the vesting of Shares comprised in the relevant options or otherwise.

10. Maximum entitlement

- (i) The number of Shares over which options may be granted to a participant for subscription under the ISDN ESOS 2016 shall be determined at the absolute discretion of our Remuneration Committee, which shall take into consideration, where applicable, factors such as the participant's rank, job performance, years of service, contribution to the success of the Group, potential for future development of the participant and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods.
- (ii) The following additional restrictions shall apply for such time as our Company is listed on Stock Exchange:
 - (a) Unless approved by the Shareholders in the manner as set out in paragraph 10(ii)(b) below, the total number of Shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of our Company.
 - (b) Where any further grant of options to a participant would result in the such participant be entitled to subscribe for Shares (including exercised, cancelled and outstanding options) in excess of the limit stated in paragraph 10(ii)(a) above, such further grant must be approved by the Shareholders in general meeting with such participant and his close associate(s) (or his associate(s) if the participant is a connected person) abstaining from voting provided that the terms (including the exercise price) and number of Shares subject to the options to be granted to such participant are fixed before the relevant Shareholders' approval is obtained, and the date of the meeting of our Board proposing such further grant shall be deemed to be the date of grant for the purpose of determining the exercise price of such options. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under the relevant provisions of Chapter 17 of the Listing Rules and/or the Singapore Listing Manual.

- (iii) The aggregate number of Shares over which options may be granted on any date under the ISDN ESOS 2016 shall not exceed 15% of the total issued share capital of our Company (excluding treasury Shares) on the day preceding the relevant date of grant. Overall, the aggregate number of Shares issued and/or issuable in respect of (a) all options granted under the ISDN ESOS 2016; (b) all awards granted under the ISDN EPSP 2012; and (c) all Shares issued and issuable and/or transferred and transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by our Company and for the time being in force (if any), shall not exceed 15% of the total issued share capital of our Company (excluding treasury Shares) on the day immediately preceding the relevant date of grant.
- (iv) The following additional restrictions shall apply for such time as our Company is listed on the Stock Exchange:
- (a) the aggregate number of Shares which may be issued upon exercise of all options to be granted under the ISDN ESOS 2016 and any other schemes adopted by our Company must not exceed 10% of the issued share capital of our Company excluding 6,365,000 treasury Shares (i.e. 35,468,495 Shares, being 10% of 354,684,950 Shares) as at the date of approval of the ISDN ESOS 2016 (i.e. 22 April 2016) (“**scheme mandate limit**”). For the avoidance of doubt, options which have lapsed in accordance with the ISDN ESOS 2016 shall not be counted for the purpose of calculating the scheme mandate limit;
 - (b) the scheme mandate limit may be renewed by obtaining approval of the Shareholders in general meeting provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “**refreshed limit**”). Options previously granted under the ISDN ESOS 2016 (including those outstanding, cancelled, lapsed in accordance with the ISDN ESOS 2016 or exercised options) shall not be counted for the purpose of calculating the refreshed limit. In such case, our Company shall send a circular to the Shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules and the Singapore Listing Manual as may be required;
 - (c) our Company may grant options in excess of the scheme mandate limit (as renewed from time to time) if the grant of such options is to specifically identified participant and the grant of such options to specifically identified participant is first approved by our Shareholders in general meeting. In obtaining the approval of the Shareholders, our Company shall send a circular to our Shareholders in accordance with and containing such information as required under the relevant provisions of Chapter 17 of the Listing Rules and the Singapore Listing Manual as may be required; and
 - (d) notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ISDN ESOS 2016 and any other scheme shall not exceed 15% of the Shares in issue from time to time.
- (v) The aggregate number of Shares for which options may be granted under the ISDN ESOS 2016 to Controlling Shareholders and their associates shall not exceed 25% of the Shares available under the ISDN ESOS 2016, and the number of Shares over which an option may be granted under the ISDN ESOS 2016 to each Controlling Shareholder or his associate shall not exceed 10% of the Shares available under the ISDN ESOS 2016.

11. Cancellation of options

Our Company may, with the consent of the relevant participant, at any time cancel any option granted to the extent unexercised.

Where our Company cancels options and offers new options to the holder of such options, the offer of such new options may only be made under ISDN ESOS 2016 (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph 10 above.

12. Variation of capital

- (i) If a variation in the issued share capital of our Company (whether by way of rights issue, capitalisation issue, capital reduction, sub-division, consolidation of Shares, distribution or otherwise) shall take place, then:
 - (a) the exercise price in respect of the Shares comprised in any option to the extent unexercised;
 - (b) the class and/or number of Shares comprised in any option to the extent unexercised and the rights attached thereto; and/or
 - (c) the class and/or number of Shares in respect of which additional options may be granted to grantees,

shall be adjusted in such a manner as our Remuneration Committee may determine to be appropriate. Any adjustments must give a participant the same proportion of the equity as that to which that person was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). Adjustments other than on a capitalisation issue must be confirmed to our Directors in writing by the auditors (acting as experts and not as arbitrators) to be fair and reasonable and satisfy the notes to Rule 17.03(13) of the Listing Rules.

- (ii) Notwithstanding the provisions of paragraph 12(i) above:
 - (a) no such adjustment shall be made if as a result, the participant receives a benefit that a Shareholder does not receive; and
 - (b) no such adjustment shall be made unless our Remuneration Committee, after considering all relevant circumstances, considers it equitable to do so.
- (iii) The following (whether singly or in combination) shall not be recognised as events requiring adjustments:
 - (a) any issue of securities as consideration for an acquisition or a private placement of securities;
 - (b) any issue of securities pursuant to any joint venture;
 - (c) any increase in the number of issued Shares as a consequence of the exercise of any options or conversion of any loan stock or any other securities convertibles into Shares or subscription rights of any warrants issued from time to time by our Company enabling holders thereof to acquire new Shares in the capital of our Company;

- (d) any issue of Shares pursuant to any scrip divided scheme for the time being of our Company; or
 - (e) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force.
- (iv) Upon any adjustment required to be made pursuant to this paragraph 12, our Company shall notify each grantee (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new exercise price thereafter in effect and the class and/or number of Shares thereafter comprised in the option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

13. Modifications and alterations

- (i) Any or all of the provisions of the ISDN ESOS 2016 may be modified and/or altered at any time and from time to time by resolution of our Remuneration Committee except that:
- a. any modification or alteration which shall alter adversely the rights attached to any options granted prior to such modification or alteration and which in the opinion of our Remuneration Committee, materially alter the rights attaching to any option(s) granted prior to such modification or alteration may only be made with the consent in writing of such number of grantees who, if they exercised their options in full, would thereby become entitled to not less than three-quarters of the total number of all the Shares which would fall to be issued and allotted upon exercise in full of all outstanding options;
 - b. any modification or alteration which would be to the advantage of participants under the ISDN ESOS 2016 shall be subject to the prior approval of Shareholders at a general meeting; and
 - c. no modification or alteration shall be made without the prior approval of the SGX-ST and/or Stock Exchange or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

For the purposes of paragraph(a) above, the opinion of our Remuneration Committee as to whether any modification or alteration would alter adversely the rights attaching to any option shall be final and conclusive.

Our Company understands that any term alteration of the ISDN ESOS 2016 such as repricing the exercise price of the options shall not be permitted and further that the replacement of existing options shall not be permitted.

- (ii) Notwithstanding anything to the contrary contained in paragraph 13(i) above, our Remuneration Committee may at any time by resolution (and without any other formality save for the prior approval of the SGX-ST and/or Stock Exchange, if required or such other regulatory authorities as may be necessary) amend or alter the ISDN ESOS 2016 in any way to the extent necessary to cause the ISDN ESOS 2016 to comply with any statutory provision or the provisions or the regulations of any regulatory or any relevant authority or body (including the SGX-ST and/or the Stock Exchange or such other regulatory authorities as may be necessary).
- (iii) Written notice of any modification or alteration made in accordance with this paragraph 13 shall be given to all grantees.

14. Takeover and winding up of our Company

- (i) In the event of a takeover offer being made for our Company, grantees (including grantees holding options which are then not exercisable pursuant to paragraph 8(vii) above) holding options as yet unexercised shall, notwithstanding paragraph 8 above but subject to paragraph 14(v) below, be entitled to exercise such options in full or in part during the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:
 - a. the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of our Remuneration Committee and (if so required) the SGX-ST and the Stock Exchange, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the option period relating thereto); or
 - b. the date of the expiry of the option period relating thereto;

whereupon any option(s) then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under any relevant regulatory provisions or legislation and, being entitled to do so, gives notice to the grantees that it intends to exercise such rights on a specified date, all options shall remain exercisable by the grantees until such specified date or the expiry of the respective option periods relating thereto, whichever is earlier. Any option(s) not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all options shall, subject to paragraph 8, remain exercisable until the expiry of the option period. For the avoidance of doubt, the provisions of this paragraph shall not come into operation in the event that a takeover offer which is conditional does not or is not declared unconditional.

- (ii) If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies, grantees (including grantees holding options which are then not exercisable pursuant to 8(vii) above) shall notwithstanding paragraph 8 but subject to paragraph 14(v) below, be entitled to exercise any option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the option period relating thereto), whereupon any unexercised option(s) shall lapse and become null and void, provided always that the date of exercise of any option(s) shall be before the expiry of the relevant option period.
- (iii) If an order or an effective resolution is passed for the winding up of our Company on the basis of its insolvency, all options, to the extent unexercised, shall lapse and become null and void.
- (iv) In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph 14(iv)) and thereupon, each

grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

- (v) If in connection with the making of a general offer referred to in paragraph 14(i) above or the scheme referred to in paragraph 14(ii) above or the winding up referred to in paragraph 14(iv) above, arrangements are made (which are confirmed in writing by the auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of grantees, whether by the continuation of their options or the payment of cash or the grant of other options or otherwise, a grantee holding an option, which is not then exercisable, may not, at the discretion of our Remuneration Committee, be permitted to exercise that option as provided for in this paragraph 14.
- (vi) If the events stipulated in this paragraph 14 should occur, to the extent that an option is not exercised within the respective periods referred to herein in this paragraph 14, it shall lapse and become null and void.

E. ISDN EPSP 2012

The following is a summary of the principal terms of the ISDN EPSP 2012 as adopted by our Company on 17 February 2012 and as amended on 16 December 2016 to satisfy the requirements of the Listing Rules. The following summary does not form, nor is it intended to be part of, the ISDN EPSP 2012, nor should it be taken to affect the interpretation of the rules of the ISDN EPSP 2012.

(i) Purposes of the ISDN EPSP 2012

The purpose of the ISDN EPSP 2012 is to (a) foster a culture of ownership within our Group which aligns the interests of Group employees and Group non-executive Directors with the interests of Shareholders; (b) motivate participants to strive towards performance excellence and to maintain a high level of contribution our Group and to achieve key financial and operational goals of our Company and/or their respective business units; and (c) make total employee remuneration sufficiently competitive to recruit and retain staff whose contributions are important to the long term growth and profitability of our Group.

(ii) Who may join

Group employees and Group executive Directors who have attained the age of 18 years and hold such rank as may be designated by our Remuneration Committee from time to time and who have, as of the Award date, been in full-time employment of the Group for a period of at least 12 months who, in the opinion of our Remuneration Committee, have contributed or will contribute to the success and the development of the Group and Group non-executive Directors shall be eligible to participate in the ISDN EPSP 2012 at the absolute discretion of our Remuneration Committee.

Controlling Shareholder and his/her/its associates shall not be eligible to participate in the ISDN EPSP 2012 unless their participation and the actual number of Shares and terms of any Awards to be granted to him, have been approved by independent Shareholders in general meeting in separate resolutions for each of his participation and the actual number of Shares and terms of any award to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent Shareholders for the participation in the ISDN EPSP 2012 if he is, at the relevant time, already a participant. For the purposes of obtaining such approval of the independent Shareholders, our

Remuneration Committee shall procure that the circular, letter or notice to our Shareholders in connection therewith shall set out clear justification for his participation and clear rationale for the number of Shares which are the subject of the awards and the terms of the awards to be granted to him.

There shall be no restriction on the eligibility of any participant to participate in any other share option or share incentive schemes implemented by our Company or any other company within our Group, or otherwise.

Subject to applicable laws and regulations, the terms of eligibility for participation in the ISDN EPSP 2012 may be amended from time to time at the absolute discretion of our Remuneration Committee.

(iii) Limitations under the ISDN EPSP 2012

The total number of new Shares that may be issued pursuant to awards granted under the ISDN EPSP 2012, when added to the aggregate number of Shares that are issued or are issuable in respect of the ISDN ESOS 2016 and such other share-based incentive schemes of our Company, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST or the Stock Exchange) of the total number of issued Shares of our Company on the day immediately preceding the date on which the award shall be granted. Save for the aggregate limit mentioned above, there is no separate limit on the number of Shares that may be issued by our Company for each individual share-based incentive scheme, including the ISDN EPSP 2012, in any particular year, or throughout the term of each scheme. In relation to Controlling Shareholders and their associates:–

- (a) the aggregate number of Shares which may be offered by grant of awards to participants who are Controlling Shareholders and their associates under the ISDN EPSP 2012 shall not exceed 25% of the total number of Shares available under the ISDN EPSP 2012 and such other share-based incentive schemes of our Company; and
- (b) the aggregate number of Shares which may be offered by way of grant of awards to each Participant who is a Controlling Shareholder or his associate under the ISDN EPSP 2012 shall not exceed 10% of the total number of Shares available under the ISDN EPSP 2012 and such other share-based incentive schemes of our Company.

Awards may only be vested and consequently any Shares comprised in such awards shall only be delivered upon our Remuneration Committee being satisfied that the participant has achieved the performance target(s) and that the vesting period (if any) has expired provided always that the Remuneration Committee shall have the absolute discretion to determine the extent to which the Shares under that award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period. No Shares under the award shall be released for the portion of the prescribed performance target(s) that is not satisfied by the participant at the end of the prescribed performance period.

Shares which are the subject of awards which have lapsed for any reason whatsoever may be the subject of further awards granted by our Remuneration Committee under the ISDN EPSP 2012.

The grant of any award to a connected person (as defined in the Listing Rules) shall be in compliance with the Listing Rules (including but not limited to Chapter 14A of the Listing Rules).

No award shall be granted during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed in Appendix 10 of the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(iv) Date of grant

Save as set out in paragraph (iii) above and elsewhere in the ISDN EPSP 2012, our Remuneration Committee may at its sole discretion grant awards to any participant at any time during the period when the ISDN EPSP 2012 is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information or inside information (as defined in the SFO) is imminent, awards may only be vested and hence any Shares comprised in such awards may only be delivered on or after the second market day from the date on which the aforesaid announcement is made.

(v) Awards entitlement

Awards represent the right of a participant to receive fully-paid Shares free of charge. A participant is entitled to receive fully-paid Shares free of charge subject to certain prescribed performance targets being met.

The vesting periods of awards will be determined by our Remuneration Committee and may not be subject to such time restrictions before vesting.

The selection of a participant, the number of Shares which are the subject of each award to be granted to him, and the prescribed vesting period shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account such criteria as it considers fit, including (but not limited to), in the case of a Group employee or a Group executive Director, his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and the extent of effort required to achieve the performance target(s) within the performance period and in the case of a non-executive Director, his board and board committee appointments and attendance, and his contribution to the success and development of the Group.

Our Remuneration Committee shall decide, in relation to each award to be granted to a participant:–

- (a) the date on which the award is to be granted;
- (b) the number of Shares which are the subject of the award;
- (c) the prescribed vesting period(s), if any;
- (d) the prescribed performance target(s);
- (e) the performance period during which the prescribed performance target(s) are to be satisfied;
- (f) the extent to which Shares which are the subject of that award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period; and
- (g) the extent to which Shares, which are the subject of that award, shall be released at the end of each prescribed vesting period.

Once an award is finalised by our Remuneration Committee, our Remuneration Committee shall send an award letter to the participant confirming the said award. The said award letter shall specify, inter alia, the following:–

- (a) the date on which the award is to be granted;
- (b) the number of Shares which are the subject of the award;
- (c) the prescribed performance target(s);

- (d) the performance period during which the prescribed performance target(s) are to be satisfied;
- (e) the vesting period, if any; and
- (f) the extent to which Shares which are the subject of that award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period.

(vi) Vesting of the awards

An Award shall, to the extent not yet vested, immediately lapse without any claim whatsoever against our Company:–

- (a) in the event of misconduct or breach of term of employment contract on the part of the participant as determined by our Remuneration Committee at its discretion; or
- (b) upon the bankruptcy of the participant or the happening of any other event which results in his being deprived of the legal and beneficial ownership of such awards; or
- (c) subject to the terms as set out in this paragraph (vi) below, upon a participant, being a Group employee ceasing to be in the full-time employment of our Group for any reason whatsoever; or
- (d) where a participant, being a non-executive Director, ceases to be a director of our Company or the relevant subsidiary of our Company, for any reason whatsoever; or
- (e) in the event that our Remuneration Committee shall in its discretion deem it appropriate that such award to be given to a participant shall so lapse on the grounds that any of the objectives of the ISDN EPSP 2012 have not been met.

For the purpose of (cc) above, the participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

If a participant, being a Group employee, ceases to be employed by our Group, by reason of his:-

- (i) ill health, injury, disability (in each case, evidenced to the satisfaction of our Remuneration Committee);
- (ii) redundancy;
- (iii) retirement at or after the normal retirement age; or
- (iv) retirement before that age with the consent of our remuneration committee,

or for any other reason approved in writing by our Remuneration Committee, our Remuneration Committee may, at its absolute discretion decide that a participant is entitled to an Award or any part thereof, so long as he has met the performance target(s) notwithstanding that he may have ceased to be so employed or ceased to hold office after the fulfilment of such performance target(s) and that the vesting period (if any) has not expired prior to the cessation of such employment or holding of office.

In exercising its discretion, our Remuneration Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant and the extent to which the performance target(s) have been satisfied.

If a participant who has fulfilled his performance target(s) dies before an award is vested, the award shall in such circumstances be given to the duly appointed personal representatives of the participant.

Save as provided and for the avoidance of doubt, an award shall nevertheless be vested in a participant for as long as he has fulfilled his performance target(s) and the vesting period (if any) has not expired and notwithstanding a transfer of his employment within any company in the Group or any apportionment of performance target(s) within any company in our group.

(a) *The administration of the ISDN EPSP 2012*

The ISDN EPSP 2012 shall be managed by our Remuneration Committee, which has the absolute discretion to determine persons who will be eligible to participate in the ISDN EPSP 2012. However, a participant who is a member of our Remuneration Committee shall not be involved in any deliberation or decision in respect of awards (as the case may be) to be granted to or held by that participant.

Our Remuneration Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the ISDN EPSP 2012) for the implementation and administration of the ISDN EPSP 2012 as they think fit, including, but not limited to:–

- (i) imposing restrictions on the number of awards that may be vested within each financial year; and
- (ii) amending performance target(s) if by doing so, it would be a fairer measure of performance for a participant or for the ISDN EPSP 2012 as a whole and/or amending the vesting period (if any).

Neither the ISDN EPSP 2012 nor the grant of awards under the ISDN EPSP 2012 shall impose on our Company or our Remuneration Committee any liability whatsoever in connection with:–

- (i) the lapsing of any awards pursuant to any provision of the ISDN EPSP 2012;
- (ii) the failure or refusal by our Remuneration Committee to exercise, or the exercise by our Remuneration Committee of, any discretion under the ISDN EPSP 2012; and/or
- (iii) any decision or determination of our Remuneration Committee made pursuant to any provision of the ISDN EPSP 2012.

Any decision of our Remuneration Committee (including any decisions pertaining to the number of Shares to be vested) made pursuant to any provision of the ISDN EPSP 2012 (other than a matter to be certified by the auditors) shall be final and binding in all cases including any disputes as to the interpretation of the ISDN EPSP 2012 or any rules, regulation or procedure thereunder or as to any rights under the ISDN EPSP 2012.

(b) *Modifications to the ISDN EPSP 2012*

Any or all of the provisions of the ISDN EPSP 2012 may be modified and/or altered at any time and from time to time by a resolution of our Board on the recommendation of our Remuneration Committee, except that:–

- (i) any modification or alteration which would be to the advantage of the participants under the ISDN EPSP 2012 shall be subject to the prior approval of Shareholders in a general meeting; and
- (ii) no modification or alteration shall be made without due compliance with the Singapore Listing Manual and the Listing Rules and the approval of the SGX-ST or the Stock Exchange (where applicable) and such other regulatory authorities as may be necessary.

Our Remuneration Committee may at any time by a resolution (and without other formality, save for the prior approval of the SGX-ST or the Stock Exchange (where applicable)) amend or alter the rules or provisions of the ISDN EPSP 2012 in any way to the extent necessary to cause the ISDN EPSP 2012 to comply with any statutory provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST or the Stock Exchange (where applicable)).

In addition to the above, no modification or alteration shall adversely affect the rights attached to awards granted prior to such modification or alteration except with the written consent of such number of participants under the ISDN EPSP 2012 who, if their awards were released to them, would thereby become entitled to no less than 75% of the aggregate number of all the Shares which would be issued upon exercise in full of all outstanding awards under the ISDN EPSP 2012.

Written notice of any modification or alteration made in accordance with the ISDN EPSP 2012 shall be given to all participants but accidental omission to give notice to any participants shall not invalidate any such modifications or alterations.

Shareholders who are eligible to participate in the ISDN EPSP 2012 must abstain from voting on any resolution relating to the ISDN EPSP 2012.

(c) *Terms of employment unaffected*

The terms of employment of a participant shall not be affected by his participation in the ISDN EPSP 2012, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

(d) *Duration of the ISDN EPSP 2012*

The ISDN EPSP 2012 shall continue to be in force at the discretion of our Remuneration Committee, subject to a maximum period of 10 years commencing on the adoption date, provided always that the ISDN EPSP 2012 may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The ISDN EPSP 2012 may be terminated at any time by our Remuneration Committee or, at the discretion of our Remuneration Committee, by resolution of our Company in general meeting, subject to all relevant approvals which may be required and if the ISDN EPSP 2012 is so terminated, no further awards shall be granted by our Remuneration Committee hereunder.

The expiry or termination of the ISDN EPSP 2012 shall not affect awards which have been granted prior to such expiry or termination, whether such awards have been released (whether fully or partially) or not.

Cap amount of share awards and independent approval requirements

Notwithstanding the limits set out in (iii) above, we have made an application to the Listing Committee for listing of, and permission to deal in, on the Main Board of the Stock Exchange, the Shares that may be allotted and issued pursuant to the ISDN EPSP 2012 from the Listing until the next annual general meeting of our Company, subject to a maximum number of Shares of not more than 3% of the issued Shares as at the Listing Date (i.e. 11,840,548 Shares, being 3% of 394,684,950 Shares as at the Listing Date). Further, we shall not grant any further share awards under the ISDN EPSP 2012 until and unless the rules of the ISDN EPSP 2012 have been amended prior to our Shareholders' next approval of our Directors' authority to issue and allot new Shares pursuant to the ISDN EPSP 2012 as follows: (a) the total number of new Shares that may be issued pursuant to the ISDN EPSP 2012 from the date of

approval of the authority to issue and allot shares under the ISDN EPSP 2012 (“**EPSP Share Issue Mandate**”) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by law to be held or such authority is varied or revoked by our Company in a general meeting, whichever is the earliest, shall not exceed 3% of the total number of issued Shares of the Company as at the date of approval of the EPSP Share Issue Mandate; and (b) all subsequent EPSP Share Issue Mandates shall be subject to the approval by our independent Shareholders by a simple majority vote.

We will provide sufficient information in the future circulars and annual reports to enable the Shareholders and the potential investors to appraise the possible dilution effect on their shareholding interests in the event that further Shares are to be granted or vested under the ISDN EPSP 2012, including the analysis of a reference to the estimated fair value of the Shares to be issued, and the dilution effect on the Shareholders and the likely impact on the employee costs incurred by our Company if such Shares are issued at the estimated fair value.

Number of Shares granted under the ISDN EPSP 2012

As at the Latest Practicable Date, 1,560,000 Shares had been awarded to our Directors, senior management, employees and contract personnel (the “**Awardees**”) under the ISDN EPSP 2012. The table below sets out the particulars of the Awardees under our ISDN EPSP 2012 and the number of Shares granted to them by way of transfer of treasury Shares:

<u>Awardees</u>	<u>Subsidiaries</u>	<u>Position of awardees in our Group</u>	<u>Residential address</u>	<u>Number of Shares granted pursuant to the ISDN EPSP 2012</u>	<u>Percentage of total issued Shares as at the Latest Practicable Date</u> (%)
Sho Wing Siew	Servo Dynamics	Application Manager	Blk 836 Tampines St 82 #06-75 S520836	100,000	0.03%
Ong Tin Min (Ben)	Servo Dynamics	Sales manager	81 West Coast Drive #12-04 S127997	100,000	0.03%
Gong Keng Hock	Portwell	Technical manager	Blk 39 Jalan Tiga #15-16 S390039	80,000	0.02%
Tang Chay Liang (Jake)	Portwell	Sales manager	25 Jalan Sempadan #01-02 Tower 15 S457400	80,000	0.02%
Quek Swee Chee	Precision Motion	Sales manager	Blk 558 Hougang St 51 #04-390 S530558	80,000	0.02%
Lee Siong Sin (Jason)	Leaptron	Senior sales manager	201 Tanjong Rhu Road #11-12 S436917	80,000	0.02%
Tan Teck Pew	TDS Singapore	Managing director	Blk 32 Lorong Mydin #07-10, S416826	100,000	0.03%
Yeo Poh Sai	TDS Singapore	Director	Blk 20 Woodlands Crescent #03-45 S738081	100,000	0.03%
Wan Chon Kong	TDS Singapore	Director ^(note)	Blk 134B, Hillview Avenue #03-06 S669621	100,000	0.03%

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

<u>Awardees</u>	<u>Subsidiaries</u>	<u>Position of awardees in our Group</u>	<u>Residential address</u>	<u>Number of Shares granted pursuant to the ISDN EPSP 2012</u>	<u>Percentage of total issued Shares as at the Latest Practicable Date</u> (%)
Soon Guan Huat (David)	SE Malaysia	General manager	Blk 207 Jurong East Street 21, #07- 215 S600207	80,000	0.02%
Lim Guay Keng (Kenny)	SE Malaysia	Sales manager	8, Jalan Aman Perdana 6C/KU 5, Taman Aman Perdana, 41050 Kapar Klang, Selangor, Malaysia	80,000	0.02%
Loh Ban Seng (Jason)	SD Malaysia	Director	12 Medan Nuri 3, Setia Pulau Mutiara, 11900 Bayan Lepas, Pulau Pinang, Malaysia	80,000	0.02%
Duan Hong Xing	SD Beijing	General manager	No. 602, Door 1, 8th Floor, Shuanghuiyuan, Shuangqiao Road, Chaoyang District, Beijing	200,000	0.06%
Lu Jian Ming	Maxon Suzhou	Chief technical officer	20-3-401, Bajiao Beili, Shijingshan District, Beijing	200,000	0.06%
Sun Nai Ming	SD Suzhou	Sales manager	No. 602, Unit 1, Building 27, Longyueyuan Area 2, Huilongguan, Changping District, Beijing	100,000	0.03%
				1,560,000	0.44%

Note: At the time of the share award, Wan Chon Kong was a director of TDS Singapore. He ceased to be an employee of our Group in 2015.

As at the Latest Practicable Date, there were no share awards outstanding in respect of the ISDN EPSP 2012.

F. OTHER INFORMATION**1. Litigation**

As at the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or administrative proceedings or claims of material importance, which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration or administrative proceedings or claims of material importance was pending or threatened against any member of our Group.

2. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company agreed to pay the Sole Sponsor an aggregate fee of HK\$4,250,000 as the sponsor to our Company for Listing. Such sponsor's fee relates solely to services provided by the Sole Sponsor in the capacity of sponsor, and not other services which it may provide, such as, but without limitation, book building, pricing and underwriting. Our Company further agrees that (i) our responsibility for the said sponsor's fee is not contingent on the success or the final size of the Share Offer; and (ii) any termination of the agreement with the Sole Sponsor will not affect any accrued rights or obligations of both parties, including the duty to settle the said sponsor's fee.

3. Preliminary expenses

Our estimated preliminary expenses are approximately S\$1,400 and were paid by our Company.

4. Promoter

Our Company does not have a promoter. Within the two years immediately preceding the date of this prospectus, no cash, security or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

5. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Shenwan Hongyuan Capital (H.K.) Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Moore Stephens CPA Limited	Certified public accountants
AllBright Law Offices	Legal advisers as to PRC law
Shook Lin & Bok LLP	Legal advisers as to Singapore law
DLA Piper UK LLP	Qualified to advise on International Sanctions
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers

6. Consents of experts

Each of the experts listed in the section headed “F. Other Information – 5. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter(s), and/or report(s), and/or valuation certificate(s), and/or opinion(s) or statement(s) and/or reference(s) to its name (as the case may be) herein in the form and context in which they are respectively included.

7. No material adverse change

Save for the expenses incurred in connection with the Listing, our Directors confirm that, since 30 June 2016 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position and no event had occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Hong Kong Branch Share Register will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisors or affiliates or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares registered with Hong Kong Branch Share Register will be subject to Hong Kong Stamp Duty, comprising a transfer instrument stamp duty of HK\$5 on the seller per transfer instrument and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares being transferred.

(b) *Singapore*

Please refer to the section headed “Regulatory Overview – Overview of Singapore Laws and Regulations – (g) Taxation” in this prospectus for further details relating to the taxation on dividend distribution, gains on disposal of the Shares, stamp duty, estate duty and goods and services tax in Singapore.

(c) *Consultation with professional advisers*

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

10. Estate duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any major member of our Group.

11. Bilingual document

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

12. Share registers

Our Company's register of members will be maintained in Singapore and the branch register of members will be maintained in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with and registered by, our branch share registers in Hong Kong and may not be lodged in Singapore.

13. Miscellaneous

- (a) Save as disclosed in this section and the sections headed "History and Corporate Structure", "Share Capital" and "Underwriting" in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus: (a) no share or loan capital of any member of our Group has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group;
 - (ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (iv) there are no arrangements under which future dividends are waived or agreed to be waived;
 - (v) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the immediately preceding 12 months; and
 - (vi) our Directors confirm that members of our Group have no outstanding convertible securities or debentures.
- (b) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (c) None of our equity and debt securities is listed or dealt in on any stock exchange nor is any listing or permission to deal being or proposed to be sought.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the Application Forms; (ii) the written consents referred to in the section headed “F. Other Information – 5. Qualifications of experts” in Appendix VI to this prospectus; and (iii) copies of the material contracts referred to in the section headed “B. Further Information about Our Business – 1. Summary of material contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons, at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Constitution of our Company;
- (b) the Accountant’s Report prepared by Moore Stephens CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the financial years ended 31 December 2013, 2014 and 2015;
- (d) the annual reports of our Company for each of the two years ended 31 December 2014 and 31 December 2015;
- (e) the report from Moore Stephens CPA Limited relating to the unaudited interim condensed financial information of our Group for the nine months ended 30 September 2016, the text of which is set out in Appendix IA to this prospectus;
- (f) the letter issued by Moore Stephens CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (g) the F&S Report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (h) the property valuation report relating to certain property interests of our Group prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix III to this prospectus;
- (i) the PRC legal opinions issued by AllBright Law Offices, our PRC Legal Advisers;
- (j) the Singapore legal opinions issued by Shook Lin & Bok LLP, our Singapore Legal Advisers;
- (k) the sanctions memorandum in respect of International Sanctions prepared by DLA Piper UK LLP;
- (l) the service contracts referred to in the section headed “C. Further Information about Directors and Substantial Shareholders – 1. Directors’ service contracts” in Appendix VI to this prospectus;
- (m) the material contracts referred to in the section headed “B. Further Information about Our Business – 1. Summary of material contracts” in Appendix VI to this prospectus;
- (n) the written consents referred to in the section headed “F. Other Information – 5. Qualifications of experts” in Appendix VI to this prospectus;

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

- (o) the rules of the ISDN ESOS 2016; and
- (p) the rules of the ISDN EPSP 2012.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents and in English only) via the following weblinks:

Singapore Companies Act (Chapter 50) of Singapore

<http://statutes.agc.gov.sg/aol/search/display/view.w3p?page=0;query=DocId%3A%22c3063e4b-61ed-4faf-8014-fabd5b998ed7%22%20Status%3Ainforce%20Depth%3A0;rec=0>

Singapore Securities and Futures Act (Chapter 289) of Singapore

<http://statutes.agc.gov.sg/aol/search/display/view.w3p?page=0;query=DocId:%2225de2ec3-ac8e-44bf-9c88-927bf7eca056%22%20Status:inforce%20Depth:0;rec=0>

The Singapore Code on Take-overs and Mergers

<http://www.mas.gov.sg/~media/resource/sic/2015%20Code%20Amendments%20Response%20Press%20Release/Annex%202.pdf>

The Singapore Listing Manual

http://rulebook.sgx.com/en/display/display_viewall.html?rbid=3271&element_id=4830&print=1



ISDN HOLDINGS LIMITED
億仕登控股有限公司*