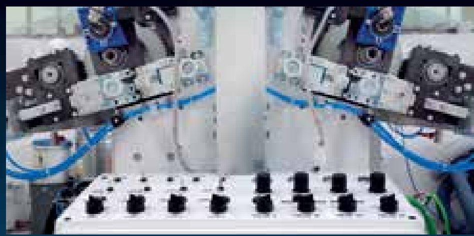
ISDN Holdings
LIMITED

Incorporated in Singapore with limited liability
(Singapore Stock code : I07.SI) (Hong Kong Stock code : 1656)

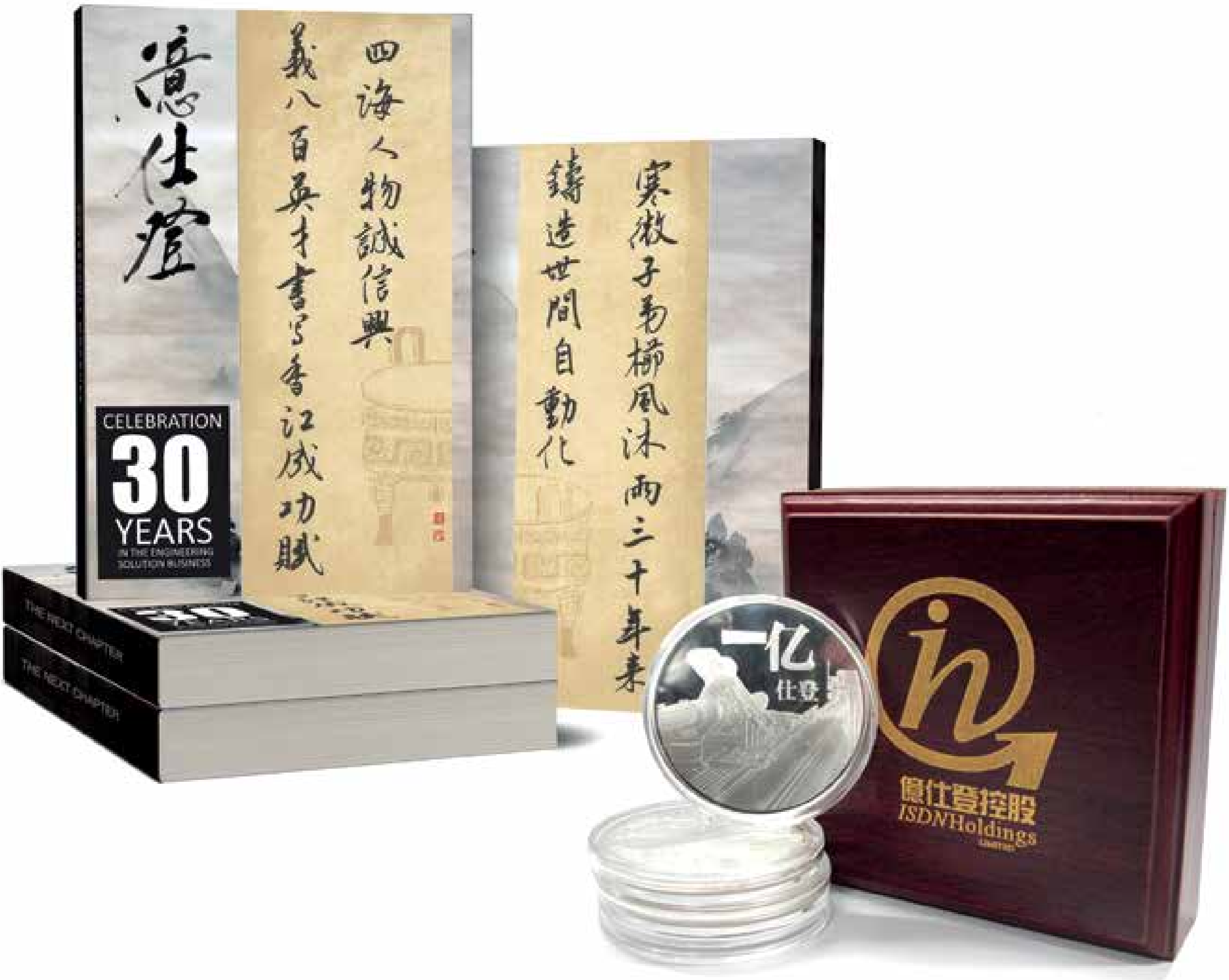







LEADING THROUGH INNOVATIONS IN TECHNOLOGY

ANNUAL REPORT 2017



ISDN launched a commemorative book, "The Next Chapter", a compilation of career journeys written by the Group's long-service staff. Over 700 staff were invited to a retreat at Lushan, China, to celebrate ISDN's 30 years in the motion control business. Silver coins were given to all staff as souvenirs at the grand dinner during the retreat. Hot on the heels of these precious milestones, ISDN made a new achievement when it was awarded "FT1000: High-Growth Companies Asia Pacific" by the Financial Times at the beginning of 2018.

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** In case of any discrepancies between the English language version and the Chinese language version, the English version shall prevail.*

COMPANY HISTORY

ISDN Holdings Limited is an engineering solutions company specialising in integrated precision engineering and industrial computing solutions. The company offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialised requirements in precision controls. We provide the full spectrum of engineering services from conceptualisation, design & development to prototyping, production, sales & marketing and after sales engineering support. ISDN was listed on the Mainboard of the SGX-ST on 24 November 2005 and subsequently listed on the Main Board of SEHK on 12 January 2017.

MISSION

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

VISION

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

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

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200416788Z

DIRECTORS
Lim Siang Kai (Chairman)
Teo Cher Koon
Kong Deyang
Soh Beng Keng
Tan Soon Liang

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

JOINT COMPANY SECRETARIES
Gn Jong Yuh Gwendolyn
LLB (Hons)
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

Tang Chi Chiu
CPA (practising)
Room A, 21/F
128 Wellington Street, Central
Hong Kong

AUDIT COMMITTEE
Lim Siang Kai (Chairman)
Soh Beng Keng
Tan Soon Liang

REMUNERATION COMMITTEE
Tan Soon Liang (Chairman)
Lim Siang Kai
Soh Beng Keng

NOMINATING COMMITTEE
Soh Beng Keng (Chairman)
Lim Siang Kai
Teo Cher Koon

RISK MANAGEMENT COMMITTEE
Lim Siang Kai (Chairman)
Soh Beng Keng
Tan Soon Liang

COMPLIANCE ADVISER
Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

SINGAPORE PRINCIPAL SHARE REGISTRAR
Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

AUDITOR
Moore Stephens LLP
10 Anson Road
#29-15, International Plaza
Singapore 079903
Partner-in-charge:
Mr. Ng Chiou Gee Willy
Date of appointment:
1 January 2017
Number of Years in-charge: 1

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

FIVE-YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Gross profit	73,831	64,999	65,710	61,753	50,995
Profit before income tax	18,815	14,331	17,213	15,237	9,770
Profit attributtable to equity holders	9,547	5,153	8,721	7,457	4,754
Equity attributtable to owners of the Company	136,678	121,217	119,727	112,075	107,139
Non current assets	59,522	52,974	54,425	49,877	46,529
Current assets	177,470	163,873	153,085	140,132	125,486
Current liabilities	84,593	80,254	67,543	59,700	52,026
Non current liabilities	507	449	699	580	1,077
Cash and cash equivalents	38,053	37,292	39,096	37,493	41,554
Financial Ratios					
Net assets per share(S$ cents)	38.48	38.38	39.27	36.09	31.61
Basic earnings per share (S$ cents)	2.43	1.45	2.46	2.07	1.39

REVENUE (S$'000)

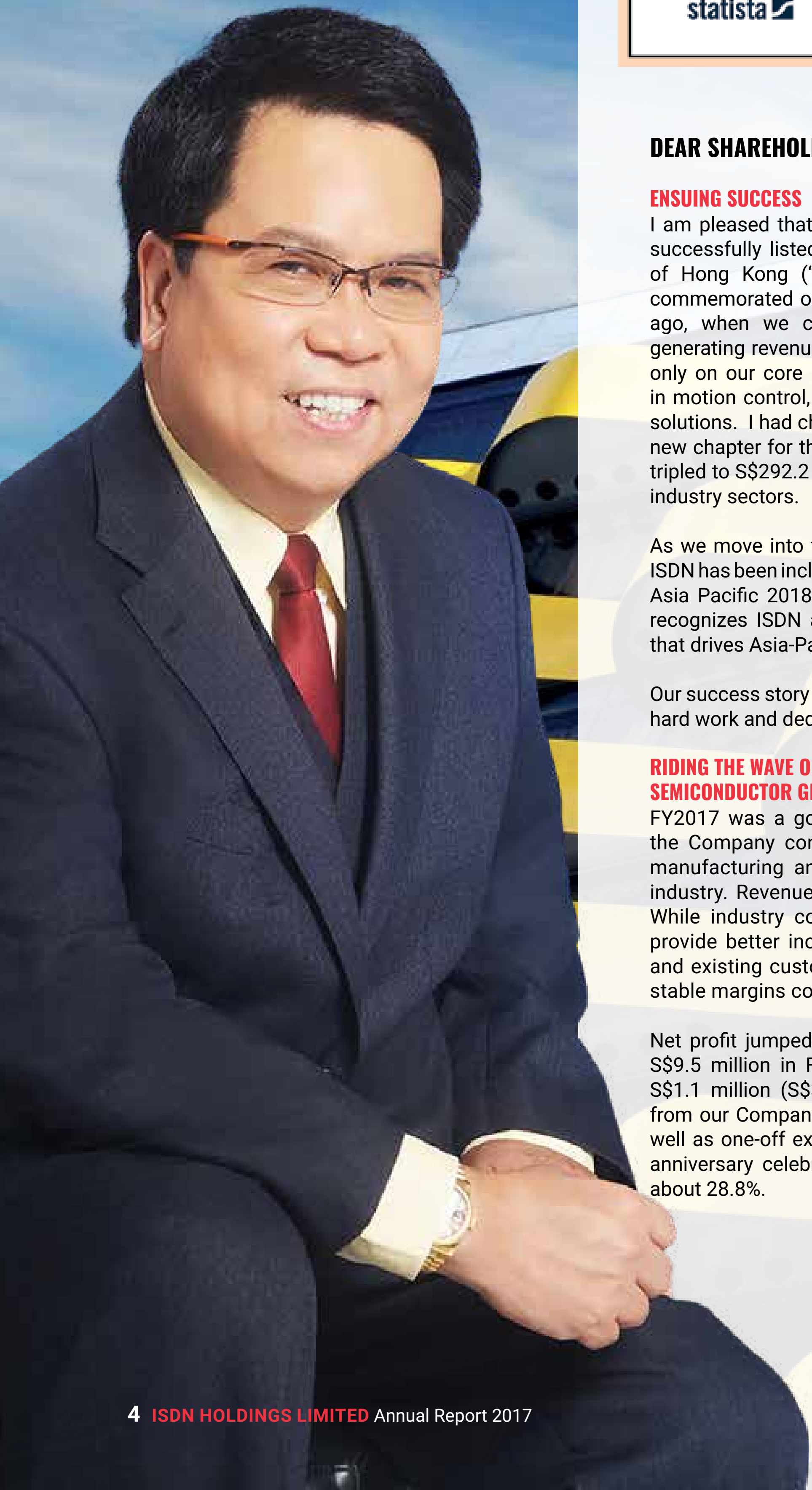
292,185

REVENUE (S$'000)

THE GREATER CHINA REGION

207,632

PRESIDENT'S MESSAGE



Financial Times recognizes ISDN as an innovative and high-growth company that drives Asia-Pacific economies in the 21st Century.

FT
FINANCIAL TIMES
statista
1000
High-Growth Companies
Asia-Pacific
2018

DEAR SHAREHOLDERS,

ENSUING SUCCESS

I am pleased that ISDN ended FY2017 on a high note as we successfully listed on the Mainboard of The Stock Exchange of Hong Kong ("the SEHK") on 12th January 2017 and commemorated our 30th anniversary in July 2017. A decade ago, when we celebrated our 20th anniversary, we were generating revenue of S$102.9 million. Back then, we focused only on our core business of integrated engineering solution in motion control, industrial computing and other engineering solutions. I had challenged myself and the company to write a new chapter for the next ten years. Today, our revenue almost tripled to S$292.2 million and we have diversified into different industry sectors.

As we move into the year 2018, I am proud to announce that ISDN has been included in the "FT1000 High-Growth Companies Asia Pacific 2018" list. This award from the Financial Times recognizes ISDN as an innovative and high-growth company that drives Asia-Pacific economies in the 21st Century.

Our success story is not by chance, but is a result of decades of hard work and dedication from all our staff and partners.

RIDING THE WAVE OF SMART MANUFACTURING AND SEMICONDUCTOR GROWTH

FY2017 was a good year for all our business segments as the Company continues to ride the wave of automation in manufacturing and unabated growth in the semiconductor industry. Revenue grew 13.0% year-on-year to S$292.2 million. While industry competition remained keen, our strategy to provide better incentives for our sales staff to engage new and existing customers yield good results as we maintained stable margins compared to the previous financial year.

Net profit jumped by 85.3% from S$5.2 million in FY2016 to S$9.5 million in FY2017. Taking into account approximately S$1.1 million (S$3.5 million in FY2016) in expenses arising from our Company's listing on the Mainboard of the SEHK as well as one-off expenses of about S$0.5 million for our 30th anniversary celebration, net profit would have increased by about 28.8%.

TEO CHER KOON
MANAGING DIRECTOR AND PRESIDENT
ISDN HOLDINGS LIMITED

"As we move into 2018, we will continue to aim for a greater share of the Motion Control and Integrated Engineering solutions markets. We will strive to strengthen our relationships with key customers in China to benefit from the increasing use of automation and robotics in manufacturing."

As at 31 December 2017, ISDN maintained a healthy cash and cash equivalent balance of S$38.1 million.

REWARDING SHAREHOLDERS

On 20 June 2017, ISDN adopted a formal dividend policy that aims to provide shareholders with a target annual dividend payout of 25% of the net profit attributable to shareholders in any financial year, whether as interim and/or final dividends. To reward our shareholders, the Board of Directors ("the Board") is proposing final cash dividends of S$0.6 Singapore cents (equivalent to HK$3.2 cents) per ordinary share for the year ended 31 December 2017.

NEW GROWTH CATALYSTS

Motion Control solutions, the backbone of ISDN, is a business that will not become obsolete as long as there is mankind. When I began my career 30 years ago, power transmission was the buzzword. Today, we are not only talking about motion control but are moving forward with Industrial 4.0, Internet of Things (IoT), distributed control over different field bus, collaborative robot (Cobot), 3D printing, and etc. In this age of disruptive technology, ISDN has to seek new growth catalysts and stay ahead of market trends.

Being a listed company in Singapore and Hong Kong opens up ample opportunities to tap funding for our renewable energy and infrastructure projects. Hence, we have invested in Emmett Capital Pte Ltd on 3 March 2017 to explore business opportunities in Corporate Finance. One of our missions is to discover gems among our pool of customers and help promising ones to grow from being small and medium enterprises to multinational companies. As innovation and infrastructure projects require significant funding, we hope to offer comprehensive financing solutions to those who are hungry to grow.

FUTURE-PROOFING OUR VENTURES

On 25 May 2017, ISDN announced a strategic cooperation framework agreement with SEHK Mainboard-listed Comtec Solar Systems Group Limited ("Comtec"). Under the agreement, ISDN and Comtec will leverage their own advantages and choose each other as partners on a priority basis for the development, design, construction and operation of solar power generation station projects. This collaboration is a good fit on many levels as it leverages ISDN's core engineering competencies and fits into our diversification strategy involving renewable energy ventures. It also provides Comtec the opportunity to tap on our properties throughout the region for their rooftop solar projects.

To support our solar energy venture, we have on 26 January 2018 incorporated a new associated company, C&I Singapore Renewable and Innovative Tech Pte. Ltd. ("C&I Singapore") to engage in the research and development ("R&D") of blockchain technology and its related infrastructure. We believe that the R&D undertaken by C&I Singapore on blockchain technology, if successful, will provide a more efficient and decentralized platform for the trading and distribution of solar-generated energy among a diverse community of producers and consumers of solar power. Such a platform will create a new business opportunity for ISDN in managing and investing in high quality rooftop distributed solar power generation projects as well as power storage solutions. C&I Singapore will be working with The9 Singapore Pte. Ltd. ("The9 Singapore"), a wholly-owned subsidiary of The9 Limited, a company listed on the National Association of Securities Dealers Automated Quotation in relation to the R&D of the blockchain technology.

STRENGTHENING OUR PRESENCE IN KEY MARKETS

As we move into 2018, we will continue to aim for a greater share of the Motion Control and Integrated Engineering solutions markets. We will strive to strengthen our relationships with key customers in China to benefit from the increasing use of automation and robotics in manufacturing.

In the South-east Asian region, we will expand our presence in the fast-growing economies of Vietnam and Thailand. We will also explore new frontiers in the region, and other business opportunities that will complement our core business. This should put us in good stead to continue delivering value to our shareholders

MY SPECIAL THANKS

As we continue to scale greater heights in the next phase of ISDN's growth journey, I would like to express gratitude to my fellow Board of Directors for their commitment, wisdom and counsel. On behalf of the Board, I would again like to convey my appreciation to our partners, customers, staff, and shareholders, for their loyal and valuable support.

CORPORATE PROFILE

We are an integrated engineering solution provider principally focusing on motion control, industrial computing and other specialised engineering solutions. 2017 marks the 30th anniversary since the inception of our Group. Over the years under the helmsmanship 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. In addition to our core motion control, industrial computing and other specialised engineering solutions businesses, we have diversified into renewable energy, primarily in developing hydropower plants in Indonesia and resource mining and trading.

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 31 December 2017. 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 make a certain range 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. As at 31 December 2017, we had 809 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.

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 successfully applied for a dual primary listing of our Shares on the SEHK 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. Our Shares began trading on the SEHK on 12 January 2017.

"We have developed from a local start-up supplier of servo motors to become a multi-national "one-stop-shop" engineering solution provider."

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.

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.

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.

BOARD OF DIRECTORS

LIM SIANG KAI

Chairman and Independent Non-Executive Director

Mr. Lim Siang Kai (林汕鍇), aged 61, 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 SEHK (i.e. Samurai 2K Aerosol Limited, and Joyas International Holdings Limited). 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. From March 2006 to February 2017, Mr. Lim acted 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 Beijing Gas Blue Sky Holdings Limited, a company listed in Hong Kong involved in the natural gas supply and printing business. Mr. Lim served as 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 financing activities as well as the trading and sale of nickel. Since January 2017, Mr. Lim acted as the non-executive chairman, lead independent director and chairman of the audit committee of Catalistlisted Samurai 2K Aerosol Limited, a company involved in aerosol coating for the automotive refinishing and refurbishing industry.

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.

TEO CHER KOON

Managing Director and President

Mr. Teo Cher Koon (張子鈞), aged 59, 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 65 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 31 December 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.

KONG DEYANG

Executive Director

Mr. Kong Deyang (孔德揚), aged 57, 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

SOH BENG KENG

Independent Non- Executive Director

Mr. Soh Beng Keng (蘇明慶), aged 64, is our independent non-executive Director. Currently, Mr. Soh also serves as the lead independent director of BM Mobility Ltd (formerly known as 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.

Mr. Soh has approximately 20 years of experience in the field of auditing, accounting and financial management in

BOARD OF DIRECTORS

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.

TAN SOON LIANG

Independent Non-Executive Director

Mr. Tan Soon Liang (陳順亮), aged 45, 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 invests in growing businesses and 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 which focuses on early stage angel and venture capital investments in startups and fast-growing companies and involved in corporate development and advisory services, since December 2014. Mr. Tan serves as an independent director in Catalist-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions, since June 2016. He is also serving as an independent director in Catalist-listed Clearbridge Health Limited (1H3), a healthcare company with focus on delivery of precision medicine in Asia and its vision to empower clinicians and healthcare professionals to make more reliable and accurate diagnoses since November 2017. 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.

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.

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 46, 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 34, 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 SEHK 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.

DIRECTORSHIP

LIM SIANG KAI
Group companies
ISDN HOLDINGS LIMITED

Other companies
Beijing Gas Blue Sky Holdings Ltd
Joyas International Holdings Limited
Samurai 2K Aerosol Limited

TEO CHER KOON
Group companies
ISDN HOLDINGS LIMITED
Agri Source Farms Sdn Bhd
Agri Source Farms Suzhou Co., Ltd
Agri Source Pte Ltd
C True Version Pte Ltd
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dietionary Farm Holdings Pte Ltd
Dietionary Farm Sdn Bhd
Dirak Asia Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
ISDN Bantaeng Pte Ltd
ISDN Investments Pte Ltd
ISDN Myanmar Infrastructure Investment Pte Ltd
ISDN Myanmar Power Pte Ltd
ISDN Resource Pte Ltd
Jin Zhao Yu Pte Ltd
JM Vision Technologies Co., Ltd
JM Vistec System Pte Ltd
Leaptron Engineering Pte Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
Precision Motion Control Phils. Inc.
Prestech Industrial Automation Pte Ltd
SEJINIGB (China) Co., Ltd
Servo Dynamics (H.K.) Limited
Servo Dynamics (Thailand) Co., Limited
Servo Dynamics Co., Ltd
Su Zhou Servo Dynamics Co., Ltd
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Shanghai DBASIX M&E Equipment Co.,Ltd
Suzhou Dirak Co., Ltd
Suzhou PDC Co., Ltd
Taiwan Dirak Co., Ltd
Trace Linear Technology (Suzhou) Co., Ltd
C&I Renewable Limited
C&I Renewable HK Limited
C&I Renewable and Innovative Tech Pte. Ltd.
Suzhou Comtec Tianyi Solar Technology Ltd.
ISDN NBA Resources Pte. Ltd.
Emmett Capital (Pte.) Ltd.

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

KONG DEYANG
Group companies
ISDN Holdings Limited
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
ISDN Enterprise Management Co., Ltd
JAPV Mechanical Technology (Wujiang) Co., Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics Co., Ltd
Su Zhou Servo Dynamics Co., Ltd
Shenzhen Servo Dynamics Co., Ltd
Suzhou PDC Co., Ltd
Trace Linear Technology (Suzhou) Co., Ltd

SOH BENG KENG
Group companies
ISDN Holdings Limited

Other Companies
China Haida Ltd
Sino Grandness Food Industry Group Limited
BM Mobility Ltd (formerly known as Ziwo Holdings Ltd.)

TAN SOON LIANG
Group companies
ISDN Holdings Limited

Other Companies
ACH Investors Pte Ltd
Allin International Holdings Pte Ltd
Allin Technologies Co Ltd
MG Investors Pte Ltd
Omnibridge Capital Ltd
Omnibridge Capital Pte Ltd
Omnibridge Investments Ltd
Omnibridge Investment Partners Ltd
Omnibridge Investment Partners Pte Ltd
Omnibridge Investments Pte Ltd
Ti Investment Holdings Pte Ltd
Ti Ventures Pte Ltd
Wong Fong Industries Limited
The Learning Fort Pte Ltd
Clearbridge Health Limited

EXECUTIVE OFFICERS*

MR. LAU CHOON GUAN (劉俊源), aged 53

Vice President – Sales (Motion Control)

Mr. Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. 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 Smart Automation Technology Industry Group (formerly known as 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 59

Vice President - Technical Support (Motion Control)

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 49

Vice President – Sales (industrial computing, hardware)

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.

** Reference to "Executive officers" in this annual report shall include persons referred to as "Senior Management" under the SEHK Listing Rules*

MR. WONG KWOK WHYE PETER (黃國偉), aged 50

Vice President

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. 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 43

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.

MS. HO TING WAI CHRISTINE (何霆蔚), aged 43

Chief Financial Officer.

Ms. Ho joined the Group in June 2016 and she was responsible for the financial management, financial reporting and internal control functions of the Group since. She was also involved in the coordination, preparation of financial information and investors relations activities such as attending road shows and conference in the preparation of listing of the Company's shares on the Main Board of SEHK in January 2017. Ms. Ho has been promoted to Chief Financial Officer of the Group and will be responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters. She has more than 15 years of experience in auditing, accounting and corporate finance in private and listed companies in Singapore. Prior to join the Group, she was formally a financial controller of Hysendal Enterprises Pte. Ltd. From 2011 to 2013, she was the group financial manager of Weiye Holdings Limited, a company listed on the Main Board of the SGX-ST and SEHK. In 2006, she joined KPMG LLP, Singapore as an audit senior associate, where she was eventually promoted to audit manager and she specialized in US GAAP, SOX and US GAAS. She graduated from the University of Essex in United Kingdom with first-class Honours Degree in Accounting in 2000.

MANAGEMENT DISCUSSION AND ANALYSIS

"The diversity of our customer base across various sectors provides us with a stable revenue stream in the face of cyclical ups and downs of the individual industries."

BUSINESS REVIEW

For the financial year ended 31 December 2017 ("FY2017"), revenue increased by approximately S$33.7 million, or 13.0% from S$258.5 million for financial year ended 31 December 2016 ("FY2016") to S$292.2 million for FY2017. This was mainly attributable to the adoption of automated manufacturing, which increases the demand for industrial robots driven by motion control.

For the FY2017, gross profit has increased by S$8.8 million, or 13.6%, to S$73.8 million in FY2017.

Our business focus continues to be predominantly in the PRC, contributing approximately 71.1% in FY2017 (FY2016: 71.1%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 15.5%, 3.5% and 2.6% of our Group's revenue in FY2017, respectively (FY2016: 14.3%, 5.8% and 2.8%). We have achieved growth in overall revenue in PRC and Singapore in 2017.

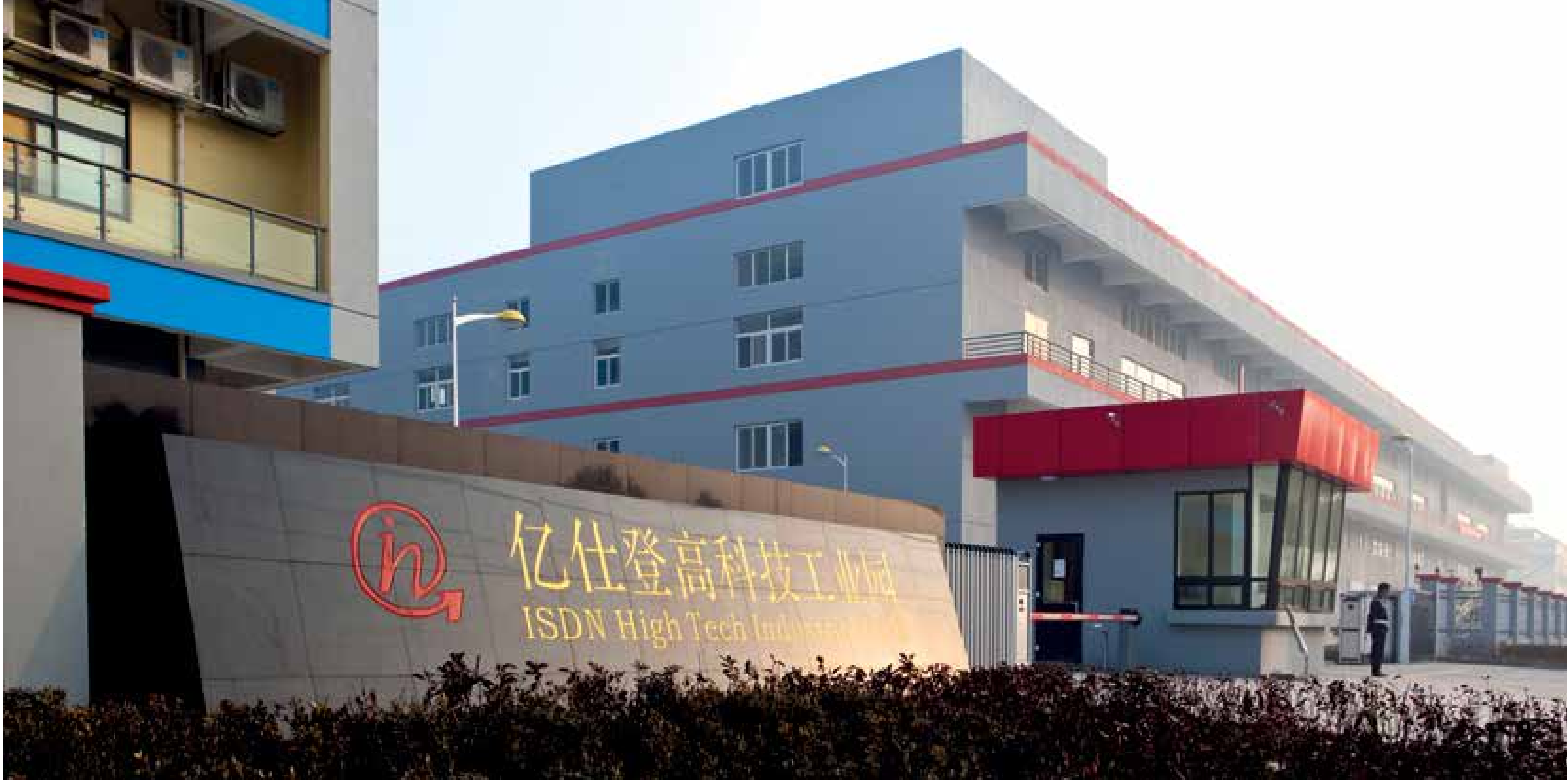
The increase in our Group's revenue and gross profit were attributable to a stronger demand for our motion control solutions and other specialised engineering solutions from existing customers as well as new customers, particularly in the PRC and Hong Kong markets.

On hindsight, the upcoming smartphones releases by the major market players have increased the order size from original equipment manufacturers ("OEM") in the past few months. Moreover, the increasing trend of global smartphones penetration rate continues to show demand for smartphones. Our customers, several of them are main OEMs to these market players benefit from riding the waves, and in turn contributed to the growth of our revenue and gross profit.

Our Group continues to serve customers in a wide range of industries in FY2017. The diversity of our customer base across various sectors provides us with a stable revenue stream in the face of cyclical ups and downs of the individual industries.

FUTURE PROSPECTS

The outlook for our core Motion Control and Other Specialized Engineering Solutions businesses is expected to remain positive, as China, our key market, continues to upgrade its industrial environment from one that has traditionally been labour-intensive, to one that is technologically advanced and automated. In addition, China's official purchasing managers' index (PMI) and Caixin/Markit PMI in January 2018 show that the activity in the manufacturing sector is still expanding and this is encouraging.



We are able to offer a comprehensive range of motion control systems and specialized engineering solutions for our customers in a wide range of industries due to our extensive and diverse supplier base across the globe, as well as our ability to customize the solutions to meet customers' specific demands and requirements.

Notwithstanding that the industry we operate in is very competitive, we will continue to build on that competitive edge and expand our market share by ramping up our sales and marketing efforts this year. Our sales efforts will focus on certain fast growing industries supported by government policies and high market demand. For instance, we will continue to expand our market presence in industries related to the "Industrial 4.0" concepts, which are part of the industrial development policies of many governments around the world. In China, one such policy being promulgated by the Chinese government is the "Made in China 2025". Such policies will boost the development and use of robotics and the technological upgrades of manufacturing processes, which benefits the motion control solutions and other specialized engineering solutions industries as a whole.

Our focus will still be the China and Singapore markets, which accounted for more than 86% of our revenue in FY2017. One of the fastest growing industries that we serve in these two markets is the manufacturing of components for smartphones. Some of our major customers are OEM of smartphones, who are still riding the wave of increasing smartphone penetration globally. We continue to monitor the order size that they receive from major smartphone players as it is expected to impact our sales in the next 12 months. Other contributing markets to our revenue include Hong Kong and Malaysia, which together accounted for 6% of our revenue in FY2017. Nevertheless, we will also continue to expand our business in other parts of South-east Asia. We gained foothold in Vietnam and Thailand, and our expansion into these markets had accelerated in FY2017.

1 Megawatt Solar Power plant on the roof top of ISDN Wujiang Industrial Park

Going forward, we will continue to explore other growth opportunities in the renewable energy sectors through strategic partnerships and other forms of collaboration. For instance, we are exploring opportunities to collaborate with Comtec Solar System Group Limited, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to introduce our integrated engineering solutions to renewable energy sectors in order to strengthen our core engineering competencies.

ISDN - Wujiang Industrial Park

FINANCIAL REVIEW

Revenue and Gross Profit Margin

For FY2017, the Group recorded an increase in total revenue by approximately S$33.7 million, or 13.0% from S$258.5 million for FY2016 to S$292.2 million for FY17.

The gross profit for the FY2017 increased by S$8.8 million, or 13.6%, to S$73.8 million in FY2017. Gross profit margin remained stable at 25.3% in FY2017, as compared to 25.1% in FY2016.

The Group has harnessed on the growth momentum of global market which is mainly driven by the adoption of advanced and automated processes for factory automation, increasing demand for industrial robots in manufacturing processes, and ease of use and integration of components within motion control systems. The revenue generated from motion control and other specialised solutions was not only attributed by ever stronger demand from existing customers, but also from the expansion of customer base especially in the PRC and Singapore market. These factors contributed to the increase in revenue and gross profit for FY2017.

Other operating income

Other operating income for FY2017 remained relatively stable with that for FY2016.

Distribution costs

Distribution costs increased S$2.6 million, or 12.0% to S$24.1 million in FY2017. The increase was mainly due to higher variable staff costs and marketing expenses incurred.

Administrative expenses

Administrative expenses increased by S$0.8 million, or 2.7% to S$31.4 million for FY2017 respectively, which was mainly due to the recognition of Listing expenses approximately S$1.1 million (2016: S$3.5 million) and one-off expenditure on our 30th anniversary celebration approximately S$0.5 million (FY2016: NIL). Excluding the impact of the Listing expenses and one-off expenditure totally of S$1.6 million for FY2017 (FY2016: S$3.5 million). The administrative expenses would have been S$29.8 million (FY2016: S$27.1 million) for FY2017, S$2.7 million or 9.9% higher than FY2016. The increase was mainly due to the increase in staff costs as a result of pay rise and general expenses.

Other operating expenses

Other operating expenses increased by S$1.3 million, or 57.2% to S$3.5 million in FY2017, which was mainly due to lower net exchange loss recognised in FY2016 and lesser allowances provided for impairment of trade receivables and inventories in FY2016.

Finance costs

Finance costs increased by S$0.1 million, or 9.4% to S$0.8 million for FY2017, which was mainly due to increase in borrowings.

Income tax expense

The income tax expense for FY2017 increased by S$0.8 million, or 18.2% to S$5.1 million. The increase was mainly due to higher chargeable income in FY2017. The Group's effective tax rate was 26.9% for FY2017 (FY2016: 29.9%), due to utilisation of tax losses in prior years; tax credit to offset the chargeable tax income and the provision of withholding tax on the profits of the Group's overseas subsidiaries.

Property, plant and equipment
Property, plant and equipment decreased by S$0.4 million, or 1.3% from S$27.7 million as at 31 December 2016 to S$27.3 million as at 31 December 2017 was mainly due to (i) depreciation of S$2.3 million; (ii) downward exchange translation adjustment of S$0.2 million as a result of the depreciation of RMB against SGD; and (iii) partly offset by capital expenditures of S$2.1 million recognized in FY2017.

Interests in associates
Interests in associates increased by S$6.7 million, or 57.5% to S$18.4 million as at 31 December 2017 was mainly due to approximately S$6.3 million quasi-equity loan to associate companies.

Inventories
Inventories increased by S$11.1 million, or 28.5% to S$50.0 million as at 31 December 2017 was primarily due to the growth of revenue for FY2017 as compared to FY2016. In addition, the increase is to cater increased orders scheduled for delivery after FY2017.

Trade and other receivables
Trade and other receivables increased by S$2.9 million, or 3.3% to S$89.2 million as at 31 December 2017, which was mainly due to the increase in advances to suppliers and sundry debtors.

Trade and other payables
Trade and other payables increased by S$3.2 million, or 4.9% to S$68.7 million as at 31 December 2017, which was mainly due to higher advance receipts from customers, which is in line with higher order books subsequent to FY2017.

Bank borrowings
Bank borrowings increased by S$1.1 million, or 8.6% to S$14.5 million as at 31 December 2017. The increase was mainly due to proceeds of bank borrowings of S$16.2 million, partially offset by repayment of bank borrowings amounted to S$15.1 million.

MATERIAL ACQUISITION AND DISPOSAL AND FUTURE PLANS FOR MATERIAL

INVESTMENTS OR CAPITAL ASSETS
Apart from those disclosed in the prospectus of the Company dated 30 December 2016 (the "Prospectus"), there were no material acquisitions and disposals in FY2017.

LIQUIDITY AND FINANCIAL RESOURCES
During the financial year ended 31 December 2017, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2017, cash and cash balances amounted to approximately S$38.1 million, which increased by approximately 2.0% as compared to approximately S$37.2 million as at 31 December 2016. The quick ratio of the Group was approximately 1.5 times (31 December 2016: 1.6 times).

As at 31 December 2017, the Group has long and short term bank borrowings of approximately S$14.5 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S$14.3 million (31 December 2016: S$13.1 million) while the bank borrowings due after one year amounted to approximately S$0.2 million (31 December 2016: S$0.3 million).

As at 31 December 2017, the weighted average effective interest rates on bank borrowings is 5.25% (31 December 2016: 4.69%) per annum. The Group does not have fixed rate bank borrowings as at 31 December 2017 and 31 December 2016. Together with the obligation under finance leases of approximately S$0.2 million (31 December 2016: S$0.3 million), the Group's total borrowings amounted to S$14.5 million (31 December 2016: S$13.3 million).

GEARING RATIO
During the financial year ended 31 December 2017, the gearing ratio of the Group was about 10.6% (2016: 11.3%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The decrease in gearing ratio was mainly due to the increase in our total shareholders' equity.

TREASURY POLICIES
The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year ended 31 December 2017. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. We did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE
The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB") and United States dollars ("US$"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of subsidiaries

MANAGEMENT DISCUSSION AND ANALYSIS

of the Group have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the financial year ended 31 December 2017, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the financial year ended 31 December 2017, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S$2,095,000 (2016: S$2,511,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, there were 809 (2016: 810) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the financial year ended 31 December 2017.

RISK MANAGEMENT

Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at 31 December 2017.

Charge on the Group's Assets

As at 31 December 2017, the Group's cash and cash equivalents of approximately S$0.3 million (2016: S$1.4 million) was pledged to banks to secure general banking facilities granted to the Group.

LISTING AND USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares have been listed since 12 January 2017 (the "Listing Date") on the Main Board of the Stock Exchange and raised a net proceed from IPO of approximately S$7.0 million (equivalent to HK$37.8 million). During the period between the Listing Date and 31 December 2017, approximately S$6.6 million were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group held the unutilized net proceeds in short term deposits with licensed bank in Hong Kong.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND CANCELLATION OF TREASURY SHARES

During the financial year ended 31 December 2017 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of S$0.6 cents (equivalent to HK$3.2 cents) per ordinary share for the year ended 31 December 2017. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on 26 April 2018 at 2:00 p.m. (Singapore Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on 5 June 2018 to shareholders whose names shall appear on the register of members of the Company on 17 May 2018.

CORPORATE GOVERNANCE PRACTICES

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

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

This report outlines the Company's corporate governance framework in place throughout the financial year ended 31 December 2017 ("**FY2017**") with specific references made to each of the principles of the 2012 Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the 2012 Code and the Guide, where applicable. Appropriate explanations will be provided in the relevant sections below where there are deviations from the 2012 Code and/or the Guide.

The Company's ordinary shares have been listed ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**") since 12 January 2017. From the date of Listing, the Company is required to also abide by, among others, the applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**SEHK Listing Rules**"). From the date of Listing to the date of this report, the Group has complied with the HK CG Code, except those appropriately justified and disclosed.

1 Board Matters
Principle 1: Board's Conduct of its Affairs

BOARD OF DIRECTORS

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

The primary functions of the Board are to provide entrepreneurial leadership for the Company and its subsidiaries, set the Group's values and standards and enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's business and strategic plans and monitors the achievement of the Group's corporate objectives. It also review the Management's performance, oversees the management of the Group's business affairs and conducts periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management, internal controls, sustainability issues and compliance. All Directors must objectively make decisions in the interests of the Group as fiduciaries.

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

The Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board, which facilitates effective decision-making. The Board also takes into account the scope and nature of the operations of the Company.

The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	59	28/12/2004	28/04/2017	Managing Director and President
Kong Deyang	57	26/09/2005	27/04/2015	Executive Director
Lim Siang Kai	61	26/09/2005	28/04/2017	Independent Non-executive Director and Chairman
Soh Beng Keng	64	26/09/2005	22/04/2016	Independent Non-executive Director
Tan Soon Liang	45	18/08/2016	28/04/2017	Independent Non-executive Director

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly and full year results and interested person transactions of a material nature. The Board also has guidelines setting forth clear directions to the Management on matters that must be approved by the Board.

The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. The Company will ensure that all incoming Directors are familiar with the Company's business and corporate governance practices. Upon appointment, new Directors will also be provided with formal letters, setting out their duties and obligations including matters reserved for the Board's decision. Incoming and newly appointed Directors would be given guidance and orientation (which may include management presentations) to allow the such Directors to understand the Group's business operations, strategic directions and policies, corporate functions and corporate governance practices.

<u>Board Practices and Conduct of Meetings</u>

Schedules for regular Board meetings are normally agreed with the Directors in advance. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given. The Board meets at least four (4) times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. The schedule of all the regular Board and Board Committees meetings for the calendar year is usually given to all Directors well in advance in accordance with the terms of references of the respective Board Committees, the 2012 Code and the SEHK Listings Rules. Ad-hoc meetings will be held when circumstances require. The Company's Constitution also provides for telephone conference and video conference meetings.

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

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the Board meeting. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three (3) days before each Board meeting to provide them with materials relating to the transactions to be discussed in the Board meeting in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

BOARD COMMITTEES

To assist the Board in the discharge of its responsibilities, the Board has established four (4) Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Risk Management Committee ("**RMC**"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The attendance of the Directors at meetings of the Board and Board Committees for FY2017 is as follows:

	Board	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	4	3	1	1
Directors			**Number of meetings attended**		
Teo Cher Koon	4	N/A	N/A	1	N/A
Kong Deyang	3	N/A	N/A	N/A	N/A
Lim Siang Kai	4	4	3	1	1
Soh Beng Keng	4	4	3	1	1
Tan Soon Liang	4	4	3	N/A	1

N/A- Not applicable

Induction and Continuous Professional Development for Directors

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Manual and the SEHK Listing Rules that affect the Company and/or the Directors in discharging their duties.

During FY2017, the Directors were provided updates and informative news of the 2012 Code and the Guide. The shares of the Company have been dual listed on the SEHK for trading on 12 January 2017, and the Company is required to fully comply with the SEHK Listing Rules. In order to comply with Code Provision A.6.5 of the HK CG Code to the SEHK Listing Rules after the dual listing of the Company on the SEHK, the Company has arranged for sufficient training of continuous professional development to the Directors to develop and refresh their knowledge and skills in relation to the SEHK Listing Rules during the year.

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

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the requirement of the HK CG Code on continuous professional development during FY2017:

Executive Directors	**Reading materials**	**Attending seminars/ Induction training**
Teo Cher Koon	Reading materials	NIL
Kong Deyang	Reading materials	NIL
Independent Non-executive Directors		
Lim Siang Kai (Chairman)	Reading materials	NIL
Soh Beng Keng	Reading materials	NIL
Tan Soon Liang	Reading materials	NIL

Principle 2: Board Composition and Guidance

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

The majority of the Board is independent. During the financial year under review (i.e. FY2017), the Board of the Company comprised two (2) Executive Directors and three (3) Independent Non-executive Directors, namely:

Executive Directors
Teo Cher Koon
Kong Deyang

Independent Non-executive Directors
Lim Siang Kai (Chairman)
Soh Beng Keng
Tan Soon Liang

There is a good balance between the Executive Directors and Independent Non-executive Directors and a strong and independent element on the Board. Key information on the Directors can be found in the "Board of Directors" section of the Annual Report. The Board has complied with the requirements of the 2012 Code and Rule 3.11 of the SEHK Listing Rules that at least one third of the Board comprises Independent Non-executive Directors. The Independent Non-executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

1 Board Matters (cont'd)

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

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. The Board would also consider the above factors in identifying potential Director nominees, including from a diversity perspective, so as to work towards achieving an appropriate balance and diversity of skills, age, experience, gender and knowledge of the Company.

The independence of each Director is reviewed annually by the NC, in accordance with Guideline 2.3 of the 2012 Code and Rule 3.1 of the SEHK Listing Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The Board is independent from the Management. No individual or small group of individuals is allowed to dominate the Board's decision-making. The Company has received a written annual confirmation from each Independent Non-executive Director of his independence pursuant to Rule 3.13 of the SEHK Listing Rules. The Company considers all Independent Non-executive Director to be independent in accordance with the independence guidelines set out in the SEHK Listing Rules.The Company does not have any alternate Directors on the Board and did not appoint any alternate Directors for FY2017. The Company will avoid the appointment of alternate Directors, unless for limited periods in exceptional cases such as when a Director has a medical emergency.

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

The Independent Non-executive Directors constructively challenge and help to develop proposals on strategy, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on the Management, Independent Non-executive Directors have met once in FY2017 without the Management being present.

The Company complied with Code Provision A.1.8 of the HK CG Code by arranging appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Principle 3: Chairman and Chief Executive Officer

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

The Chairman, and the Managing Director and President of the Group are separate persons and therefore the Company is not required to have at least half the Board to be independent or to have a lead independent Director.

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

- schedules meetings and sets the agenda and enables the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- ensures that the Directors receive accurate, timely and clear information and promotes a culture of openness and debate on the Board;
- exercises control over quality, quantity and timeliness of the flow of information between the Management and the Board;
- assists in ensuring compliance with Company's guidelines on corporate governance;
- facilitates the effective contribution of Independent Non-executive Directors in particular;
- encourages constructive relations between Executive Directors and Independent Non-executive Directors, as well as effective communications with shareholders;
- acts on the results of the performance evaluation;
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC; and
- promotes high standards of corporate governance.

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

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

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

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

NOMINATING COMMITTEE

The NC comprises one (1) Executive Director and two (2) Independent Non-executive Directors, one of whom is also the Chairman of the NC, namely:

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

The NC performs the following principal functions:

- reviews the structure, size and composition of the Board and makes recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-election of members of the Board;
- make plans for succession, in particular for the Chairman, and the Managing Director and President;
- determines annually whether or not a Director is independent in accordance with the guidelines of the 2012 Code and Rule 3.13 of the Staff's Listing Rule;
- develops and proposes a process with objective performance criteria to evaluate the performance of the Board, its Board Committees and Directors;
- decides whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company;
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board; and
- recommends to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
- reviews the training and professional development programs for the Board.

The NC has in place a selection and nomination process for the appointment of new Director. For appointment of new Directors to the Board, the NC would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The NC does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, and assesses whether this need can be fulfilled by the appointment of one (1) person and if not, then to consult the Board with respect to the appointment of two (2) persons. The NC will then source through their network or engage external professional assistance for potential candidates and resumes for review, undertake background checks on the resumes received, narrow this list of resumes and finally to invite the shortlisted candidates to an interview. This interview may include a briefing of the duties required to ensure that there is no expectations gap, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have. The NC will take an open view in sourcing for candidates and does not solely rely on current Directors' recommendations or contacts, and is empowered to engage professional search firms. The NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

Regulation 89 of the Company's Constitution requires one third of the Board, including the Managing Director to retire by rotation at every AGM of the Company. The Directors must present themselves for re-nomination and re-election at regular intervals of at least once every three (3) years.

Each executive Director has entered into a service contract with the Company for a term of three (3) years, while each Independent Non-executive Director is engaged for three (3) years.

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

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

The NC recommended that Mr Kong Deyang and Mr Soh Beng Keng (collectively, the "**Retiring Directors**"), be nominated for re-election at the forthcoming AGM of the Company. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

Mr Song Beng Keng being the Chairman of the NC who is retiring at the forthcoming AGM of the Company abstained from voting on the resolutions in respect of his re-nomination as a Director.

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

If Mr Song Beng Keng is re-elected by shareholders, Mr Lim Siang Kai and Mr Soh Beng Keng will enter into their thirteenth year of service on the Board. Pursuant to the guidelines of the 2012 Code and Rule 3.13 of the SEHK Listing Rules, the Board has subjected the independence of the Directors to rigorous review. In doing so, the Board has taken into account the need for progressive refreshing of the Board, and they are of the view that Mr Lim Siang Kai and Mr Soh Beng Keng have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Non-executive Directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged the Management. They have sought clarification as they deemed necessary, including through direct access to the Management. Further, the NC has noted that there are no relationships or circumstances which are likely to affect or could appear to affect the judgement of the Independent Non-executive Directors. After considering the view of the NC and the performances of Mr Lim Siang Kai and Mr Soh Beng Keng in discharging their duties, the Board is satisfied that the aforementioned Directors are independent in character and judgment, notwithstanding the tenure of their service on the Board.

COMPANY SECRETARIES

The Joint Company Secretaries of the Company are Ms Gn Jong Yuh Gwendolyn and Mr Tang Chi Chiu. Ms Gn, a qualified advocate and solicitor in Singapore specialising in corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions, has been working as our Company Secretary since 2007.

Since Listing on SEHK on 12 January 2017, the Company has engaged Mr Tang, a practicing member of the Hong Kong Institute of Certified Public Accountants, as a Joint Company Secretary to satisfy the requirements regarding company secretaries as set out in Rule 3.28 of the SEHK Listing Rules. Mr Tang will work closely with Ms Gn in the discharge of her duties as a Company Secretary for an initial period of three (3) years commencing from 12 January 2017 being the date of the Listing. Upon expiry of the three-year period, a further evaluation of the qualifications and experience of Ms Gn and the need for on-going assistance would be made.

For FY2017, Ms Gn and Mr Tang have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the SEHK Listing Rules.

The Joint Company Secretaries are responsible to keep minutes of all Board and Board Committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each by Board and Board Committee meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Constitution contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board meetings for approving transactions in which such Directors or any of their associates have a material interest.

1 Board Matters (cont'd)
Principle 5: Board Performance

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

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

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

- Timely guidance to the Management
- Attendance at Board/Board Committee meetings
- Participation at Board/ Board Committee meetings
- Commitment to Board activities
- Board performance in discharging principle functions including enhancing long-term shareholder value
- Board Committee performance
- Independence of Independent Non-executive Directors
- Appropriate complement of skill, experience and expertise on the Board
- Return on assets / equity
- Return on investment
- Company's share price and performance over a five-year period

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

The NC has assessed the performance of the current Board's overall performance during the financial year under review (i.e. FY2017), and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory. No external facilitator was used in the evaluation process.

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

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

The Board is provided with complete, adequate information, management accounts, financial and corporate reports and additional requests for information in a timely manner by the Management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis. Information provided to the Board includes board papers and background information relating to the matters to be discussed by the Board. Directors would also receive relevant information on material events and transactions as and when they arise. The Board also receives regular reports pertaining to the operational and financial performance of the Group, and may request from the Management such other additional information as may be necessary to be provided. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained. Presently, the Management also presents to the AC the quarterly and full-year financial results and the AC reports on the results to the Board for review and approval before releasing such results. The Board also receives reports from the internal and external auditors.

The Board has separate and independent access to the Company's senior management and the Joint Company Secretaries. The Joint Company Secretaries attend the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the Company's Constitution, and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Joint Company Secretaries' responsibilities include ensuring good information flows within the Board and its committees and between senior management and Independent Non-executive Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the Joint Company Secretaries is a matter for the Board as a whole.

The Management will, upon direction by the Board, assist the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at the Company's expense.

2 Remuneration Matters
Principle 7: Procedures for Developing Remuneration Policies

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

REMUNERATION COMMITTEE

The RC comprises three (3) Independent Non-executive Directors, one of whom is also the Chairman of the RC, namely:

Tan Soon Liang (Chairman)	Independent Non-executive Director
Lim Siang Kai (Member)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director

The role of the RC is to review and recommend remuneration policies and packages for Directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the Executive Directors of the Group and employees related to the Executive Directors and controlling shareholders of the Group.

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

Primary functions to be performed by RC:

- reviews and recommends to the Board, a formal and transparent framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the Directors and key executives whilst linking rewards to group or corporate and individual performance;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Employee Share Option Scheme 2016 and ISDN Performance Share Plan (the "Schemes") adopted by the Group and decides on the allocations and grants of options and/or share awards to eligible participants under the Schemes;
- reviews and approves the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

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

Pursuant to the code provision B.1.5 of the HK CG Code, the remuneration of the executive officers / senior management by band for the FY2017 is set out below:

	2017	2016
	Number of individuals	
S$0 to S$100,000	-	1
S$100,001 to S$200,000	1	3
S$200,001 to S$300,000	3	2
S$300,001 to S$400,000	1	-
S$400,001 to S$500,000	1	-
	6	6

Details of the remuneration of each Director and the five (5) individuals with the highest emoluments in the Group for the FY2017 are set out in Principle 9 in this report.

In setting the remuneration packages, the Company considers the remuneration and employment conditions within the industry. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. The expenses arising from external professional advice (if any) shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2017.

Principle 8: Level and Mix of Remuneration

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

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

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

The Executive Directors, Mr Teo Cher Koon and Mr Kong Deyang have entered into separate service agreements with the Company which can be terminated by either party giving not less than six (6) months' notice to each other. There are no long-term incentive schemes for any of the Directors. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance.

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

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

(a) Details of remuneration and fees paid to the Directors for FY2017 are set out below.

	Basic salary	Director Fees	Bonus	Benefits-in-kind	Termination benefit	Fair value share of options granted	Total
	%	%	%	%	%	%	%
Executive Directors							
S$2,500,001 to S$3,000,000							
Teo Cher Koon	24	-	74	2	-	-	100
S$1,000,001 to S$1,250,000							
Kong Deyang	13	-	82	3	2	-	100
Independent Non-executive Directors							
Below S$100,000							
Lim Siang Kai	100	-	-	-	-	-	100
Soh Beng Keng	100	-	-	-	-	-	100
Tan Soon Liang	100	-	-	-	-	-	100

FY 2017, the Company only identified six (6) key management personnel/executive officers. The details of remuneration paid to the key management personnel/executive officers (who are not Directors) for FY2017 is disclosed below.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
S$400,000 - S$450,000					
Chow Ka Man	30	29	-	41	100
S$350,000 - S$400,000					
Lau Choon Guan	94	4	-	2	100
S$200,000 - S$250,000					
Cheng Hock Kiang	75	4	16	4	100
Sim Leong Seang	90	6	-	4	100
Ho Ting Wai	84	16	-	-	100
S$150,000 - S$200,000					
Wong Kwok Whye Peter	87	-	7	6	100

For FY2017, of the five individuals with the highest emoluments in the Group, two (2) are Directors respectively, whose emoluments are disclosed in *Principle 9: Disclosure on Remuneration (a).* The aggregate of the emoluments in respect of the remaining remuneration are set out below:

	2017	2016
	S$'000	S$'000
Salaries, allowances and other benefits	1,486	934
Contributions to retirement benefits scheme	79	43
	1,565	**977**

	2017	2016
	Number of individuals	
S$100,001 to S$200,000	-	1
S$200,001 to S$300,000	1	2
S$300,001 to S$400,000	1	-
S$400,001 to S$500,000	1	-
S$1,100,001 to S$1,200,000	1	1
S$2,000,001 to S$3,000,000	1	1
	5	5

No emoluments were paid by the Group to the five (5) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during FY2017.

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

(b) While the Company notes the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions, where poaching has become commonplace. In particular, the Group has carried out a dual primary listing exercise on Main Board of the SEHK in FY2017, and apart from the Listing exercise, there were appointments of a new Director as well as a new Group Chief Financial Officer ("**CFO**"). The Group, with its main operations currently in Singapore and the PRC, sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure above best preserves the business interests of the Group.

The aggregate amount of the total remuneration paid to the top six (6) key management personnel (who are not Directors) was S$1,565,000 in FY2017. As far as the Company is aware, the remuneration of the key executives is in line with industry practices.

(c) The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a Director and whose remuneration exceeds S$50,000 for the financial year under review (i.e. FY2017).

	Salary	**Bonus**	**Directors Fees**	**Other Benefits**	**Total**
	%	**%**	**%**	**%**	**%**
Thang Yee Chin	73	27	-	-	100

Thang Yee Chin is a director of nine (9) subsidiaries of the Company and oversees the administrative and accounting functions in these companies. She is the spouse of the Company's Managing Director and President, Mr Teo Cher Koon. Her remuneration was in the band of between S$350,000 and S$400,000 for the financial year under review (i.e. FY2017).

The Company has in place the Schemes, which are administered by the RC. The RC reviews whether Executive Directors and the Management of the Company should be eligible under such long-term incentive schemes based on factors such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service, potential for future development and his or her contribution to the success and development of the Group. Details of the ISDN PSP and the ISDN ESOS were set out in the Company's circular to shareholders dated 2 February 2012 and 7 April 2016 respectively. There were no share awards or Options granted to any person pursuant to the Schemes in FY2017.

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

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

The Company does not have in place any termination, retirement and post-retirement benefits that may be granted to Directors, the Managing Director and President, and the top six (6) key management personnel (who are not Directors or the Managing Director and the President).

The Company will consider the use of contractual provisions to all the Company to reclaim incentive components or remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

The Directors and senior management met their respective performance conditions for FY2017 relating to their remuneration packages.

3 Accountability and Audit
Principle 10: Accountability

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

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of the Company through quarterly and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations, and also takes steps to ensure compliance with legislative and regulatory requirements, including the listing rules of the SGX-ST and the Hong Kong Listing Rules.

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

Presently, the Management presents to the AC the quarterly and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and the SEHK. The Management also provides the Board with management accounts on a monthly basis.

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

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

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

The Board, with the oversight of the Risk Management Committee ("**RMC**"), which was formed on 19 December 2016, is responsible for the Group's risk management framework and policies. The RMC comprises three (3) Independent Non-executive Directors, namely:

Lim Siang Kai (Chairman)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director
Tan Soon Liang (Member)	Independent Non-executive Director

The RMC performs the following principal functions:

- supervises the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks, compliance risks, information technology risks and reputation risks;
- monitors and evaluates the Group's 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;
- considers, reviews and approves the risk management strategy, policies and guidelines of the Group;
- decides on risk profile, risk levels, tolerance and capacity and related resources allocation;
- reviews the risk reporting record of the Group and material risk management updates and reports of material breaches of risk limits and to assess the adequacy of proposals;
- engages external legal advisers with the necessary expertise and experience in international sanction law, and the general managers of each respective country to assist them in evaluating and monitoring international sanction law risks in the Groups day-to-day operations; and
- monitors and approves the use of monies deposited in the designated account for the purpose of deposit and deployment of all funds raised through the SEHK.

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

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

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

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

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

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) that the Group's risk management systems and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and internal auditors, and reviews performed by the Management, the RMC, the AC and the Board, the Board is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2017.

Principle 12: Audit Committee

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

The AC comprises three (3) Independent Non-executive Directors, one of whom is also the Chairman of the AC. The members of the AC as at the date of this report are as follows:

Lim Siang Kai (Chairman)	Independent Non-executive Director
Soh Beng Keng (Member)	Independent Non-executive Director
Tan Soon Liang (Member)	Independent Non-executive Director

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management controls at least once annually, to safeguard the Company's assets and maintain adequate accounting records, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group.

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

The AC has the authority to investigate any matter within its terms of reference, gain full access to and co-operation by the Management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its functions properly.

The AC will meet with the external auditors without the presence of the Management at least once a year to review to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. There are also meetings between the AC and internal auditors without the presence of the Management.

The AC has reviewed and is satisfied with the policies and arrangements (including investigation and follow-up action) for staff of the Group and any other persons who may, in confidence, raise concerns about possible improprieties in matters of financial report or other matters.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has recommended to the Board that Messrs Moore Stephens LLP ("**Moore Stephens**") be nominated for re-appointment as external auditors of the Group at the forthcoming AGM of the Company. The Company confirmed that Rule 13.88 of the SEHK Listing Rules had been complied with.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for FY2017 is disclosed under Note 7 of the Notes to the Financial Statements. There were no non-audit fees paid / payable to the Company's auditors during FY2017.

The Audit Committee has reviewed the non-audit services rendered by the external auditors for FY2017 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

The Company confirms that it is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of Moore Stephens as its external auditors, save for the subsidiaries as set out under Note 15 of the Notes to the Financial Statements (collectively, the "**Relevant Subsidiaries**").

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

In performing those functions, the AC reviews:

- with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;
- the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;
- the announcements of financial performances;

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

- discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- potential conflicts of interest (if any);
- the adequacy of the internal audit function and the effectiveness of Company's material internal controls;
- independence of the internal and external auditors;
- interested person transactions;
- the internal control procedures and ensure co-operation given by the Management to the external auditors;
- the appointment and re-appointment of external and internal auditors of the Company, the scope and result of the audit and the audit fees; and
- undertake such other functions and duties as requested by the Board and as required by SGX-ST Listing Manual.

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

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

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

All three (3) AC members have accounting or related financial management expertise or experience, as the Board interprets such qualifications in its business judgment.

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

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

Finally, the AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

3 Accountability and Audit (cont'd)
Principle 13: Internal Audit

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

The Board is cognisant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. For FY2017, the Company outsourced its internal audit function to Wensen Consulting Asia Pte Ltd ("**WCA**"). WCA conducted an internal audit in FY2017 and reports directly to the AC Chairman and administratively to the Managing Director and President. WCA has unfettered access to all the Company's documents, records, properties and personnel, including the AC. At the same time, the Company has continued with the practice whereby it tasked two (2) staff members with accounting backgrounds to carry out a financial review on the major operating subsidiaries of the Company and to submit timely analysis report to the Management for review.

For the financial year under review, the AC has reviewed the adequacy and effectiveness of the internal audit function performed by WCA and ensured that the internal audit function is adequately resourced. The AC has also reviewed the results of the internal audit performed by WCA. The Board, with the concurrence of the AC, is of the opinion that the internal controls system, addressing the financial, operational, compliance and information technology controls risks faced by the Company, is adequate and effective to safeguard the interests of the shareholders. In line with the Board's commitment to maintain sound internal controls, the Board has continued to engage WCA to perform internal audit for FY2018.

4 Shareholder Rights and Responsibilities
Principle 14: Shareholder Rights

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

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

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

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

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

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting in accordance with the SGX-ST Listing Manual for all resolutions tabled at the general meetings. The rules, including the voting process, were explained by the scrutineers at such general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The Company's Constitution has been amended on 16 December 2016 to facilitate voting in absentia. If any shareholder who is not a relevant intermediary (as defined in the Companies Act) is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance as prescribed by the Company and in accordance with the requirements of the Companies Act and SEHK Listing Rules from time to time. A shareholder who is a relevant intermediary may appoint more than two (2) proxies to speak, attend and vote at general meetings.

Under the Company's Constitution, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act, however, Directors must notwithstanding anything in the Company's Constitution, on the requisition of shareholders holding not less than 10% of the total paid-up capital of a company at the date of the deposit of the requisition, immediately proceed to convene an extraordinary general meeting to be held as soon as practicable but in any case not later than two (2) months after receipt by the company of the requisition. In addition to the said right of requisition, two (2) or more shareholders holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may also call a general meeting of the Company.

Principle 15: Communication with Shareholders

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

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

The Company has put in place dedicated investor relations support guided by an investor relations policy, to help to disseminate material information in a timely and useful manner to shareholders, analysts, the media, and other investors and aims to raise awareness and understanding of the company's business among the investing public, and also has a section on the Company's website at www.isdnholdings.com/investorrelations.html to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and maintain a regular dialogue channel with shareholders to gather views, inputs and address shareholder's concerns

4 Shareholder Rights and Responsibilities (cont'd)
Principle 15: Communication with Shareholders (cont'd)

In addition to the above, the Company meets with its institutional and retail investors at least once a year at the AGM of the Company where shareholders are invited and encouraged to express their views. Apart from SGXNET announcements and the annual report, the Company keeps shareholders informed of corporate developments by way of press releases from time to time.

The Group adopt a dividend policy that aims to provide shareholders of the Company ("Shareholders") with a target annual dividend payout of 25% of the net profit attributable to Shareholders in any financial year, whether as interim and/or final dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate.

Principle 16: Greater Shareholder Participation

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

The Company is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

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

- 21 clear days' or 20 clear business days' (whichever is longer) notice for any AGM of the Company and any extraordinary general meeting of the Company at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company and 14 clear days' or 10 clear business days' (whichever is longer) notice for all other extraordinary general meetings of the Company. The Board strives to ensure that these reports include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Companies Act, Singapore Financial Reporting Standards, Listing Manual of the SGX-ST and other relevant statutory and regulatory requirements;
- Price sensitive announcement of interim and full year results released through SGXNET and the website of the SEHK;
- Disclosures on the SGXNET and the website of the SEHK;
- Press releases;
- Press and analysts' briefings as may be appropriate; and
- The Group's website (www.isdnholdings.com) where shareholders and the public may access information on the Group.

4 Shareholder Rights and Responsibilities (cont'd)
Principle 15: Communication with Shareholders (cont'd)

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

The detailed voting results, including the total number of votes cast for or against each resolution tabled, will be announced immediately at the general meetings and via SGXNET and the website of the SEHK. Minutes of general meetings including the questions and answers and relevant comments raised at the meeting will be prepared and such minutes are available to shareholders upon their request.

The Board of Directors, AC members and other Board Committee members, CFO, external auditors and the Joint Company Secretaries will be present and be available to address any questions from shareholders regarding the Group and its businesses.

5 Material Contracts

No material contracts were entered into between the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for related party transactions and Director's remuneration as disclosed in the financial statements.

6 Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

In order to ensure that the Company complies with Chapter 9 of the SGX-ST Listing Manual and Chapter 14A of the SEHK Listing Rule on interested person transactions, the AC meets quarterly to review all interested person transactions of the Company. However, if the Company enters into an interested person transaction, the AC ensures compliance with the relevant rules under Chapter 9 of the Listing Manual and Chapter 14A of the SEHK Listing Rules.

For FY2017, there was no general mandate obtained by the company in relation to any interested person transaction.

6 Interested Person Transactions (cont'd)

There were no significant interested person transactions entered between the Group and interested persons during FY2017.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding less than S$100,000)
Not applicable	Nil	Nil

7 Dealings in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities.

After 12 January 2017 being the date of the Listing, the Company also updated its policy with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules. The Company confirms that specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code since the date of Listing to the date of this report.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of the Company prior to the announcement of a matter that involves material unpublished price-sensitive information. They are also prohibited from dealing in the Company's securities during the period two (2) weeks and one (1) month before the announcement of the Company's quarterly and full-year financial results respectively and ending on the day of the announcement of the quarterly and full-year results.

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

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

The Group has complied with Rule 1207(19) of the SGX-ST Listing Manual.

8 Use of Proceeds from Issues of Securities

Use of net proceeds from the placement of 23,730,000 new ordinary shares in the capital of the Company at an issue price of S$0.45 which was completed on 8 May 2013 (the "**Placement**")

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

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

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

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

Use of net proceeds from the issue of 40,000,000 new ordinary shares in the capital of the Company at the offer price of HK$1.25 per share in connection with the dual primary listing of the Company on the SEHK on 12 January 2017 (the "**Share Offer**").

The Board wishes to update the shareholders of the Company on the Group's utilisation of the net proceeds of approximately S$7,000,000 (after deducting expenses of approximately S$2,369,000) from the Share Offer, as set out below:

Prospects/ Future Plans	Amount of net proceeds allocated	Amount utilised to date	Amount unutilised to date
	S$'000	S$'000	S$'000
Repayment of debts	6,300,000	5,850,000	450,000
Working capital requirements	700,000	700,000	-
Total	**7,000,000**	**6,550,000**	**450,000**

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

CORPORATE GOVERNANCE FUNCTIONS

Upon the Company completing its dual primary listing exercise on the Main Board of the SEHK, the Board has been and is performing the corporate governance duties set out in Code Provision D.3.1 of the HK CG Code, which, among other things, are as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance; and
- to review the Company's compliance with the relevant laws and regulations and disclosure in the Corporate Governance Report.

INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of price sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance, Cap. 571, of Hong Kong SFO and the SEHK Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong.

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During FY2017, there were no changes in the Company's constitutional documents.

The Company's Constitution is available on the websites of the SGX-ST and the SEHK and the website of the Company.

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

1 Principal Activities

The principal activities of the Company include the provision of technical consultancy, training services, and management services. The principal activities of its subsidiary companies and associates are set out in Notes 15 and 16 to the financial statements.

2 Operations Review

Details of the operations review and the financial review of the Group are set out under the section headed "Operations Review" on page 12 of the annual report and the section headed "Financial Review" on pages 13 to 15 of the annual report, respectively.

3 Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 75 of the annual report.

Subsequent to the reporting year end, a tax-exempt (one-tier) final dividend of Singapore 0.6 cents (equivalent to HK$3.2 cents) per share in respect of the financial year ended 31 December 2017 has been recommended by the Board of Directors of the Company (the "Board") and is subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

4 Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out on page 3 of the annual report.

5 Investment Properties

Details of movement in the investment properties of the Group during the year are set out in Note 12 to the financial statements.

6 Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 11 to the financial statements.

7 Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2017 are set out in the Note 24 to the financial statements.

8 Share Capital

Details of the Company's issued share capital during the year are set out in Note 20 to the financial statements.

9 Purchases, Sales or Redemption of the Company's Listed Securities and Cancellation of Treasury Shares

During the financial year ended 31 December 2017 and up to the date of this statement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On 19 December 2016, all of the treasury shares of the Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Chapter 50.

10 Distributable Reserves

Distributable reserves of the Company as at 31 December 2017 amounted to S$4,828,000.

11 Directors

The Directors of the Company during the year and up to the date of this statement were:

Executive Directors

Mr. Teo Cher Koon (President and Managing Director)
Mr. Kong Deyang

Independent Non-executive Directors

Mr. Lim Siang Kai (Chairman)
Mr. Soh Beng Keng
Mr. Tan Soon Liang

In addition, Mr. Kong Deyang and Mr. Soh Beng Keng, shall retire from office at the forthcoming annual general meeting pursuant to Regulation 89 of the constitution of the Company and being eligible, offer themselves for re-election.

12 Directors' Service Contracts

Each Executive Director has entered into a service contract with the Company for a term of three (3) years, while each Independent Non-Executive Director is engaged for three (3) years.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

13 Directors' Remuneration

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the Annual General Meeting each year.

The remuneration and other emoluments are determined by the Board by recommendation of the Remuneration Committee with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors during the year are set out in Note 8 to the consolidated financial statements.

14 Employee and Remuneration Policies

As at 31 December 2017, there were 809 (2016: 810) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

15 Permitted Indemnity Provision

Under the Constitution, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against of the Company for all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

16 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations

As at 31 December 2017, the interests or short positions of Directors and chief executive of the Company (the "Chief Executive") in the Shares or underlying shares of or debentures of the Company and its associated corporations [within the meaning of Part XV of the Securities Futures Ordinance (the "SFO")] which will have to be notified to the Company and the Stock Exchange of Hong Kong ("SEHK") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or, which will be required, recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, or, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the SEHK Listing Rules, will be as follows:

16 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations (cont'd)

Under Singapore Law

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

	Holdings registered in the name of directors		Holdings in which a director is deemed to have an interest	
	As at 1.1.2017	As at 31.12.2017	As at 1.1.2017	As at 31.12.2017
The Company				
- ISDN Holdings Limited				
Teo Cher Koon	-	-	131,055,150	131,055,150
Kong Deyang	2,050,000	2,050,000	-	-
The Holding Company				
- Assetraise Holdings Limited				
Teo Cher Koon	1	1	-	-

By virtue of Section 7 of the Act, Mr Teo Cher Koon is deemed to have an interest in the shares held by the Company in all its subsidiary companies. There were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Under Hong Kong Law

Long positions

Shares and underlying shares of the Company:

		Number of ordinary shares					
Name of director	Capacity	Personal interests	Corporate interests	Number of underlying shares held under share option scheme	Number of underlying shares held under warrant listing	Total	Approximate percentage of the issued share capital of the Company
Mr. Teo Cher Koon	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	49.41%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	1,025,000	3,075,000	0.78%

Note: These shares were held by Assetraise Holdings Limited, which is beneficially owned by Mr. Teo Cher Koon ("Mr. Teo") and his spouse, Ms. Thang Yee Chin. Accordingly, Mr. Teo was deemed to be interested in these 131,055,150 shares and 63,945,125 warrants by virtue of the SFO.

16 Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations (cont'd)

Save as disclosed above, as at 31 December 2017, none of the Directors or Chief Executive of the Company had registered an interest or short position in the Shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

17 Share Options and Employee Performance Share Plan

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

The following persons are eligible to participate in the ISDN PSP:

(a) Group employees and Group executive directors

(b) Group non-executive directors

(c) Persons who qualify under (a) above and are also controlling shareholders or their associates shall not participate in the ISDN PSP 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, provided always that it shall not be necessary to obtain the approval of independent shareholders for the participation in the ISDN PSP if he is, at the relevant time already a participant.

Other salient information relating to the ISDN PSP is set out below:

(i) The total number of new shares that may be issued pursuant to awards granted under the ISDN PSP, when added to the aggregate number of shares that are issued or are issuable in respect of the ISDN ESOS and such other share-based incentive schemes of the 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 SEHK, where applicable) of the total number of issued shares of the Company on the day immediately preceding the date on which the award shall be granted, provide and subject to the rules of the ISDN PSP.

(ii) Awards may only be vested and consequently any shares comprised in such awards shall only be delivered upon the RC being satisfied that the participant has achieved the performance target(s) and that the vesting period (if any) has expired provided always that the RC 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.

17 Share Options and Employee Performance Share Plan (cont'd)

(iii) 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.

(iv) The vesting periods of awards will be determined by the RC and may not be subject to such time restrictions before vesting.

(v) 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 the RC, 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 the Group and the extent of effort required to achieve the performance target(s) within the performance period and, in the case of a Group non-executive director, his board and board committee appointments and attendance, and his contribution to the success and development of the Group.

(vi) An award shall 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 the Group.

Maximum entitlement of each participant under the ISDN PSP Scheme

The maximum entitlement of each participant under the ISDN PSP Scheme in any 12 month period up to and including the date of grant of the options must not exceed 3% of the total number of Shares in issue.

The remaining life of the scheme

The ISDN PSP Scheme shall be valid and effective for a period of 10 years from the date of adoption until 16 February 2022.

There were no share options granted, exercised, lapsed or cancelled and there were no outstanding share pursuant to the ISDN PSP Scheme in FY2017.

The ISDN Employee Share Option Scheme 2016 (the "ISDN ESOS") was approved and adopted by shareholders on 22 April 2016. The purpose of the ISDN ESOS is to complement the ISDN PSP in the Group's efforts to reward, retain and motivate participants to achieve better performance. The ISDN ESOS was not utilised in FY2017. The ISDN ESOS is primarily a share incentive scheme that provides an opportunity for participants who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company. It recognises the fact that the services of such participants are important to the success and continued well-being of the Group.

17 Share Options and Employee Performance Share Plan (cont'd)

The following persons shall be eligible to participate in the ISDN ESOS:

(a) Group employees (including Group executive directors) and Group non-executive directors;

(b) directors, non-executive directors and employees of any associated company (if and where applicable) subject to the Company having control over such associated company;

Other salient information relating to the ISDN ESOS is set out below:

(i) The aggregate number of shares over which share options ("Options") may be granted on any date under the ISDN ESOS shall not exceed 15.0% of the total issued shares of the Company (excluding treasury shares) on the day preceding the relevant date of grant.

(ii) For such time as the Company is listed on the SEHK, the aggregate number of shares which may be issued upon exercise of all Options to be granted under the ISDN ESOS and any other schemes adopted by the Company must not exceed 10.0% of the issued shares of the Company.

(iii) The number of shares over which Options may be granted to a participant for subscription under the ISDN ESOS shall be determined at the absolute discretion of the RC, 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.

(iv) The exercise price for each share in respect of which an Option is exercisable shall be determined by the RC 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 SEHK'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 SEHK's or the SGX-ST's daily quotations sheets for the five (5) consecutive market days immediately preceding the date of grant (whichever is higher); and the nominal value of the shares (if any).

(v) The fair value of employee services received in exchange for the grant of the Options would be recognised as a charge to the profit or loss over the vesting period of an Option with a corresponding credit to reserve account. The total amount of the charge over the vesting period is generally measured by reference to the fair value of each Option granted.

(vi) Options granted with a discount under the ISDN ESOS are subject to a longer vesting period of two (2) years, as compared to a vesting period of one (1) year for those granted at the market price.

Maximum entitlement of each participant under the ISDN ESOS

The maximum entitlement of each participant under the ISDN ESOS in any 12 month period up to and including the date of grant of the options must not exceed 1% of the total number of shares in issue.

The remaining life of the scheme

The ISDN ESOS shall be valid and effective for a period of 10 years from the date of adoption until 22 April 2026.

There were no share options granted, exercised, lapsed or cancelled and there were no outstanding share pursuant to the ISDN ESOS in FY2017.

18 Audit Committee

The Audit Committee ("AC") comprises all Independent Non-executive Directors. The members of the Audit Committee are:

Lim Siang Kai (Chairman)
Soh Beng Keng
Tan Soon Liang

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

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

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

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

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

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

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

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

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

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

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

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

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

18 Audit Committee (cont'd)

The AC having reviewed the external auditors' non-audit services, was of opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held 4 meetings since the last Directors' Statement with full attendance from all members. In performing its functions, the AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

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

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

The AC has reviewed, with the management and the external auditors of the Company, Messrs. Moore Stephens LLP, the accounting principles and policies adopted by the Group, and discussed audited financial statements of the Group for the financial year ended 31 December 2017. The financial statements have been audited by the Company's external auditors.

19 Arrangements to Purchase Shares or Debentures

Other than the warrant holdings disclosed above, at no time during the year was the Company or any of its subsidiaries, a part to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

20 Directors' Interests in Contracts of Significance

Other than disclosed above and in Note 33 to the financial statements, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

21 Management Contracts

Save for service contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended 31 December 2017.

22 Continuing Connected Transactions

We have entered into certain transactions with connected persons and these transactions constitute continuing connected transactions within the mean under the SEHK Listing Rules (the "Continuing Connected Transactions").

Other than the connected transactions set out in this section, the Group currently does not have any other on-going connected transaction.

(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement

1. Frame agreement with Resem Technologies

We have entered into a framework agreement on 5 September 2016 with Resem Technologies Pte. Ltd. ("Resem Technologies") 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. The salient terms of the agreement are set out below:

- ***Contract period:*** The agreement shall commence on the 12 January 2017 (the "Listing Date"), and shall continue up to and including 31 December 2018. Subject to compliance with the requirements of the SEHK Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the above term or subsequent renewal term, the agreements automatically renewed for a successive period of three years thereafter (or such other period permitted under the SEHK 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 the Group and will be on normal commercial terms or not more favourable terms than those offered by the Group to independent third parties at the relevant time.

Relationship

Resem Technologies is owned by Ms. Teo Sok Hun, a sister of Mr. Teo Cher Koon. She owns 70% shareholding interest in Resem Technologies. She is connected person of our Company under Rule [14A.07(1)] of the SEHK Listing Rules.

Historical transaction amount

For the financial years ended 31 December 2017 and 2016, the total purchase amounts paid and payable by Resem Technologies to the Group amounted to Nil and S$390,000, respectively.

Proposed annual caps

For the financial year ending 31 December 2018, the total purchase amounts payable to the Group are not expected to exceed S$450,000.

22 Continuing Connected Transactions (cont'd)

(A) Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement (cont'd)

1. Frame agreement with Resem Technologies (cont'd)

Implication under the SEHK 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 SEHK 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 SEHK Listing Rules.

(B) Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements

1. License agreement with Maxon Motor

We have entered into a license agreement on 21 October 2016 (and supplemented by a letter agreement dated 21 October 2016) with Maxon Motor AG ("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.

22 Continuing Connected Transactions (cont'd)

(B) Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

1. License agreement with Maxon Motor (cont'd)

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 the Group to Maxon Motor for that product during the preceding six months. In case of direct claims by third parties against Maxon Motor, the 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 the 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.

Relationship

Maxon Motor is an associate of Interelectric AG ("Interelectric"). Interelectric owns 50% of the shareholding interest in Maxon Suzhou and Maxon Shanghai and hence, Maxon Motor is a connected person of our Company at the subsidiary level.

Historical transaction amount

For the financial years ended 31 December 2017 and 2016, the total purchase amount paid and payable by the Group to Maxon Motor amounted to S$38,282,000 and S$33,744,000, respectively.

Proposed annual caps

For the financial year ending 31 December 2018, the total purchase amounts payable by the Group to Maxon Motor are not expected to exceed S$51,600,000.

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 Continuing Connected Transactions" 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 SEHK Listing Rules.

22 Continuing Connected Transactions (cont'd)

(B) Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

2. Service agreements with Maxon Motor

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.

Relationship

Maxon Motor is an associate of Interelectric AG ("Interelectric"). Interelectric owns 50% of the shareholding interest in Maxon Suzhou and Maxon Shanghai and hence, Maxon Motor is a connected person of our Company at the subsidiary level.

Historical transaction amount

For the financial years ended 31 December 2017 and 2016, the total service fee paid and payable by the Group to Maxon Motor amounted to S$143,000 and S$106,000, respectively.

Proposed annual caps

For the financial year ending 31 December 2018, the total service fees payable by the Group to Maxon Motor are not expected to exceed S$300,000.

Implication under the SEHK 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 Continuing Connected Transactions" 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 SEHK Listing Rules.

22 Continuing Connected Transactions (cont'd)

(B) Continuing Connected Transactions exempt from circular, independent financial advice and shareholders' approval requirements (cont'd)

Confirmation from Directors in relation to Continuing Connected Transactions

The Company's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the SEHK Listing Rules:

a. nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the external auditor's attention that causes the external auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the external auditor's letter has been provided by the Company to the SEHK. In addition, all of the continuing connected transactions of the Company disclosed herein constitute related party transactions set out in Note 33 to the financial statements. All other related party transactions as described in Note 33 to the financial statements do not fall under the definition of "continuing connected transaction" or "connected transaction" under the SEHK Listing Rules.

The Independent Non-executive Directors of the Company have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company confirms that the Company has complied with the disclosure requirements under Chapter 14A of the SEHK Listing Rules in respect of the continuing connected transactions set out above.

23 Related Party Transactions

The Group entered into certain transactions with its related parties during the financial year ended 31 December 2017.

Details of the Related Party Transactions are set out in Note 33 to the financial statements. Except as disclosed above, none of the related party transactions constitute a connected transaction or continuing connected transaction under the SEHK Listing Rules.

24 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2017, the persons or entities who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

		Number of ordinary shares					
Name	**Capacity**	**Personal interests**	**Corporate interests**	**Number of underlying shares held under share option scheme**	**Number of underlying shares held under warrant listing**	**Total**	**Approximate percentage of the issued share capital of the Company**
Assetraise Holdings Limited[1]	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	49.41%
Karl Walter Braun	Beneficial owner	20,000,000	-	-	-	20,000,000	5.07%

Note:

(1) Assetraise Holdings Limited, which is beneficially owned by Mr. Teo Cher Koon and his spouse Ms Thang Yee Chin, are the beneficial owner of 131,055,150 Shares. By virtue of the SFO, Mr. Teo Cher Koon and his spouse Ms Thang Yee Chin, are deemed to be interested in all of the share held by Assetraise Holdings Limited. Assetraise Holdings Limited held 63,945,125 Warrants.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other persons (who is not a Director or the Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XB of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

25 Pre-Emptive Rights

There are no provisions for pre-emptive rights under the constitution of the Company or laws of the Singapore where the Company was incorporated.

26 Corporate Governance

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company fully complied with the relevant code provisions in the CG Code for the financial year ended 31 December 2017.

27 Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction

In compliance with Rules 1207(19) of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities on terms no less exacting than the required standards of the Model Code and these are applicable to all its employees in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the financial year ended 31 December 2017.

The Company and its employees are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's quarterly results and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

28 Major Customers and Suppliers

For the financial year ended 31 December 2017, the Group sold less than 13% of its goods and services to its 5 largest customers.

For the financial year ended 31 December 2017, purchases attributable to the Group's largest supplier accounted for approximately 30% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 56% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors, or the irrespective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

29. Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, the Shares, they are advised to consult a professional in taxation.

30. Retirement Benefit Schemes/Pension Schemes

The Group's employees in Hong Kong are required to participate in the mandatory provident fund scheme and a defined contribution pension scheme respectively, whereby the Group is required to pay contributions for such employees at a certain rate of the wages determined by the relevant authorities in Hong Kong respectively. The Group is also equired to make contributions to various government sponsored employee-benefit funds, including social insurance fund, housing fund, basic pension insurance fund and unemployment, maternity and work-related insurance funds for its employees in China in accordance with the applicable laws and regulations of China.

The Group has no other material obligation for payment of retirement benefits or pension to its employees beyond the contributions described above. Details of the Group's retirement benefits scheme/pension schemes are set out in note 3 to the consolidated financial statements.

31 Environmental Policies and Performance

The Group continuously endeavours to promote environmental and social responsibility to employee and contribute the community. The Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, the Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

As required by the SGX-ST Listing Manual and the SEHK Listing Rules, the Company is required to report on environmental, social and governance issues ("'ESG Information") on an annual basis during the same period covered in the Annual Report. As the Company requires more time to prepare and compile the relevant ESG Information, the Company will publish the ESG Information separately and in any event no later than three (3) months after the publication of the Annual Report. The Company will notify the shareholders by way of announcement via SGXNET, the website of the SEHK and the Company's website at www.isdnholdings.com/investorrelations.html for the publication of the ESG Information in due course.

32 Donations

The Group did not make any charitable donation during the year.

33 Deed of Non-Competition

The Company has received the written confirmations from Mr. Teo Cher Koon and his spouse Ms Thang Yee Chin, in respect of the compliance with the provisions of the deed of non-competition ("Deed of Non-competition"), entered into between the controlling shareholders and the Company as set out in the section headed "Relationship with Controlling Shareholders - Non-Competition Undertaking" of the Prospectus, during the year and up to the date of this annual report.

The Independent Non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the year and up to the date of this annual report.

34 Sufficiency of Public Float

Upon dual listing of the shares of the Company on the Main Board of the SEHK, the Company shall maintain a sufficient public float from the date of listing to the date of this annual report. Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed minimum percentage of public float since 12 January 2017 (i.e. the date of dual listing) to the date of this annual report as required under the SEHK Listing Rules.

35 Independent Auditors

Moore Stephens LLP have expressed their willingness to accept re-appointment. Moore Stephens LLP will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of Moore Stephens LLP as the auditor of the Company is expected to be proposed at the forthcoming annual general meeting.

The Board of Directors of the Company has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors,

....	....
TEO CHER KOON	LIM SIANG KAI
Managing Director and President	*Chairman*

Singapore
13 March 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Allowance for inventory obsolescence	
The Group's total gross inventories and the related allowance for inventory obsolescence amounted to S$58,501,000 and S$8,498,000, respectively as at 31 December 2017. The Group's inventories are stated at the lower of cost and net realisable value ("NRV"). Changes in market conditions and technology advances, and the corresponding effects on customer's demand levels and specification requirements, may result in excess, slow-moving or obsolete inventories that command selling prices below costs. Significant management judgement is required for the estimation of the NRV and allowance for inventory obsolescence. As such, we determined that this is a key audit matter. The Group's accounting policies on inventories and the critical accounting estimates and judgements thereon are disclosed in Note 3(j) and Note 2(b)(i)(a) to the financial statements, respectively.	Our audit procedures included, amongst others, attending inventory counts at selected inventory locations to observe the physical conditions and quantities of the inventories on sample basis. We have reviewed the Group's policy for inventory obsolescence, performed procedures to understand management's methodology and process of assessing for inventory obsolescence and in estimating the NRV of inventories. We have also reviewed and tested the reliability of the inventory aging report which management uses as a basis to identify slow moving and obsolete inventories, as well as the management's computation for inventory obsolescence. We assessed the determination of NRV for selected inventory samples by comparing them to the unit selling price subsequent to the year end or recent selling prices, as appropriate, and evaluated any write-downs of inventory to lower of cost and NRV to be made. We also assessed the adequacy and appropriateness of the Group's disclosure on the inventories in Note 17 to the financial statements.
Impairment of trade receivables	
The Group's total gross trade receivables and its related allowance for impairment amounted to S$69,138,000 and S$685,000, respectively as at 31 December 2017. The collectability of trade receivables is a key element of the Group's working capital management, and is managed on an ongoing basis by management. Where collections of outstanding trade receivables are in doubt, management assesses the recoverability of such amounts and determines the allowance for impairment. These judgements include estimating and evaluating expected future receipts from customers based on past payment trends, relative age of the debtors, knowledge of the customers' businesses and its financial condition. Hence, the assessment of allowance for impairment requires significant management judgement. As such, we determined that this is a key audit matter. The Group's accounting policies on allowance for impairment and the critical accounting estimates and judgements thereon are disclosed in Note 3(k) and Note 2(b)(i)(b) to the financial statements, respectively.	Our audit procedures included, amongst others, evaluating the processes and controls relating to the monitoring of and the impairment policy for uncollectible trade receivables. We assessed the appropriateness of the Group's policy on allowance for trade receivables and assessed the adequacy of the allowance, including discussing with management on the credit quality of the existing customers and collectability of significant past due trade receivables. We have also reviewed and tested the reliability of the trade receivables ageing report which management uses as a basis to identify trade receivables with collection risks. For significant past due amounts yet to be collected, we also considered amongst other factors, such as the credit risk, past payment history, settlement arrangements, subsequent receipts and on-going business dealings with the debtors involved to assess the appropriateness of any allowance for impairment to be made. We also assessed the adequacy and appropriateness of the Group's disclosures on the trade receivables and the related credit risk in Note 18 and Note 34(a) to the financial statements, respectively.

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill	
The Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S$11,686,000 as at 31 December 2017. The goodwill has been allocated to the relevant cash generating unit ("CGU") under the respective operating segments as disclosed in Note 14 to the financial statements. As part of its annual impairment testing, management prepares value in use calculations ("VIU") to arrive at the recoverable amount of each CGU. These VIUs are based on cash flow forecasts of the CGUs, the preparation of which requires management to use assumptions and estimates relating to budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. As such, we determined that this is a key audit matter. The Group's accounting policies on impairment of goodwill is disclosed in Note 3(f) to the financial statements. The critical accounting estimates and judgements made in arriving at the assumptions used in the preparation of the cash flow forecasts by management are disclosed in Note 2(b)(ii)(a) to the financial statements.	Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. We tested the robustness of management's forecast by comparing previous forecasts to actual results. In addition, we also validated key inputs used in the discounted cash flow forecasts, such as growth rates and discount rates, to historical data and external market data to assess the reasonableness of management's forecast. We tested management's sensitivity analysis of the recoverable amount of the CGUs based on changes to the key assumptions used in the cash flow forecasts. We also checked the mathematical accuracy of the underlying calculations. We also assessed the adequacy and appropriateness of the Group's disclosure on the impairment testing of goodwill in Note 14 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibility for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ng Chiou Gee Willy.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
13 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Revenue	4	292,185	258,502
Cost of sales		(218,354)	(193,503)
Gross profit		73,831	64,999
Other operating income	5	4,177	4,039
Distribution costs		(24,147)	(21,556)
Administrative expenses		(31,385)	(30,557)
Other operating expenses		(3,464)	(2,203)
Finance costs	6	(812)	(742)
Share of profit of associates		615	351
Profit before income tax	7	18,815	14,331
Income tax	9	(5,069)	(4,288)
Profit for the year		13,746	10,043
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation			
- Loss on exchange translation		(917)	(1,825)
- Reclassification		-	(260)
Total comprehensive income for the year		12,829	7,958
Profit for the year attributable to:			
Equity holders of the Company		9,547	5,153
Non-controlling interests		4,199	4,890
		13,746	10,043
Total comprehensive income for the year attributable to:			
Equity holders of the Company		8,743	2,940
Non-controlling interests		4,086	5,018
		12,829	7,958
Earnings per share:	10		
Basic		2.43	1.45
Diluted		2.43	1.45

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	11	27,326	27,682
Investment properties	12	504	522
Land use rights	13	1,338	1,376
Goodwill	14	11,686	11,686
Associates	16	18,352	11,649
Deferred tax assets	26	316	59
Total non-current assets		59,522	52,974
Current Assets			
Inventories	17	50,003	38,902
Trade and other receivables	18	89,164	86,288
Cash and bank balances	19	38,303	38,683
Total current assets		177,470	163,873
Total Assets		236,992	216,847
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	70,981	62,408
Warrants issue	21	3,384	3,384
Treasury shares	22	-	-
Reserves	23	62,313	55,425
		136,678	121,217
Non-controlling interests	15	15,214	14,927
Total Equity		151,892	136,144
Non-current Liabilities			
Bank borrowings	24	159	263
Finance leases liabilities	25	82	186
Deferred tax liabilities	26	266	-
Total non-current liabilities		507	449
Current Liabilities			
Bank borrowings	24	14,302	13,052
Finance leases liabilities	25	160	150
Trade and other payables	27	68,694	65,478
Current tax liabilities		1,437	1,574
Total current liabilities		84,593	80,254
Total Liabilities		85,100	80,703
Total Liabilities and Equity		236,992	216,847

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Company 2017 S$'000	Company 2016 S$'000
ASSETS			
Non-current Assets			
Subsidiaries	15	36,653	36,653
Associates	16	124	31
Total non-current assets		36,777	36,684
Current Assets			
Other receivables	18	115	74
Amount owing by subsidiaries	15	42,049	28,312
Dividend receivable		6,938	7,750
Cash and bank balances	19	2,692	346
Total current assets		51,794	36,482
Total Assets		88,571	73,166
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	20	70,981	62,408
Warrants issue	21	3,384	3,384
Treasury shares	22	-	-
Reserves	23	4,650	2,715
Total Equity		79,015	68,507
Current Liabilities			
Bank borrowings	24	3,000	-
Other payables	27	6,556	4,659
Total current liabilities		9,556	4,659
Total Liabilities		9,556	4,659
Total Liabilities and Equity		88,571	73,166

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	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										
Balance at 1 January 2017	62,408	3,384	-	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144
Profit for the year	-	-	-	-	-	-	9,547	9,547	4,199	13,746
Other comprehensive (loss) for the year	-	-	-	-	(802)	(2)	-	(804)	(113)	(917)
Total comprehensive (loss)/income for the year	-	-	-	-	(802)	(2)	9,547	8,743	4,086	12,829
Increase in share capital arising from public share offer (Note 20):										
Proceeds from shares issued	9,373	-	-	-	-	-	-	9,373	-	9,373
Share issue expense	(800)	-	-	-	-	-	-	(800)	-	(800)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,264)	(4,264)
Acquisition of non-controlling interests (Note 15)(a)	-	-	-	-	-	-	(522)	(522)	522	-
Deregistration of subsidiaries	-	-	-	-	-	(51)	-	(51)	(57)	(108)
Payment of dividends (Note 28)	-	-	-	-	-	-	(1,282)	(1,282)	-	(1,282)
Transfer to other reserves	-	-	-	-	-	280	(280)	-	-	-
Balance at 31 December 2017	70,981	3,384	-	(436)	(2,071)	4,921	59,899	136,678	15,214	151,892

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	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										
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 year	-	-	-	-	-	-	5,153	5,153	4,890	10,043
Other comprehensive (loss)/income for the year	-	-	-	-	(2,213)	-	-	(2,213)	128	(2,085)
Total comprehensive (loss)/income for the year	-	-	-	-	(2,213)	-	5,153	2,940	5,018	7,958
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	3,200	3,200
Cancellation of treasury shares	(1,517)	-	1,517	-	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,408)	(4,408)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	(8,114)	(8,114)
Payment of dividends	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	205	(236)	(31)	-	(31)
Balance at 31 December 2016	62,408	3,384	-	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 S$'000	2016 S$'000
Cash Flows from Operating Activities		
Profit before income tax	18,815	14,331
Adjustments for:		
Amortisation of land use rights	34	34
Trade receivables written off	156	149
Depreciation of property, plant and equipment	2,211	2,024
Depreciation of investment properties	19	17
Allowance for inventory obsolescence	1,309	1,057
Allowance for impairment loss on trade receivables	67	99
Deregistration of/Gain on disposal of interest in a subsidiary	(101)	(411)
Gain on disposal of property, plant and equipment	(5)	(11)
Gain on disposal of interest in an associate	-	(64)
Property, plant and equipment written off	4	1
Inventories written off	138	240
Write back of allowance for inventory obsolescence	(5)	(77)
Write back of allowance for impairment loss on trade receivables	(54)	(131)
Interest expense	812	742
Interest income	(108)	(267)
Share of profits of associates	(615)	(351)
Unrealised foreign exchange differences – net	1,194	114
Operating cash flow before working capital changes	23,871	17,496
Changes in working capital:		
Inventories	(12,543)	733
Trade and other receivables	(4,719)	(17,457)
Trade and other payables	4,140	16,343
Cash generated from operations	10,749	17,115
Interest paid	(812)	(742)
Interest received	108	267
Income tax paid	(5,197)	(4,282)
Net cash generated from operating activities	4,848	12,358

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 S$'000	2016 S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,095)	(2,511)
Proceeds from disposal of property, plant and equipment	36	22
Net cash outflow on disposal of a subsidiary (Note 16)	-	(3,966)
Investments in and loans to associates	(9,236)	-
Funds to an investee company	(56)	(432)
Proceed from disposal of an associate	-	694
Dividend from associates	297	368
Consideration for acquisition of interest in a subsidiary	-	(310)
Repayment from associates	496	-
Promissory note issued	(1,280)	-
Amount due from investor	(662)	-
Net cash used in investing activities	(12,500)	(6,135)
Cash Flows from Financing Activities		
Dividends to equity holders of the Company	(1,282)	(1,419)
Dividends to non-controlling interests	(1,802)	(3,957)
Repayment from associates	-	23
Proceeds from bank loans	15,555	10,918
Repayments of bank loans	(15,121)	(12,954)
Proceeds from trust receipts, net	711	1,067
Repayments of finance leases	(94)	(163)
Decrease/(Increase) in fixed deposit pledged	1,141	(1,391)
Proceeds from public share offer - net (Note 20)	8,573	-
Net cash generated from/(used in) financing activities	7,681	(7,876)
Net increase/(decrease) in cash and cash equivalents	29	(1,653)
Cash and cash equivalents at beginning of year	37,292	39,096
Effect of currency translation on cash and cash equivalents	732	(151)
Cash and cash equivalents at end of year (Note 19)	38,053	37,292

The accompanying notes form an integral part of the financial statements

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

1 General

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

The shares of the Company have been listed on the Mainboard of the SGX-ST and then subsequently were dual listed on the Main Board of the SEHK on 12 January 2017.

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon, the Managing Director and President of the Company 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 subsidiary companies and associates are set out in Notes 15 and 16.

2 Basis of Preparation

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on a historical cost basis except as disclosed in the summary of significant accounting policies set out in Note 3.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the reporting date, and the reported amounts of revenues and expenses during the relevant reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in Note 2(b).

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(i) Adoption of New/Revised FRS that are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new/revised standards mandatorily effective for the said year and relevant to the Group:

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

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

a) changes from financing cash flows;
b) changes arising from obtaining or losing control of subsidiaries or other businesses;
c) the effect of changes in foreign exchange rates;
d) changes in fair values; and
e) other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. Comparatives are not required in the first year of adoption.

As this is a disclosure requirement, the application of the amendments has had no impact on the financial performance or financial position of the Group and the Company. The above required information where material has been set out in Note 24 for bank borrowings.

Amendments to FRS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The application of the amendments has had no impact on the financial performance or financial position of the Group and the Company.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) New/Revised FRS in issue but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group have been issued but are not yet effective:

		Effective for annual periods beginning on or after
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 40	*Transfers of Investment Property*	1 January 2018
Improvements to FRSs (December 2016)		
- Amendments to FRS 28	*Investment in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 28	*Long-term interests in Associates and Joint Ventures*	1 January 2019
Amendments to FRS 110 and FRS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined but is available for adoption
FRS 116	*Leases*	1 January 2019
Improvements to FRSs (March 2018)		
- Amendments to FRS 103	*Business Combinations*	1 January 2019
- Amendments to FRS 12	*Income Taxes*	1 January 2019
- Amendments to FRS 23	*Borrowing Costs*	1 January 2019

Consequential amendments were also made to various standards as a result of these new/revised standards.

Except for FRS 109, FRS 115, and FRS 116 described below, the Group does not expect the adoption/application of the other new/revised FRS above in future periods to have a significant impact on the financial statements in the period of their initial application.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) New/Revised FRS in issue but not yet effective (cont'd)

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

Based on the Group's initial assessment, the Group does not expect the adoption of FRS 109 to have a significant impact on the financial statements, except that the new impairment model may result in a possible increase in impairment but the Group does not expect any addition credit losses to be significant. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 109.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018.

Based on the Group's initial assessment, the Group does not expect the adoption of FRS 115 to have a significant impact on the financial statements. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 115.

2 Basis of Preparation (cont'd)

(a) Basis of Preparation (cont'd)

(ii) New/Revised FRS in issue but not yet effective (cont'd)

FRS 116 *Leases*

FRS 116 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

The Group has entered into non-cancellable operating lease agreements, which may be required to be recognised as ROU (right of use) assets with corresponding lease liabilities in respect of some of those commitments under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects prior to the adoption.

Convergence with International Financial Reporting Standard

Singapore-incorporated companies listed on the Singapore Exchange (SGX) are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SFRS(I) in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SFRS(I) *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SFRS(I) 9 *Financial Instruments*, SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 16 *Leases* will be similar to adopting FRS equivalents as described above.

Other than the adoption of the new/revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework. The Group is currently conducting a detailed analysis of the available accounting policy choices, transitional optional exemptions and transitional mandatory exceptions under SFRS(I) 1 and the preliminary assessment may be subject to changes arising from the detailed analysis.

2 Basis of Preparation (cont'd)

(b) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements 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.

(a) Allowance for inventory obsolescence

Changes in market conditions and technology advances, and the corresponding effects on customer's demand levels and specification requirements, may result in excess, slow-moving or obsolete inventories that command selling prices below costs. At the end of each reporting period, the Group reviews the carrying amount of its inventories to ensure that they are stated at the lower of cost and net realisable value ("NRV"). Management uses judgement in the estimation of the NRV and allowance for inventory obsolescence, based on the best available facts and circumstances at the end of each reporting period. Inappropriate judgment in the estimates made could result in changes to the amount of the allowance for inventory obsolescence.

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$1,304,000 (2016: S$980,000) (Notes 5 and 7). In addition, certain inventories which were determined to be obsolete and unusable amounted to S$138,000 (2016: S$240,000) (Note 7) were written off during the financial year. The Group's allowance for inventory obsolescence as at 31 December 2017 was S$8,498,000 (2016: S$7,330,000) and the carrying amount of the Group's inventories was S$50,003,000 (2016: S$38,902,000) as disclosed in Note 17.

2 Basis of Preparation (cont'd)

(b) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(i) Critical judgements in applying accounting policies (cont'd)

(b) Impairment of trade receivables

The collectability of trade receivables is a key element of the Group's working capital management, and is managed on an ongoing basis by management. Where collections of outstanding trade receivables are in doubt, management assesses the recoverability of such amounts and determines the allowance for impairment. These judgements include estimating and evaluating expected future receipts from customers based on past payment trends, relative age of the debtors, knowledge of the customers' businesses and its financial condition. Inappropriate judgment and estimates made in the impairment assessment could result in changes to the amount of the allowance for impairment.

During the financial year, the Group recognised a net allowance for impairment loss on trade receivables of S$13,000 (2016: net write back of allowance for trade receivables of S$32,000) (Notes 5 and 7). In addition, certain trade receivables which were assessed to be non-recoverable amounted to S$156,000 (2016: S$149,000) (Note 7) were written off during the financial year. The Group's allowance for impairment of trade receivables as at 31 December 2017 was S$685,000 (2016: S$719,000) (Note 34(a)(iii)) and the carrying amount of the Group's trade receivables was S$68,453,000 (2015: S$69,431,000) as disclosed in Note 18.

(ii) 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 reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the cash-generating unit ("CGU") to which goodwill has been allocated is based on value in use ("VIU") calculation. VIU is based on cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. Changes to the assumptions and estimates used could result in changes in the carrying amount of the goodwill.

No impairment loss for goodwill was recognised as at 31 December 2017 (2016: Nil) as the relevant recoverable amounts were in excess of the respective carrying amounts of the CGUs. The carrying amount of the goodwill as at 31 December 2017 was S$11,686,000 (2016: S$11,686,000) (Note 14).

Further details on the impairment testing of goodwill including management's sensitivity analysis are disclosed in Note 14.

2 Basis of Preparation (cont'd)

(b) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(ii) *Key sources of estimation uncertainty* (cont'd)

(b) 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. Management also assessed the probabilities that deferred tax assets resulting from deductible temporary differences and unutilised tax losses, if any, can be utilised to offset future taxable income. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised income tax expense of S$5,069,000 (2016: S$4,288,000) for the financial year ended 31 December 2017. The carrying amounts of the Group's current income tax liabilities, deferred tax assets and deferred tax liabilities as at 31 December 2017 were S$1,437,000 (2016: S$1,574,000), S$316,000 (2016: S$59,000) (Note 26) and S$266,000 (2016: Nil) (Note 26), respectively.

3 Summary of Significant Accounting Policies

(a) Group Accounting

(i) *Subsidiaries*

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.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) *Subsidiaries* (cont'd)

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous held equity interest in the acquiree over the fair value of the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 the income statement.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

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.

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.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

(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.

Goodwill on acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains and losses on the disposal of associates include the carrying amounts of goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. 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.

When the Group reduces its ownership interest in an associate, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

3 Summary of Significant Accounting Policies (cont'd)

(a) Group Accounting (cont'd)

(ii) Associates (cont'd)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 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 statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Investments in subsidiaries and associates

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

Investments in associates are accounted for using the equity method accounting less impairment losses, if any, 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) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

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

3 Summary of Significant Accounting Policies (cont'd)

(b) Foreign Currencies (cont'd)

(ii) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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

(iii) Translation of Group entities' financial statements

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

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which the case income and expenses are translating using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

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.

3 Summary of Significant Accounting Policies (cont'd)

(b) Foreign Currencies (cont'd)

(iii) Translation of Group entities' financial statements (cont'd)

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 property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Depreciation is recognised to write off the depreciable amount of the assets over their estimated useful lives, using the straight-line method:

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.

3 Summary of Significant Accounting Policies (cont'd)

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

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 at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is reognised in profit or loss.

(d) Investment Properties

Investment properties which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost, including transaction costs, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line method to write off the cost of the investment properties over their remaining estimated useful lives of 45 years to 50 years.

The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

(e) Land Use Rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line method over the term of the land use rights. The amortisation period and method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

3 Summary of Significant Accounting Policies (cont'd)

(f) Goodwill

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

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

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

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

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

(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. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled with twelve months.

3 Summary of Significant Accounting Policies (cont'd)

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

Non-financial assets other than goodwill 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.

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 slow-moving and obsolete items.

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets

(i) *Classification*

Financial assets are recognised on the statement of financial position 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 its financial assets at initial recognition.

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 for those expected to be realised later than twelve months after the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" on the statement of financial position.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the

financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to 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.

(iii) *Initial and subsequent measurement*

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(iv) Impairment

The Group assesses at each reporting 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. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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 change 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

(i) 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.

(ii) Financial liabilities

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

Financial liabilities (including bank borrowings and trade and other payables) are initially measured at fair value, plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

3 Summary of Significant Accounting Policies (cont'd)

(m) Financial Liabilities and Equity Instruments Issued by the Group (cont'd)

(ii) Financial liabilities (cont'd)

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.

Bank borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting period.

(iii) 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) Borrowing Costs

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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Assets Under Hire Purchase Arrangements

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

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital account, net of any tax effects.

3 Summary of Significant Accounting Policies (cont'd)

(q) Treasury Shares

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

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

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

(r) Warrants Issue

Proceeds from the issuance of warrants, net of issue expenses, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to 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.

(s) Dividends to Company's Shareholders

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

(t) Financial Guarantees

Financial guarantees are contracts that require the issuer to reimburse the holder for a loss it incurs because a specified debtor fails to make principal or interest payments when due in accordance with the terms of the debtor's borrowings.

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

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

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

Financial guarantees are initially recognised at their fair values plus transaction costs in the issuer's statement of financial position.

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 statement of financial position.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

3 Summary of Significant Accounting Policies (cont'd)

(u) 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:

(i) 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.

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Technical service fee

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

(v) Property management income

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

(vi) Administrative income and commission income

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

3 Summary of Significant Accounting Policies (cont'd)

(v) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(ii) Employee leave entitlements

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

(w) Operating Leases

(i) As lessor

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

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

(ii) As lessee

Leases of property premises where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

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

(x) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3 Summary of Significant Accounting Policies (cont'd)

(x) Income Tax (cont'd)

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3 Summary of Significant Accounting Policies (cont'd)

(x) Income Tax (cont'd)

(ii) Deferred tax (cont'd)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

(iii) Current and deferred tax for the period

Current and deferred tax are recognised as income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

(y) Related Parties

A related party is defined as follows:

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

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

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

ii. has significant influence over the reporting entity; or

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

3 Summary of Significant Accounting Policies (cont'd)

(y) Related Parties (cont'd)

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

i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii. both entities are joint ventures of the same third party;

iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

vi. the entity is controlled or jointly controlled by a person identified in (a);

vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(z) Segment Reporting

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

4 Revenue

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

5 Other Operating Income

	Group	
	2017	2016
	S$'000	S$'000
Commission income	651	172
Gain on disposal of property, plant and equipment	5	11
Deregistration of a subsidiary	101	-
Gain on disposal of interest in a subsidiary	-	411
Gain on disposal of interest in an associate	-	64
Finance income:		
- interest on bank deposits	30	197
- interest on loan to an associate	78	70
Government grant	80	336
Operating lease rental income:		
- investment properties	61	59
- sub-let of office/warehouse premises	525	539
Property management income	301	308
Recovery of bad debts written off	-	3
Technical service income	982	743
Write back of allowance for inventory obsolescence*	5	77
Write back of allowance for impairment loss on trade receivables	54	131
Miscellaneous income	1,304	918
	4,177	4,039

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

6 Finance Costs

	Group	
	2017	2016
	S$'000	S$'000
Interest expense on:		
- Bank loans	761	697
- Trust receipts	32	26
- Finance leases	19	19
	812	742

7 Profit before Income Tax

	Group	
	2017	2016
	S$'000	S$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	34	34
Audit fees		
- Company's auditors	261	210
- other auditors	129	134
Non-audit fees		
- Company's auditors*	-	277
- other auditors*	-	194
Dual-listing expenses (excluding the above non-audit fees)	1,100	2,984
Depreciation of property, plant and equipment		
- recognised in cost of sales	395	202
- recognised in distribution costs	207	260
- recognised in administrative expenses	1,609	1,562
	2,211	2,024
Depreciation of investment properties	19	17
Other operating expenses included:		
- trade receivables written off	156	149
- allowance for inventory obsolescence	1,309	1,057
- allowance for impairment loss on trade receivables	67	99
- property, plant and equipment written off	4	1
- inventories written off	138	240
- foreign exchange losses, net	1,750	668
Operating lease rental expense	1,817	1,636

* The non-audit fees were in connection with the dual-listing exercise during the financial year ended 31 December 2016.

8 Employee Benefits

	Group	
	2017	2016
	S$'000	S$'000
Directors' fees	130	129
Directors' remuneration		
- salaries and related costs	4,083	3,510
- defined contribution plans	30	33
Key management personnel (other than directors)		
- salaries and related costs	6,006	6,182
- defined contribution plans	550	528
Other than directors and key management personnel		
- salaries and related costs	19,933	18,096
- defined contribution plans	3,606	2,746
	34,338	31,224

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 2017						
Independent directors						
- Lim Siang Kai (Chairman)	50	-	-	-	-	50
- Soh Beng Keng	40	-	-	-	-	40
- Tan Soon Liang	40	-	-	-	-	40
Executive directors						
- Teo Cher Koon	-	709	42	2,198	10	2,959
- Kong Deyang	-	146	36	952	20	1,154
	130	855	78	3,150	30	4,243
For the year ended 31 December 2016						
Independent directors						
- Lim Siang Kai (Chairman)	50	-	-	-	-	50
- Soh Beng Keng	40	-	-	-	-	40
- Tan Soon Liang	15	-	-	-	-	15
- Tay Gim Sin Leonard*	24	-	-	-	-	24
Executive directors						
- Teo Cher Koon	-	680	30	1,694	14	2,418
- Kong Deyang	-	146	36	924	19	1,125
	129	826	66	2,618	33	3,672

* Resigned during the financial year ended 31 December 2016.

8 Employee Benefits (cont'd)

(a) Directors' inducement and termination benefits

None of the Directors received or will receive any inducement and termination benefits during FY2017 (2016: Nil).

(b) Directors' waived emoluments

None of the Directors waived or agreed to waive any emoluments during FY2017 (2016: Nil).

(c) Consideration provided to third parties for making available Directors' services

During FY2017, the Company did not pay consideration to any third parties for making available Directors' services (2016: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors

There are no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during FY2017 (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of FY2017 or at any time during FY2017 (2016: Nil).

Five highest paid individuals

For the financial years ended 31 December 2017 and 2016, of the five individuals with highest emoluments, two are the executive directors whose emoluments are disclosed in the note above. The aggregate of the emoluments in respect of the remaining individuals for the financial years ended 31 December 2017 and 2016 are set out below:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Salaries, allowance and benefits in kind	1,291	796
Discretionary bonuses	195	138
Retirement scheme contributions	79	43
	1,565	977

8 Employee Benefits (cont'd)

Their emoluments paid by the Group are within the following bands:

	Group	
	2017	**2016**
S$100,001 to S$200,000	-	1
S$200,001 to S$300,000	1	2
S$300,001 to S$400,000	1	-
S$400,001 to S$500,000	1	-
S$1,100,001 to S$1,200,000	1	1
S$2,000,001 to S$3,000,000	1	1
	5	**5**

9 Income Tax

	Group	
	2017	**2016**
	S$'000	**S$'000**
Current income tax		
- Singapore	7	113
- PRC	4,880	4,331
- Outside Singapore and the PRC	224	222
- Over provision in respect of prior years	(51)	(358)
	5,060	4,308
Deferred tax (Note 26)		
- Current year	132	-
- Over provision in respect of prior years	(123)	(20)
	9	(20)
	5,069	4,288

9 Income Tax (cont'd)

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 in due to the following differences:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Profit before income tax	18,815	14,331
Income tax calculated at applicable tax rates	4,640	3,771
Non-deductible expenses	485	599
Singapore statutory stepped income exemption	(85)	(63)
Deferred tax assets not recognised	28	438
Share of results of associates	(91)	(79)
Withholding tax on undistributed earnings of certain Group's PRC subsidiaries	266	-
Over provision in respect of prior years:		
- current income tax	(51)	(358)
- deferred income tax	(123)	(20)
	5,069	4,288

Non-deductible expenses relate to certain operating expenses which are not deductible for tax purposes in the jurisdiction the Group operates in.

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2016: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong is 25% (2016: 25%) and 16.5% (2016: 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 of 25% (2016: 25%). The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

Subject to the satisfaction of the conditions for group relief, tax losses of S$1,159,000 (2016: S$1,582,000) arising in the current year are transferred from the Company to a Singapore incorporated subsidiary under the group relief system. These tax losses are transferred to the subsidiary at no consideration.

9 Income Tax (cont'd)

Unrecognised tax losses

As at 31 December 2017, the Group has unutilised tax losses of approximately S$21.25 million (2016: S$20.5 million) which can be carried forward and used to offset against future taxable income of those Group entities in which the tax losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective jurisdictions in which they operate. Deferred tax asset arising from certain of these unutilised tax losses carried forward amounted to S$20.5 million (2016: S$20.5 million) has not been recognised in accordance with the Group's accounting policy stated in Note 3(w). The deferred tax asset not recognised is estimated to be S$3.5 million (2016: S$3.5 million).

The untilised tax losses of Singapore entities of the Group have no expiry date, while the unutilised tax losses of the PRC entities of the Group generally expires 5 years from the year the tax losses arose. Unutilised tax losses of entities of the Group from other jurisdictions are not material.

Unrecognised temporary differences relating to investments in subsidiaries

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

As at 31 December 2017, deferred tax liabilities of S$266,000 (2016: Nil) (Note 26) has been recognised for taxes that would be payable based on the applicable concessionary rate of 5% withholding tax on the expected distributable earnings of certain Group's subsidiaries in the PRC in the foreseeable future. No deferred tax has been recognised on the undistributed earnings of the remaining Group's subsidiaries in the PRC as management has determined that these earnings will not be distributable in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised aggregate to approximately S$40.1 million (2016: S$41.8 million). The deferred tax liability not recognised is estimated to be S$2.0 million (2016: S$2.1 million).

10 Earnings Per Share

	Group	
	2017	**2016**
	Singapore cents per share	**Singapore cents per share**
Basic earnings per share	2.43	1.45
Fully diluted earnings per share	2.43	1.45

Basic earnings per share

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

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

	Group	
	2017	**2016**
	S$'000	**S$'000**
Profit for the year attributable to equity holders of the Company	9,547	5,153

	Group	
	2017	**2016**
Weighted average number of ordinary shares for the purposes of basic earnings per share	393,479,471	354,684,950

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

Diluted earnings per share

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

The outstanding warrants as at 31 December 2017 and 2016 are anti-dilutive because their exercise price is higher than the average share price during the relevant financial years.

11 Property, Plant and Equipment

	Freehold land	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
2017								
Cost								
Balance at 1 January	770	25,889	1,905	3,248	5,223	6,474	1,100	44,609
Additions	-	-	152	217	771	949	6	2,095
Disposals	-	-	-	(113)	(9)	(50)	-	(172)
Written off	-	-	-	-	(9)	(29)	-	(38)
Translation adjustment	17	(74)	99	5	(3)	8	(40)	12
Balance at 31 December	787	25,815	2,156	3,357	5,973	7,352	1,066	46,506
Accumulated depreciation								
Balance at 1 January	-	4,815	1,510	2,011	3,595	4,996	-	16,927
Depreciation for the year	-	520	186	437	539	529	-	2,211
Disposals	-	-	-	(90)	(8)	(43)	-	(141)
Written off	-	-	-	-	(8)	(26)	-	(34)
Translation adjustment	-	(8)	96	5	14	110	-	217
Balance at 31 December	-	5,327	1,792	2,363	4,132	5,566	-	19,180
Net book value								
Balance at 31 December	787	20,488	364	994	1,841	1,786	1,066	27,326
2016								
Cost								
Balance at 1 January	1,158	26,780	1,792	3,119	4,815	6,270	6,954	50,888
Additions	42	73	185	252	472	438	1,049	2,511
Disposals	-	-	-	(63)	(15)	(88)	-	(166)
Written off	-	-	-	-	(8)	(2)	-	(10)
Disposal of subsidiary	(379)	-	-	-	-	-	(6,912)	(7,291)
Translation adjustment	(51)	(964)	(72)	(60)	(41)	(144)	9	(1,323)
Balance at 31 December	770	25,889	1,905	3,248	5,223	6,474	1,100	44,609
Accumulated depreciation								
Balance at 1 January	-	4,409	1,435	1,680	3,058	4,752	-	15,334
Depreciation for the year	-	525	156	417	533	393	-	2,024
Disposals	-	-	-	(63)	(12)	(80)	-	(155)
Written off	-	-	-	-	(8)	(1)	-	(9)
Translation adjustment	-	(119)	(81)	(23)	24	(68)	-	(267)
Balance at 31 December	-	4,815	1,510	2,011	3,595	4,996	-	16,927
Net book value								
Balance at 31 December	770	21,074	395	1,237	1,628	1,478	1,100	27,682

11 Property, Plant and Equipment (cont'd)

The Group's leasehold properties are set out below:

Description and location	**Gross Area (approximately)**	**Use**	**Encumbrance**
Leasehold properties			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	# None
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	# None
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	# None
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	# None
No. 1128 Jiangxing East Road Wujiang Economic Development Zone People's Republic of China ("PRC")	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

\# As at 31 December 2017, the legal mortgages over the four leasehold properties of the Group have been fully discharged.

As at 31 December 2017, the net book value of the leasehold properties of the Group set out above that are mortgaged to secure the Group's bank borrowings, as disclosed in Note 24, was S$16,312,000 (2016: S$20,092,000).

During the financial year, no property, plant and equipment was acquired by means of finance leases (2016: Nil). The additions of other property, plant and equipment were acquired by cash payments of S$2,095,000 (2016: S$2,511,000).

As at 31 December 2017, the net book value of property, plant and equipment of the Group held under finance leases was S$278,000 (2016: S$474,000).

12 Investment Properties

	Group	
	2017	2016
	S$'000	S$'000
Cost		
Balance at 1 January	945	947
Translation adjustment	2	(2)
Balance at 31 December	947	945
Accumulated depreciation		
Balance at 1 January	423	405
Depreciation for the year	19	17
Translation adjustment	1	1
Balance at 31 December	443	423
Net book value		
Balance at 31 December	504	522

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$958,000 (2016: S$785,000) as at the statement of financial position date based on directors' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in Note 34(b).

The Group's investment properties are set out below:

Description and location	Gross Area (approximately)	Tenure	Use	Encumbrance
Freehold building				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	270 sq. m	Freehold Building	Leased out to third party	None
Leasehold properties				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	95 sq. m	60 years expiring December 2041	Leased out to third party	None
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	170 sq. m	60 years expiring December 2041	Leased out to third party	None

12 Investment Properties (cont'd)

Investment properties are leased to third parties under operating leases. During the financial year, rental income from these investment properties amounted to S$61,000 (2016: S$59,000); and direct operating expenses amounted to S$31,000 (2016: S$30,000).

As at 31 December 2016, the net book value of certain investment properties of the Group set out above that are mortgaged to secure the Group's bank borrowings, as disclosed in Note 24, was S$467,000. As at 31 December 2017, the legal mortgages over those investment properties of the Group have been fully discharged.

13 Land Use Rights

	Group	
	2017	**2016**
	S$'000	**S$'000**
Cost		
Balance at 1 January	1,647	1,705
Translation adjustment	(3)	(58)
Balance at 31 December	1,644	1,647
Accumulated amortisation		
Balance at 1 January	271	244
Amortisation for the year	34	34
Translation adjustment	1	(7)
Balance at 31 December	306	271
Net book value		
Balance at 31 December	1,338	1,376
Amount to be amortised:		
- not later than one year	34	34
- later than one year but not later than five years	137	137
- later than five years	1,167	1,205
	1,338	1,376

The land use rights relates to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 39 years (2016: 40 years).

As at 31 December 2017 and 2016, the land use rights are mortgaged to secure the Group's bank borrowings as disclosed in Note 24.

14 Goodwill

	Group	
	2017	2016
	S$'000	S$'000
Balance at 1 January and 31 December	11,686	11,686

Impairment testing of goodwill

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

	Group	
	2017	2016
	S$'000	S$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd ("Servo Thailand")	75	75
- TDS Technology (S) Pte Ltd ("TDS")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd ("Dirak Asia")	9,508	9,508
	11,686	11,686

14 Goodwill (cont'd)

The Group assessed the recoverable amount of each CGU 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 are using the estimated growth rates ranging between 0% to 9% (2016: 5%) per annum for the first five-year period. Cash flow beyond five-year period are extrapolated using the estimated growth rates ranging between 2% to 7% (2016: 1.5% to 2.5%). The growth rates used are based on the average historical growth rate of each CGU and past experience and with reference to the then long-term average growth rates of the industries and markets in which the CGUs 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 ranged between 7% to 9% (2016: 4% to 6%).

Sensitivity analysis

Management believes 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 the major CGUs, namely TDS and Dirak Asia, (the sensitivity analysis excludes Servo Thailand since the goodwill is considered not to be significant) to exceed their recoverable amounts.

If the management's estimated growth rates and pre-tax discount rates applied to the discounted cash flows for the major CGUs are decreased and increased by 1% (2016: 1%), respectively, the relevant recoverable amounts would still be in excess of their carrying amounts of the respective CGUs.

15 Subsidiaries

	Company	
	2017	2016
	S$'000	S$'000
Non-current assets		
Unquoted equity shares, at cost	23,026	23,026
Loans to subsidiaries	13,627	13,627
	36,653	36,653
Current assets		
Amounts owing by subsidiaries	43,549	29,812
Less: Allowance for impairment loss	(1,500)	(1,500)
	42,049	28,312

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

The Group has effective equity interest in certain subsidiaries of less than 50%. In assessing whether the Group has control over the entities where it holds less than a majority of voting rights, the Group has 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. As the Group has determined to have control over these entities, they are accordingly accounted as subsidiaries.

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

	Company	
	2017	2016
	S$'000	S$'000
Current assets		
Amounts owing by subsidiaries		
At 1 January and 31 December	1,500	1,500

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

15 Subsidiaries (cont'd)

The subsidiaries of the Group as at the statement of financial position date are set out below:

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Held by the Company				
Motion Control Group Pte Ltd[(1)]	Singapore	100	100	Investment holding
Servo Dynamics Pte Ltd[(1)]	Singapore	100	100	Motion control solutions and industrial computing solutions
Portwell Singapore Pte Ltd[(1)]	Singapore	100	100	Industrial computing solutions
Leaptron Engineering Pte Ltd[(1)]	Singapore	100	100	Other specialised engineering solutions
ISDN Investments Pte Ltd[(1)]	Singapore	100	100	Investment holdings
Held by Motion Control Group Pte Ltd				
Precision Motion Control Pte Ltd[(1)]	Singapore	100	100	Motion control solutions
Servo Dynamics Co., Ltd.[(2)(4)]	PRC	100	100	Motion control solutions
Servo Dynamics (Thailand) Company Limited[(4)]	Thailand	59.73	59.73	Motion control solutions
Servo Engineering Sdn Bhd[(3)]	Malaysia	90	90	Motion control solutions
Servo Dynamics (H.K.) Limited[(4)]	Hong Kong	100	100	Motion control solutions
Eisele Asia Co., Ltd[(2)(4)]	PRC	50	50	Other specialised engineering solutions
IGB (HK) Company Ltd[(2)(4)]	Hong Kong	51	51	Investment holdings
Servo Dynamics Sdn Bhd[(3)]	Malaysia	100	100	Motion control solutions
Excel Best Industries (Suzhou) Co., Ltd[(2)]	PRC	100	100	Properties holding
Weiyi M&E Equipment (Shanghai) Co., Ltd[(2)(4)]	PRC	51	51	Inactive

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Held by Motion Control Group Pte Ltd (cont'd)				
Suzhou PDC Co., Ltd[(2)(4)]	PRC	100	100	Properties holding
Gateway Motion (Shanghai) Co., Ltd[(2)(4)]	PRC	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co. Ltd[(2)(4)]	PRC	95.33	95.33	Other specialised engineering solutions
DBASIX Singapore Pte Ltd[(1)]	Singapore	75	51.92	Investment holding
TDS Technology (S) Pte Ltd[(1)]	Singapore	61.18	61.18	Motion control solutions
ISDN Enterprise Management (Wu Jiang) Co., Ltd[(2)(4)]	PRC	100	100	Investment holding
Accel Technologies (China) Co., Ltd[(2)(4)]	PRC	100	100	Other specialised engineering solutions
A Tracks Pte Ltd[(1)]	Singapore	70	70	Motion control solutions
Dirak Asia Pte Ltd[(4)(5)(7)]	Singapore	49	49	Other specialised engineering solutions
Suzhou Xiancheng Automation Technology Co., Ltd[(2)(4)]	PRC	100	100	Motion control solutions
Held by Servo Dynamics Pte Ltd				
Maxon Motor (Suzhou) Co., Ltd[(2)(4)(5)]	PRC	50	50	Motion control solutions
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd[(2)(4)(5)]	PRC	50	50	Motion control solutions
Servo Dynamics Engineering Company Limited[(4)(5)]	Vietnam	51	51	Motion control solutions

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Held by Servo Dynamics Co., Ltd				
Su Zhou Servo Dynamics Co., Ltd(2)(4)	PRC	100	100	Motion control solutions
Beijing Junyizhicheng Technology Developing Co., Ltd(2)(4)	PRC	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd(2)(4)	PRC	100	100	Motion control solutions
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd(2)(4)(5)	PRC	50	50	Other specialised engineering solutions
Trace Linear Technology (Suzhou) Co., Ltd(2)(4)(5)	PRC	50	50	Motion control solutions
Held by IGB (H.K.) Co., Ltd				
SEJINIGB (China) Co., Ltd(2)(4)	PRC	51	51	Other specialised engineering solutions
Held by DBASIX Singapore Pte Ltd				
Shanghai DBASIX M&E Equipment Co., Ltd(2)(4)	PRC	75	51.92	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd(3)	Malaysia	75	51.92	Other specialised engineering solutions
Held by TDS Technology (S) Pte Ltd				
ADL Control (S) Pte Ltd(1)(7)	Singapore	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd(3)(7)	Malaysia	48.94	48.94	Motion control solutions
TDS Technology (KL) Sdn Bhd(3)(7)	Malaysia	48.94	48.94	Motion control solutions
PT TDS Technology(2)(7)	Indonesia	36.71	36.71	Motion control solutions
SDL Control (Penang) Sdn Bhd(3)	Malaysia	61.18	61.18	Motion control solutions
SDL Control (KL) Sdn Bhd(3)	Malaysia	61.18	61.18	Motion control solutions

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group 2017 %	2016 %	Principal activities
Held by ISDN Investments Pte Ltd				
Agri Source Pte Ltd(1)	Singapore	100	100	Investment holdings
ISDN Resource Pte Ltd(1)	Singapore	100	100	Investment holdings
ISDN Energy Pte Ltd(1)	Singapore	100	51	Inactive
ISDN Myanmar Power Pte Ltd(1)	Singapore	100	100	Inactive
LAA Energy HK Company Limited(2)(4)	Hong Kong	100	100	Investment holdings
ISDN Road & Belt Energy (formally known as ISDN Myanmar Infrastructure Investment Pte. Ltd)(1)	Singapore	51	100	Inactive
ISDN Bantaeng Pte Ltd(1)	Singapore	80.5	60	Investment holdings
Held by LAA Energy HK Company Limited				
PT LAA Energy(2)(4)	Indonesia	90	90	Inactive
Held by Agri Source Pte Ltd				
Agri Source Farms Sdn Bhd(3)	Malaysia	100	100	Inactive
Agri Source Suzhou Co., Ltd(2)(4)	PRC	100	100	Inactive
Dietionary Farm Holding Pte Ltd(1)	Singapore	100	100	Investment holdings
Prima Infrastructure Sdn Bhd(2)(7)	Malaysia	49	49	Land holding
Held by Dietionary Farm Holding Pte Ltd				
Dietionary Farms Sdn Bhd(2)(4)	Malaysia	100	100	Carrying out hydroponic growing with the application of our in-house motion control solutions
Held by ISDN Resource Pte Ltd				
Jin Zhao Yu Pte Ltd(1)	Singapore	51	51	Inactive
ISDN NBA Resources Pte Ltd(1)(6)	Singapore	100	-	Inactive

15 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Held by ISDN Bantaeng Pte Ltd				
PT ISDN Bantaeng Corporation(2)(4)	Indonesia	51	51	Inactive
Held by Dirak Asia Pte Ltd				
Suzhou Dirak Co., Ltd(4)(5)(7)	PRC	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd(2)(4)(5)(7)	PRC	49	49	Other specialised engineering solutions
Taiwan Dirak Co., Ltd(2)(4)(5)(7)	Republic of China (Taiwan)	29.89	29.89	Other specialised engineering solutions
Zhuzhou Dirak Technology Co., Ltd(2)(4)(5)(7)	PRC	29.4	29.4	Other specialised engineering solutions
Held by Suzhou Dirak Co., Ltd				
Beijing Dirak Co., Ltd(2)(4)(5)(7)	PRC	31.85	31.85	Other specialised engineering solutions
Dirak (Shanghai) Co., Ltd(2)(4)(5)(7)	PRC	49	49	Inactive
Held by Servo Dynamics (H.K.) Limited				
SDHK (Shenzhen) Technology Co., Ltd(4)	PRC	100	100	Inactive
Held by Leaptron Engineering Pte Ltd				
PT Leaptron Engineering(4)	Indonesia	100	100	Inactive

(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by other firms of certified public accountants for statutory purposes
(5) Accounted as a subsidiary as the Group has control over the entity
(6) Incorporated during the financial year
(7) The other 1% ownership interest is held by the Managing Director and President of the Company

15 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		FY2017	FY2016	FY2017 S$'000	FY2016 S$'000	FY2017 S$'000	FY2016 S$'000
Dirak Asia subgroup	Singapore	51%	51%	511	474	6,417	6,121
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")	PRC	50%	50%	3,419	3,264	4,200	4,155
Individual immaterial subsidiaries with non-controlling interests				156	1,280	4,597	4,651
Total				4,086	5,018	15,214	14,927

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. Maxon Suzhou was owned as to 50% by Servo Dynamics and 50% by Interelectric AG ("Interelectric") since September 2002.

Dirak Asia Subgroup was established under the law of the Singapore on 30 September 1997 with an approved registered capital of S$554,690. Dirak Asia Subgroup is principally engaged in the other specialized engineering solutions. Dirak Asia Group was owned as to 49% by Dirak Holding GmbH, 50% by Motion Control Limited and 1% by Mr Teo Cher Koon.

15 Subsidiaries (cont'd)

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

	Dirak Asia subroup		Maxon Suzhou	
	FY2017 S$'000	FY2016 S$'000	FY2017 S$'000	FY2016 S$'000
Summarised statement of comprehensive income				
Revenue	25,981	20,209	49,750	42,640
Profit before income tax	1,582	1,124	8,743	8,886
Income tax	(580)	(194)	(1,905)	(2,358)
Profit after tax and total comprehensive income	1,002	930	6,838	6,528
Summarised statement of financial position				
Current				
Assets	21,729	17,461	22,739	17,284
Liabilities	(10,729)	(7,209)	(14,589)	(9,209)
Net current assets	11,000	10,252	8,150	8,075
Non-current				
Assets	1,582	1,750	251	235
Liabilities	-	-	-	-
Net non-current assets	1,582	1,750	251	235
Net assets	12,582	12,002	8,401	8,310
Other summarised information				
Cash flow generated from operating activities	467	682	3,787	6,848
Dividends to non-controlling interests during the year	92	95	3,358	3,356
Acquisition of property, plant and equipment	638	408	79	167

15 Subsidiaries (cont'd)

Significant restrictions

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

Cash and cash equivalents of S$8,385,000 (2016: S$8,976,000) held by Maxon Suzhou and Maxon Shanghai in PRC are subject to local exchange control regulations. These control regulations places restriction on the amount of currency being exported other than through dividends.

(a) Change in the Group's ownership interest in subsidiaries

(i) In 2017, ISDN Investments Pte. Ltd. ("ISDN Investments"), a wholly owned subsidiary of the Group, subscribed for 165,244 new ordinary shares in the share capital of ISDN Bantaeng Pte. Ltd. ("ISDN Bantaeng") for the total consideration of about S$165,000 by way of the capitalisation of S$165,000 of the intercompany loan due from ISDN Bantareng to ISDN Investments. Accordingly, the equity interest in ISDN Bantaeng increased from 60% to 80.5%.

(ii) In 2017, the Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary of the Group, subscribed for 800,000 new ordinary shares in the share capital of Dbasix Singapore Pte Ltd ("Dbasix Singapore") for the total consideration of S$800,000 by way of the capitalisation of S$800,000 of the intercompany loan due from Dbasix Singapore to MCG. Accordingly, the equity interest in Dbasix Singapore increased from 51.92% to 75%.

(iii) In 2017, ISDN Investments subscribed for 960 new ordinary shares in the share capital of ISDN Energy Pte. Ltd. ("ISDN Energy") for the total cash consideration of S$960 in cash. Accordingly, the equity interest in ISDN Energy increased from 51% to 75%. In November 2017, ISDN Investments further increased its equity interest in ISDN Energy from 75% to 100% by acquiring shares from the minority shareholder of ISDN Energy for a nominal cash consideration of S$1.

(iv) In 2017, ISDN Investments subscribed for 500,000 new ordinary shares in the share capital of ISDN Resources Pte. Ltd. ("ISDN Resources") for the total consideration of S$500,000 by way of the capitalisation of S$500,000 of the intercompany loan due from ISDN Resources to ISDN Investments. ISDN Resource remains a wholly owned subsidiary of the Group.

(v) In 2016, the Group had acquired an additional interest of 49% in Dietionary Farm Holding Pte Ltd ("Dietionary Farm") for a cash consideration of US$310,000. According, the equity interest in Dietionary Farm increased from 51% to 100%.

15 Subsidiaries (cont'd)

(a) Change in the Group's ownership interest in subsidiaries (cont'd)

The following summaries the effect of the change in the Group's ownership interest in subsidiaries as disclosed above during the year on the equity attributable to the owners of the Company:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Consideration paid on acquisition of non-controlling interests	*	310
Increase/(Decrease) in equity attributable to non-controlling interests	522	(310)
Decrease in equity attributable to owners of the Company	(522)	-

* less than S$1,000

(b) Incorporation of a new subsidiary

During the financial year ended 31 December 2017, the Group, through ISDN Resources incorporated a new wholly owned subsidiary, ISDN NBA Resources Pte Ltd, in Singapore, for a cash consideration of S$1.

(c) Dilution of interest in a subsidiary

During the financial year ended 31 December 2017, the effective interest in ISDN Road & Belt Energy Pte. Ltd. (formally known as ISDN Myanmar Infrastructure Investment Pte. Ltd.) decreased from 100% to 51% due to the issuance of new ordinary shares to new minority shareholder.

16 Associates

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Unquoted equity shares, at cost	5,873	2,376	100	*
Share of post-acquisition profits	4,811	4,196	24	-
Dividends received	(1,982)	(1,533)	-	-
Translation adjustment	(514)	(319)	-	-
	8,188	4,720	124	*
Loans to associates	10,164	6,929	-	31
	18,352	11,649	124	31

* Less than S$1,000

All of the above associates are accounted for using the equity method in these consolidated financial statements.

As at 31 December 2017, investment in associates includes goodwill of S$125,000 (2016: S$125,000).

During the financial year, the Group recognised dividend income of S$449,000 (2016: S$428,000) from its investments in associates. The dividend income of S$297,000 (2016: S$368,000) has been received in cash, and the remaining balance of S$212,000 (2016: S$60,000) has been included as sundry debtors under other receivables as at 31 December 2017.

The summarised financial information in respect of the Group's material associate is set out below.

	Aenergy subgroup	
	2017	2016
	S$'000	S$'000
Current assets	20,037	13,424
Non-current assets	12,826	9,632
Current liabilities	(1,024)	(4,955)
Non-current liabilities	-	-
Non-controlling interests	(171)	(283)

16 Associates (cont'd)

	2017 S$'000	2016 S$'000
Revenue	-	-
Loss for the year	(1,094)	(266)
Total comprehensive income	(1,094)	(266)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy subgroup recognised in the consolidated financial statements:

	2017 S$'000	2016 S$'000
Net assets of Aenergy subgroup	31,839	18,101
Proportion of the Group's ownership	39.9%	37.5%
Carrying amount of the Group's interest in Aenergy subgroup	12,704	6,788

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

	Group	
	2017 S$'000	2016 S$'000
Assets and Liabilities:		
- total assets	29,487	25,679
- total liabilities	15,350	11,922
Results:		
- revenue	31,512	28,645
- profit for the year	1,025	1,378
- other comprehensive income	1,025	1,378

16 Associates (cont'd)

The activities of the associates are strategic to the Group's activities. The associates of the Group as at the statement of financial position date are set out below:

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017	2016	
		%	%	
Held by the Company				
Emmett Capital (Private) Limited[(2)(5)(6)]	Singapore	50.0	-	Corporate finance advisory
Held by ISDN Investments Pte Ltd				
Aenergy Holdings Company Limited[(2)(4)]	Hong Kong	39.90	37.50	Investment holdings
Held by Servo Dynamics Pte Ltd				
Maxon Motor Taiwan Co., Ltd[(4)(5)]	Republic of China (Taiwan)	50	50	Motion control solutions
Held by Motion Control Group Pte Ltd				
DKM South Asia Pte Ltd[(4)]	Singapore	35	35	Motion control solutions
Precision Motion Control Philippines Inc.[(4)]	Philippines	40	40	Motion control solutions
IDI Laser Services Pte Ltd[(4)]	Singapore	33.33	33.33	Inactive
Prestech Industrial Automation Pte Ltd[(4)]	Singapore	37.5	37.5	Motion control solutions
JM Vistec System Pte Ltd[(1)]	Singapore	40	40	Other specialised engineering solutions
Held by ISDN Myanmar Power Pte Ltd				
C&I Renewable Limited[(4)(7)]	British Virgin Islands	30.0	-	Renewable energy solutions
Held by TDS Technology (S) Pte Ltd				
TDS Technology (Thailand) Company Limited[(4)]	Thailand	28.15	28.15	Motion control solutions

16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017	2016	
		%	%	
Held by JM Vistec System Pte Ltd				
JM Vistec (Suzhou) Co., Ltd[4]	PRC	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd[4]	Republic of China (Taiwan)	40	40	Other specialised engineering solutions
C True Vision Pte Ltd[1]	Singapore	40	40	Other specialised engineering solutions
JM Vistec System (Thailand) Co., Ltd[4]	Thailand	19.6	19.6	Other specialised engineering solutions
Held by Aenergy Holdings Company Limited				
PT Potensia Tomini Energi[2][4]	Indonesia	31.92	30	Inactive
PT Charma Paluta Energy[2][4]	Indonesia	31.92	30	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera[2][4]	Indonesia	37.91	35.63	Investment holdings
PT Abantes Energi Indonesia[2][4]	Indonesia	19.55	18.38	Inactive
PT Simalem Bumi Energi[2][4]	Indonesia	19.55	18.38	Inactive
PT Senina Hidro Energi[2][4]	Indonesia	19.55	18.38	Inactive
PT Karo Bumi Energi[2][4]	Indonesia	19.55	18.38	Inactive
PT Galang Hidro Energi[2][4]	Indonesia	19.55	18.38	Inactive
Held by PT SDM Bahagia Sejahtera				
PT Punggawa Datara Energy[2][4]	Indonesia	18.58	17.46	Inactive

16 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2017	2016	
		%	%	
Held by ISDN Resources Pte Ltd				
PT Leaptron Armadatrans International[(2)(4)]	Indonesia	49	49	Inactive
Held by ISDN Myanmar Power Pte Ltd				
C&I Renewable HK Limited[(4)]	Hong Kong	30.0	-	Investment holdings
Suzhou Comtec Tianyi Solar Technology Ltd.[(4)]	PRC	30.0	-	Renewable energy solutions

(1) Audited by Moore Stephens LLP Singapore
(2) Audited or reviewed by Moore Stephens LLP Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by other firms of certified public accountants for statutory purposes
(5) No management control over the financial and operating policy decisions
(6) Acquired during the financial year
(7) Incorporated during the financial year

16 Associates (cont'd)

(a) Change of shareholding in Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup")

In prior years, the Group, through ISDN Investments and Aenergy, had entered into investment agreements with Mr Robert Alexander Stone ("Mr Robert") and SHS Holdings Limited ("SHS"), to divest 20% and 25% of its shareholdings held in Aenergy for an additional capital injection of US$6.4 million and US$8.0 million, respectively.

In 2016, ISDN Investments had entered into a sale and purchase agreement (the "SPA") with Mr Robert (the "Purchaser"), to dispose of 3,181 ordinary shares in Aenergy representing approximately 17.5% of the total issued share capital of Aenergy (the "Sale Shares") to the Purchaser (the "Disposal"). The aggregate consideration was US$2.6 million (S$3.7 million), of which US$0.5 million (S$0.6 million) had been received in cash, and the remaining balance of US$2.1 million (S$3.1 million) (Note 18) had been recorded as amount due from investor as at 31 December 2016.

The Disposal had been completed on 30 June 2016 and the Group's equity interest in Aenergy was reduced from 55% to 37.5%. Accordingly, Aenergy ceased to be a subsidiary of the Group and had become an associate of the Group as at 31 December 2016. The impact of the Disposal to the consolidated financial statements of the Group for the financial year ended 31 December 2016 was as below.

Analysis of assets and liabilities over the disposal of 17.5% ownership interest

	2016 **S$'000**
Cash and cash equivalents	4,631
Receivables	8,790
Property, plant and equipment	7,291
Payables	(2,680)
Net assets disposed of	18,032
Net assets disposed of 17.5% ownership interest	3,156
Non-controlling interest as at the date of disposal of 45%	8,114
Gain on disposal of 17.5% ownership interest	
Consideration	3,567
Net assets disposed of 17.5% ownership interest	(3,156)
Gain on disposal (Note 5)	411
The aggregate cash inflow arising from disposal of interest a subsidiary	
Consideration receivable in cash and cash equivalents	665
Less: cash and cash equivalent balances disposed of	(4,631)
	(3,966)

16 Associates (cont'd)

(a) Change of shareholding in Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup") (cont'd)

In 2017, the Company, through ISDN Investments, subscribed for additional new ordinary shares in the share capital of Aenergy for the total consideration of US$2.5 million (S$3.3 million) in cash. Accordingly, the Group's effective equity interest in Aenergy increased from 37.5% to 39.9%.

Subsequently, Aenergy made a capital call to infuse an amount of US$2.5 million (S$3.1 million) from ISDN Investment. A total cash payment of S$1.8 million has been made to Aenergy with the remaining balance of outstanding capital call of S$1.3 million included in the amount due to an associate as disclosed in Note 27 (c).

This capital call fund to Aenergy represents a quasi-equity loan, which form part of the Group's net investment in the associate. This loan is unsecured and interest-free, and the settlement is nether planned nor likely to be settled in the foreseeable future. As the loan is, in substance, a part of the Group's net investment in the associate, it is accordingly stated at cost.

(b) Acquisition of an associate

In 2017, the Company subscribed for 100,000 new ordinary shares in the share capital of Emmett Capital (Private) Limited ("Emmett Capital"), incorporated in Singapore, representing 50% of the enlarged issued and paid-up share capital of Emmett Capital for the total cash consideration of S$100,000.

(c) Incorporation of associates

In 2017, the Company, through its wholly owned subsidiary, ISDN Myanmar Power Pte. Ltd. ("Myanmar Power"), subscribed for 30% equity interest in C&I Renewable Limited ("C&I"), incorporated in the British Virgin Islands, for a cash consideration of US$3,000 (equivalent to S$4,000). Subsequent to its incorporation, C&I incorporated two wholly owned subsidiaries, namely C&I Renewable HK Limited (Hong Kong) and Suzhou Comtec Tianyi Solar Technology (PRC). The Group also contributed a quasi-equity loan of S$125,000 to C&I.

(d) Disposal of an associate

In 2016, the Company, through its wholly owned subsidiary, Motion Control Group Pte Ltd ("MCG"), had entered into a sales and purchase agreement with a third party to dispose the 50% equity share of Schneeberger Linear for a total consideration of S$812,000. Consequently, an amount of S$748,000 was transferred out from investment in associates and a gain on disposal of S$64,000 had been recognised in profit or loss for the financial year end 31 December 2016.

17 Inventories

	Group	
	2017	2016
	S$'000	S$'000
Components parts	21,443	16,565
Finished goods	34,912	26,134
Work-in-progress	1,793	2,164
Goods-in-transit (finished goods)	353	1,369
Total inventories at cost	58,501	46,232
Less: Allowance for inventory obsolescence	(8,498)	(7,330)
Total inventories at the lower of cost and net realisable value	50,003	38,902
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	217,952	193,384

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

18 Trade and Other Receivables

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Trade receivables, net of impairment (a):				
- note receivables (b)	6,247	6,147	-	-
- third parties	58,119	59,707	-	-
- associates	2,490	2,237	-	-
- related parties	1,597	1,340	-	-
	68,453	69,431	-	-
Other receivables:				
Funding to investee companies (c)	4,532	4,476	-	-
Amount due from investor (d)	3,536	3,072	-	-
Advances paid to				
- suppliers	5,158	2,756	-	-
- associates (e)	122	113	-	-
- related parties (e)	138	24	-	-
Deposits	530	673	-	-
Loans to associates (f)	817	1,313	-	-
Promissory note due (g)	1,280	-	-	-
Sundry debtors	4,131	3,731	-	-
	20,244	16,158	-	-
Prepayments	467	699	115	74
	89,164	86,288	115	74

(a) Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 31 December 2017 were trade receivables from third parties amounted to S$734,000 (2016: S$792,000) which are under the Account Receivables Bulk Factoring arrangement (Note 24) via a bank facility agreement entered by a subsidiary of the Group. These factored trade receivables are included in trade receivables as the subsidiary still retains the risks 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 from the end of the reporting period.

18 Trade and Other Receivables (cont'd)

(c) Funding to investee companies

	Group	
	2017	**2016**
	S$'000	**S$'000**
Note (c)(i)	417	447
Note (c)(ii)	3,891	3,928
Others	224	101
	4,532	4,476

(i) In prior years, ISDN Investment has provided the funding of US$310,000 which is secured by personal guarantees and 100% shares pledged by the existing shareholders of the investee company and the amount is refundable on demand with 10% guaranteed return per annum.

(ii) In prior years, ISDN Resource has provided the funding of US$2.9 million under the mining operation agreement entered into with two investee companies to which ISDN Resource will provide financing and other management related services to them. The funding amount is unsecured, interest-free, and are repayable on demand.

(d) As at 31 December 2017, the amount due from investor amounted to S$3.5 million comprising the outstanding sale proceed of the Disposal of US$2.1 million (equivalent to S$2.8 million (2016: S$3.1 million)) as disclosed in Note 16 (a) and an additional capital contribution of US$0.5 million (equivalent to S$0.7 million) paid to Aenergy on behalf by the Group. The amount due is unsecured, interest-free and repayable on demand.

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

(f) The loans to associates bear interest of 2.9% to 6.9% (2016: 2.9% to 5.0%) per annum, and are unsecured and repayable on demand in cash.

(g) During the current financial year, ISDN Investment issued a promissory note to an individual amounted to US$950,000, which is secured on 100% of shares in a company beneficially owned by the individual, interest-bearing at 6.5% per annum, and is repayable within the next twelve months from the end of the reporting period. The purpose of the loan is to explore for overseas investment opportunities for the Group.

(h) The aging analysis of trade receivables of the Group based on invoice date is as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Within 30 days	32,554	32,701
31 – 90 days	20,473	19,711
Over 90 days	15,426	17,019
	68,453	69,431

19 Cash and Bank Balances

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	37,996	35,807	2,692	346
Fixed deposits	307	2,876	-	-
	38,303	38,683	2,692	346
Effective interest rate per annum	0.1% to 5.00%	0.1% to 5.80%	-	-

The fixed deposits have a maturity period of 1 to 12 months (2016: 1 to 6 months).

For the purpose of presentation in the consolidated statement of cash flows, the consolidated cash and cash equivalents comprised the following:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Cash and bank balances and fixed deposits	38,303	38,683
Less: bank deposits pledged	(250)	(1,391)
Cash and cash equivalents	38,053	37,292

As at 31 December 2017, cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S$20,151,000 (2016: S$17,884,000). The Chinese Renminbi is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

20 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2017	2016	2017 S$'000	2016 S$'000
Group and Company				
Balance at 1 January	354,684,950	361,049,950	62,408	63,925
Public share offer, net	40,000,000	-	8,573	-
Cancellation (Note 22)	-	(6,365,000)	-	(1,517)
Balance at 31 December	394,684,950	354,684,950	70,981	62,408

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 shares of the Company have been dual listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2017 and a total of 40 million new ordinary shares at HK$1.25 per share was issued, with a gross proceeds of approximately S$9,373,000, net of share issue expense of S$800,000.

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

21 Warrants Issue

	No. of warrants		Amount	
	2017	2016	2017 S$'000	2016 S$'000
Group and Company				
Balance at 1 January and 31 December	179,972,475	179,972,475	3,384	3,384

On 13 November 2013, the Company had 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 1 new ordinary share of the Company at an exercise price of S$0.60 for each new share, on the basis of one warrant for every 2 existing ordinary shares, to be exercised at any time during the period commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 9 November 2018. There was no exercise of warrants during the current and previous financial years. As at 31 December 2017, the number of outstanding warrants amounted to 179,972,475 (2016: 179,972,475).

22 Treasury Shares

	No. of ordinary shares		Amount	
	2017	2016	2017	2016
			S$'000	S$'000
Group and Company				
Balance at 1 January	-	6,365,000	-	1,517
Cancellation (Note 20)	-	(6,365,000)	-	(1,517)
Balance at 31 December	-	-	-	-

On 19 December 2016, 6,365,000 ordinary shares held by the Company as treasury shares were cancelled pursuant to Section 76K of the Singapore Companies Act, Chapter 50.

23 Reserves

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(2,071)	(1,269)	-	-
Other reserves (c)	4,921	4,694	(178)	(178)
Retained earnings	59,899	52,436	4,828	2,893
	62,313	55,425	4,650	2,715

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 2005.

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

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

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

24 Bank Borrowings

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Non-current liabilities				
Unsecured bank loans	159	263	-	-
Current liabilities				
Secured bank loans	2,367	3,810	-	-
Unsecured bank loans	5,604	6,564	-	-
Unsecured loan from financial institution	3,000	-	3,000	-
Trust receipts	2,597	1,886	-	-
Account receivables bulk factoring	734	792	-	-
	14,302	13,052	3,000	-
Total interest-bearing liabilities	14,461	13,315	3,000	-

Terms and debt repayment schedule

Terms and conditions of the outstanding bank borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Group 2017	Group 2016	Company 2017	Company 2016
				S$'000	S$'000	S$'000	S$'000
Group							
Secured bank loan	RMB	PBOC Base Rate + 108%	2018	-	1,411	-	-
Secured bank loan	MYR	COF + 2%	2018	424	444	-	-
Secured bank loan	USD	COF + 2%	2018	1,347	1,200	-	-
Secured bank loan	RMB	PBOC Base Rate + 120%	2018	596	755	-	-
Unsecured bank loan	RMB	PBOC Base Rate + 125%	2018	636	628	-	-
Unsecured bank loan	RMB	PBOC Base Rate + 110%/120%	2018	4,355	3,955	-	-
Unsecured bank loan	SGD	COF + 2.5%	2018	-	400	-	-
Unsecured bank loan	SGD	3.5%	2018 - 2020	772	1,081	-	-
Unsecured bank loan	SGD	2.9%	2018	-	763	-	-
Unsecured loan from financial institution	SGD	6.7%	2018	3,000	-	3,000	-
Trust receipt 1	SGD	COF + 2.5%	2018	936	953	-	-
Trust receipt 2	USD	COF + 2.5%	2018	1,319	593	-	-
Trust receipt 3	SGD	COF + 1.75%	2018	342	340	-	-
Account receivables bulk factoring	SGD	COF + 3.25%	2018	734	792	-	-
Total interest-bearing liabilities				14,461	13,315	3,000	-

24 Bank Borrowings (cont'd)

Certain of the bank loans of the Group are secured over leasehold buildings (Note 11), land use rights (Note 13) and corporate guarantees provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries. Investment properties of the Group that were secured in the previous year were fully discharged in the current year (Note 12).

The weighted average effective interest rate of the Group's bank borrowings is 5.25% (2016: 4.69%) per annum.

The reconciliation of movement of liabilities to cash flows arising from financing activities is presented below:

	1 January 2017 S$'000	Cash flow Proceeds S$'000	Cash flow Repayments S$'000	Other changes S$'000	31 December 2017 S$'000
Group					
Bank loans	10,637	15,555	(15,121)	59	11,130
Trust receipts	1,886	8,099	(7,388)	-	2,597
Account receivables bulk financing	792	-	-	(58)	734
	13,315	23,654	(22,509)	1	14,461

25 Finance Leases Liabilities

	Group 2017 S$'000	Group 2016 S$'000
Minimum lease payments payable:		
- due not later than one year	179	168
- due later than one year and not later than five years	94	207
	273	375
Finance charges allocated to future years	(31)	(39)
Present value of minimum lease payments	242	336
Non-current liabilities		
Due later than one year	82	186
Current liabilities		
Due not later than one year	160	150
	242	336

The weighted average effective interest rate of the Group's finance leases is 2.79% (2016: 2.90%) per annum.

Finance leases relate to motor vehicles and office equipment with varying lease terms. The Group has options to purchase these assets 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 Taxation

	Group	
	2017	2016
	S$'000	S$'000
Deferred tax assets		
- to be recovered after one year	316	59
Deferred tax liabilities		
- to be settled after one year	(266)	-

	1 January S$'000	Recognised in profit or loss S$'000	Disposal/ written off S$'000	Translation adjustment S$'000	31 December S$'000
Group					
2017					
Deferred tax assets					
Temporary differences property, plant and equipment	59	26	-	-	85
Unabsorbed capital allowances	-	104	-	-	104
Unutilised tax losses*	-	127	-	-	127
	59	257	-	-	316
Deferred tax liabilities					
Withholding tax on distributable earnings (Note 9)	-	(266)	-	-	(266)
2016					
Deferred tax assets					
Temporary differences property, plant and equipment	149	20	(70)	(40)	59

*The deferred tax assets arose from the Company's unutilised tax loss of S$747,000 (2016: Nil), which can be carried forward and it is probable to be used to offset against the future taxable income of its Singapore incorporated subsidiaries under the group relief system.

27 Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Trade payables (a):				
- note payables (b)	1	2,083	-	-
- third parties	30,935	27,641	-	-
- associates	48	125	-	-
- related parties	4,712	7,417	-	-
	35,696	37,266	-	-
Advances received from:				
- customers	9,125	6,449	-	-
Accrued operating expenses	5,548	6,871	1,601	2,268
Accrued salaries and bonuses	10,434	6,729	4,357	1,921
Amount owing to an associate (c)	1,280	3,784	-	-
Amount owing to non-controlling interests (d)	716	733	-	-
Amount owing to subsidiaries	-	-	489	-
Other payables (e)	5,895	3,646	109	470
	68,694	65,478	6,556	4,659

(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 from the end of the reporting period.

(c) The amount owing to an associate relates to the balance of outstanding capital call of Aenergy due, which is unsecured, interest-free, and repayable on demand in cash.

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

(e) Included in other payables of the Group was an amount of S$3,326,000 (2016: S$865,000) being dividend payable to non-controlling interests.

The aging analysis of trade payables of the Group based on invoice date is as follows:

	Group	
	2017	2016
	S$'000	S$'000
Within 30 days	32,269	29,105
31 – 90 days	2,601	5,046
Over 90 days	826	3,115
	35,696	37,266

28 Dividends

	Group and Company	
	2017	2016
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of Singapore 0.3 cents (2016: Singapore 0.4 cents) per share paid in respect of the financial year ended 31 December 2016 (2016: 31 December 2015)	1,282	1,419

The Board of Directors of the Company has recommended a tax-exempt (one-tier) final dividend of Singapore 0.6 cents per share to be approved by the shareholders of the Company at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018, subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2016: Nil).

29 Segment Information

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

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

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/(loss) of associates, interest income, finance costs and income tax. 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.

29 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	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
Revenue												
External sales	223,811	202,767	62,180	49,670	6,101	6,065	93	-	-	-	292,185	258,502
Inter-segment sales	3,347	3,056	1,810	1,511	170	30	-	-	(5,327)	(4,597)	-	-
	227,158	205,823	63,990	51,181	6,271	6,095	-	-	(5,327)	(4,597)	292,185	258,502
Results												
Segment results	18,053	17,848	1,713	511	579	561	(194)	(1,122)	-	-	20,151	17,798
Share of profit/(loss) of associates	1,027	462	-	-	-	-	(412)	(111)	-	-	615	351
Corporate expenses											(1,833)	(3,941)
Rental income											586	598
Interest income											108	267
Finance costs											(812)	(742)
Profit before income tax											18,815	14,331
Income tax											(5,069)	(4,288)
Profit for the year											13,746	10,043
Assets												
Segment assets	124,406	109,573	38,666	29,945	2,942	2,746	8,922	15,461	(6,789)	(3,418)	168,147	154,307
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	4,688	11,649	-	-	-	-	13,664	-	-	-	18,352	11,649
Investment properties											504	522
Cash and bank balances											38,303	38,683
Consolidated total assets											236,992	216,847
Liabilities												
Segment liabilities	53,609	45,896	14,109	13,195	491	603	2,777	6,389	(6,789)	(3,418)	64,197	62,665
Bank borrowings and finance leases liabilities											14,703	13,651
Income tax liabilities											1,437	1,574
Others unallocated corporate liabilities											4,763	2,813
Consolidated total liabilities											85,100	80,703

29 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	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
Other information												
Capital expenditure on												
- Property, plant and equipment	1,332	763	693	556	43	143	27	-	-	-	2,095	1,462
Depreciation of properties, plant and equipment	1,502	1,282	608	641	11	7	90	94	-	-	2,211	2,024
Depreciation of investment properties	19	17	-	-	-	-	-	-	-	-	19	17
Other non-cash expenses												
- amortisation of land use rights	34	34	-	-	-	-	-	-	-	-	34	34
- trade receivables written off	71	134	47	-	-	-	38	15	-	-	156	149
- allowance for inventory obsolescence	641	681	668	376	-	-	-	-	-	-	1,309	1,057
- allowance for impairment loss on trade receivables	34	60	33	37	-	-	-	2	-	-	67	99
- property, plant and equipment written off	4	1	-	-	-	-	-	-	-	-	4	1
- inventories written off	124	215	14	25	-	-	-	-	-	-	138	240
- write back of allowance for impairment loss on trade receivables	(54)	(131)	-	-	-	-	-	-	-	-	(54)	(131)
- write back of allowance for inventory obsolescence	(5)	(11)	-	(66)	-	-	-	-	-	-	(5)	(77)

29 Segment Information (cont'd)

(b) Geographical Information

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

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

	Revenue from external customers		Non-current assets	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Singapore	45,252	36,977	34,128	26,811
China	207,632	180,790	22,891	23,024
Hong Kong	10,199	15,064	1,369	1,382
Malaysia	7,469	7,122	904	933
Others	21,633	18,549	230	824
	292,185	258,502	59,522	52,974

(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 statement of financial position date, commitments in respect of non-cancellable operating leases as lessor are as follows:

	Group	
	2017 S$'000	2016 S$'000
Future minimum lease payment receivable:		
- not later than one year	544	522
- later than one year and not later than five years	466	310
	1,010	832

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2016: 1 to 3 years).

30 Operating Lease Commitments (cont'd)

Where the Group is a lessee

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

At the statement of financial position date, commitments in respect of non-cancellable operating leases as lessee are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Future minimum lease payment payable:		
- not later than one year	1,537	1,221
- later than one year and not later than five years	1,350	779
	2,887	2,000

The remaining tenure period of the aforesaid operating leases are within 1 to 6 years (2016: 1 to 3 years).

31 Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Commitment in respect of acquisition of plant and equipment	58	290

32 Corporate Guarantees

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	-	-	11,461	13,315

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

33 Related Party Transactions

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

	Group		Subsidiaries	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Sales to associates	(1,857)	(1,734)	-	-
Sales to related parties	(166)	(35)	(4,908)	(3,903)
Purchases from associates	845	867	-	-
Purchases from related parties	2,102	2,001	38,893	34,782
Administrative income charged to associates	(50)	(52)	-	-
Rental charged to a related party	(330)	(287)	-	-
Interest charged to associates	(78)	(76)	-	-
Interest charged by a related party	-	-	23	25
Management fee charged to related party	(43)	(42)	-	-
Other expenses charged by related parties	-	8	143	373
Other income charged to a related party	(15)	(1)	(142)	(143)

The related parties mainly pertain to:

(i) The entities appointed the Managing Director of the Group as their director.

(ii) Non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.

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

34 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

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

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

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

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

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

	RMB S$'000	USD S$'000	CHF S$'000	Euro S$'000
Group				
2017				
Financial assets				
Trade and other receivables	45,861	12,037	1,138	1,473
Cash and bank balances	20,153	7,697	1,489	1,072
	66,014	19,734	2,627	2,545
Financial liabilities				
Bank borrowings	5,587	2,666	-	-
Trade and other payables	35,426	2,434	2,859	1,148
	41,013	5,100	2,859	1,148
Net financial assets/(liabilities)	25,000	14,634	(232)	1,397
Less: Net financial assets denominated in the respective entities' functional currencies	(25,000)	-	-	-
Currency exposure	-	14,634	(232)	1,397
2016				
Financial assets				
Trade and other receivables	50,087	8,256	1,252	1,235
Cash and bank balances	17,884	9,159	1,479	2,035
	67,971	17,415	2,731	3,270
Financial liabilities				
Bank borrowings	6,749	890	-	996
Trade and other payables	31,075	9,816	3,378	2,553
	37,824	10,706	3,378	3,549
Net financial assets/(liabilities)	30,147	6,709	(647)	(279)
Less: Net financial assets denominated in the respective entities' functional currencies	(30,147)	-	-	-
Currency exposure	-	6,709	(647)	(279)

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

If the following currencies strengthen by 5% (2016: 5%) against S$ at the statement of financial position date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(Decrease) profit before tax	
	2017	**2016**
	S$'000	**S$'000**
USD	732	335
CHF	(12)	(32)
Euro	70	(14)

A 5% strengthen of S$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables being held constant.

No disclosure for foreign currency risk has been made for the Company as it was considered not to be a significant risk. Financial assets and financial liabilities of the Company denominated in foreign currencies as at the statement of financial position date were not significant.

Interest rate risk

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

Interest-earning financial assets primarily relates to fixed deposits that are short term in nature and are not held for speculative purposes but are placed to have better yield returns than cash at banks. Management does not expect fixed deposit rates to fluctuate materially in the coming year from the current level and hence does not present the sensitivity analysis.

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

34 Financial Instruments (cont'd)

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

Interest rate risk (cont'd)

The Group's bank borrowings at variable rates are denominated mainly in Singapore Dollars ("SGD"), Renminbi ("RMB") and United States Dollars ("USD"). If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2016: 0.5%) with all other variables being held constant, the Group's profit before tax will be approximately lower/higher by S$29,000, S$28,000 and S$13,000 respectively (2016: S$21,000, S$34,000 and S$4,000) as a result of higher/lower interest expenses 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 statement of financial position resemble a large number of receivables from various customers. In addition, the Group has credit exposure from certain significant other receivables as disclosed in Note 18 (c), (d) and (g). Management believes that there is no significant change in the credit quality of these debtors, based on their knowledge of the debtors' businesses and its financial condition, as well as the on-going business dealings/relationships with the debtors. As the Group does not hold any collateral, other than those other receivables disclosed in Note 18, 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 statement of financial position.

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

	Group	
	2017	**2016**
	S$'000	**S$'000**
By geographical areas		
Singapore	22,074	8,943
China	34,553	49,284
Hong Kong	2,912	3,425
Malaysia	1,418	1,508
Others	7,496	6,271
	68,453	69,431

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

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

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

As at 31 December 2017, trade and other receivables (exclude prepayment and advances) which are neither past due nor impaired amounted to S$67,168,000 (2016: S$65,677,000).

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

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

	Group	
	2017	**2016**
	S$'000	**S$'000**
Trade receivables past due:		
- not more than 3 months	10,158	11,123
- 3 to 6 months	1,820	2,192
- over 6 months	3,448	3,704
	15,426	17,019

Trade receivables which are past due at the statement of financial position date but against which the Group has not recognised an allowance for impairment loss is 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.

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

(iii) Financial assets that are past due and impaired

The Group's trade receivables that are determined to be individually impaired at the statement of financial position date are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Trade receivables – third parties	685	719
Less: Allowance for impairment	(685)	(719)
	-	-

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

	Group	
	2017	**2016**
	S$'000	**S$'000**
Balance at 1 January	719	861
Allowance for the year	67	99
Write back of allowance for the year	(54)	(131)
Amount written off	(45)	(85)
Translation adjustment	(2)	(25)
Balance at 31 December	685	719

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

34 Financial Instruments (cont'd)

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

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.

As at 31 December 2017, the Group maintains the following lines of credit:

(i) S$0.70 million of overdraft facilities;

(ii) S$5.88 million of foreign exchange contract hedging limit. Limit in excess of S$5.88 million is determined at the discretion of some banks when entering into each contract;

(iii) S$26.70 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$2.00 million of term loan facilities.

The bank facilities set out above that are unutilised as at 31 December 2017 amounted to approximately S$35.5 million (2016: S$31.83 million).

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

			Cash flows	
	Carrying amount S$'000	**Contractual cash flows S$'000**	**Within one year S$'000**	**Within two to five years S$'000**
Group				
2017				
Bank borrowings	14,461	15,086	14,785	301
Finance leases liabilities	242	273	179	94
Trade and other payables	59,569	59,569	59,569	-
	74,272	74,928	74,533	395
2016				
Bank borrowings	13,315	13,654	13,370	284
Finance leases liabilities	336	375	168	207
Trade and other payables	59,029	59,029	59,029	-
	72,680	73,058	72,567	491

34 Financial Instruments (cont'd)

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

Liquidity risk (cont'd)

	Carrying amount S$'000	Contractual cash flows S$'000	Within one year S$'000	Within two to five years S$'000
Company				
2017				
Bank borrowings	3,000	3,117	3,117	-
Trade and other payables	6,556	6,556	6,556	-
	9,556	9,673	9,673	-
2016				
Trade and other payables	4,659	4,659	4,659	-

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

	Within one year S$'000	Within two to five years S$'000	Total S$'000
Company			
2017			
Financial guarantee contracts	11,302	159	11,461
2016			
Financial guarantee contracts	13,052	263	13,315

(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).

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

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 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000	Carrying amount S$'000
2017					
Assets					
Investment properties					
Commercial property units located in Singapore (Note 12)	-	853	-	853	451
Commercial property unit located in Malaysia (Note 12)	-	105	-	105	53
	-	958	-	958	504
2016					
Assets					
Investment properties					
Commercial property units located in Singapore (Note 12)	-	630	-	630	467
Commercial property unit located in Malaysia (Note 12)	-	155	-	155	55
	-	785	-	785	522

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

Long-term borrowings and finance leases

The fair values of long-term bank borrowings approximate its carrying amounts 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.

Other financial assets and financial 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 bank balances, trade and other payables, and short-term bank borrowings are assumed to approximate their carrying amounts because of the short term period of maturity.

35 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 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 financial years ended 31 December 2017 and 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 liabilities, trade and other payables, less cash and bank balances. Total equity includes equity attributable to the equity holders of the Company.

	Group	
	2017	2016
	S$'000	S$'000
Net debt	45,094	40,446
Total equity	151,892	136,144
Net debt-to-equity ratio	30%	30%

36 Subsequent Events

In January 2018, C&I Renewable Limited ("C&I Renewable"), a 30% owned associated company of the Group, incorporated a new wholly owned subsidiary, C&I Singapore Renewable and Innovative Tech Pte. Ltd. ("C&I Singapore Renewable") in Singapore with an issued and paid up share capital of US$500,000. The Group, has contributed US$150,000 to the issued and paid up share capital of C&I Singapore Renewable.

C&I Singapore Renewable is accounted for as an associated company of the Group and is principally engaged in the business of research and experimental development on environment and clean technologies.

37 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

Issued and fully paid-up capital	:	S$70,981,000
Number of Issued Shares	:	394,684,950
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Assetraise Holdings Limited (1)	131,055,150	33.21	-	-
Teo Cher Koon	-	-	131,055,150(1)	33.21
Karl Walter Braun	20,000,000	5.07	-	-

Note:

(1) Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon and Ms Thang Yee Chin. As such, Mr Teo Cher Koon and Ms Thang Yee Chin are deemed to have an interest in 131,055,150 shares held by Assetraise Holdings Limited.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 23 February 2018, approximately 61.72% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual and Rule 8.08 of the SEHK Listing Rules.

STATISTICS OF SHAREHOLDINGS
AS AT 23 FEBRUARY 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	302	15.46	1,945	0.00
100 - 1,000	61	3.12	44,233	0.01
1,001 - 10,000	448	22.93	3,156,580	0.80
10,001 - 1,000,000	1,113	56.96	89,466,642	22.67
1,000,001 AND ABOVE	30	1.53	302,015,550	76.52
TOTAL	**1,954**	**100.00**	**394,684,950**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	148,254,050	37.56
2	CITIBANK NOMINEES SINGAPORE PTE LTD	21,037,500	5.33
3	DBS NOMINEES (PRIVATE) LIMITED	14,513,543	3.68
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	13,586,063	3.44
5	PHILLIP SECURITIES PTE LTD	12,181,483	3.09
6	OCBC SECURITIES PRIVATE LIMITED	10,824,320	2.74
7	WONG KOON CHUE @ WONG KOON CHUA	10,093,800	2.56
8	RAFFLES NOMINEES (PTE) LIMITED	9,590,300	2.43
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,589,281	2.43
10	UOB KAY HIAN PRIVATE LIMITED	5,576,168	1.41
11	TAN THIAM CHYE	4,909,000	1.24
12	LEE YAN GWAN	4,251,000	1.08
13	HONG LEONG FINANCE NOMINEES PTE LTD	4,002,000	1.01
14	ASSETRAISE HOLDINGS LIMITED	3,164,900	0.80
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,137,800	0.80
16	PEK CHOON HENG	2,980,000	0.76
17	LEE ENG TEIK	2,500,000	0.63
18	TEO CHIN YEE	2,500,000	0.63
19	HSBC (SINGAPORE) NOMINEES PTE LTD	2,087,800	0.53
20	KONG DEYANG	2,050,000	0.52
	TOTAL	**286,829,008**	**72.67**

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	8	1.66	317	0.00
100 - 1,000	95	19.71	90,848	0.05
1,001 - 10,000	186	38.59	916,025	0.51
10,001 - 1,000,000	173	35.89	21,141,950	11.75
1,000,001 AND ABOVE	20	4.15	157,823,335	87.69
TOTAL	**482**	**100.00**	**179,972,475**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,630,625	34.24
2	RHB SECURITIES SINGAPORE PTE. LTD.	15,653,578	8.70
3	LIM XIN HONG, SEAN	14,740,911	8.19
4	TAN CHIN HOCK	11,124,369	6.18
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	10,563,638	5.87
6	ONG CHUAN SAN	10,000,000	5.56
7	OCBC SECURITIES PRIVATE LIMITED	8,714,000	4.84
8	LEE ENG TEIK	4,000,000	2.22
9	LIM & TAN SECURITIES PTE LTD	2,707,000	1.50
10	PEK CHOON HENG	2,550,000	1.42
11	PHILLIP SECURITIES PTE LTD	2,532,617	1.41
12	ASSETRAISE HOLDINGS LIMITED	2,500,000	1.39
13	ONG WEE MENG	1,982,000	1.10
14	DBS NOMINEES (PRIVATE) LIMITED	1,587,097	0.88
15	FOO SEK LOCK	1,579,900	0.88
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,377,000	0.77
17	WONG KOON CHUE @ WONG KOON CHUA	1,317,000	0.73
18	QUAH TECK HWA	1,200,000	0.67
19	CHIENG CHEU LIN	1,038,600	0.58
20	KONG DEYANG	1,025,000	0.57
	TOTAL	**157,823,335**	**87.70**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of ISDN Holdings Limited (the "Company") shall be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Thursday, 26 April 2018 at 2:00 p.m. to transact the following business:

AS ROUTINE BUSINESS

1. To receive and adopt the Directors' statement and the audited consolidated financial statements of the Company for the financial year ended 31 December 2017, together with the external auditor's report thereon. **[Ordinary Resolution 1]**

2. To declare a first and final tax-exempt (one-tier) dividend of 0.60 Singapore cents per ordinary share for the financial year ended 31 December 2017. **[Ordinary Resolution 2]**

3. To approve the payment of Directors' fees of S$136,500 for the financial year ended 31 December 2018 (2017: S$130,000). **[Ordinary Resolution 3]**

4. To re-elect the following Directors of the Company, each of whom will retire by rotation pursuant to Regulation 89 of the constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr. Kong Deyang **[Ordinary Resolution 4(a)]**

   (b) Mr. Soh Beng Keng **[Ordinary Resolution 4(b)]**

Note: Mr. Soh Beng Keng will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Soh Beng Keng is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2018 and to authorise Directors of the Company to fix their remuneration. **[Ordinary Resolution 5]**

AS SPECIAL BUSINESS

To consider and, if thought fit, to passing with or without modifications, the following ordinary resolutions:

6. GENERAL MANDATE TO ISSUE SHARES

   "That pursuant to Section 161 of the Companies Act, Cap. 50, of Singapore (the "**Act**"), the listing manual (the "**SGX-ST Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on The Stock Exchange of Hong Kong Limited ("**SEHK**") and the constitution of the Company, authority be and is hereby given to the Directors of the Company to:

   (a) (1) allot and issue shares in the capital of the Company ("**Shares**"), whether by way of rights, bonus or otherwise; and/or

   (2) make or grant offers, agreements or options (collectively "**Instruments**" and each, an "**Instrument**") that might or would require Shares to be allotted and issued, during the continuance of such authority or thereafter, including but not limited to the creation, allotment and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

(b) allot and issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force (notwithstanding that such allotment and issue of Shares in pursuance of any Instrument may occur after the authority conferred by this Resolution may have ceased to be in force),

PROVIDED ALWAYS THAT subject to any applicable regulation as may be prescribed by the SGX-ST and the SEHK:

(A) the aggregate number of Shares to be allotted and issued pursuant to this Resolution (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Shares to be allotted and issued other than on a pro rata basis to shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such manner of calculation as may be prescribed by the SGX-ST and the SEHK) for the purpose of determining the aggregate number of Shares that may be allotted and issued under sub-paragraph (A) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(I) new Shares arising from the conversion or exercise of any convertible securities, share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(II) any subsequent bonus issue, consolidation or subdivision of Shares;

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the SGX-ST Listing Manual (unless such compliance has been waived by the SGX-ST), the Hong Kong Listing Rules (unless such compliance has been waived by the SEHK) and the constitution of the Company; and

(D) the authority conferred by this Resolution shall continue in force until the earlier of:

(I) the conclusion of the next annual general meeting of the Company;

(II) the date by which the next annual general meeting of the Company is required by law to be held; and

(III) the revocation or variation of the authority conferred by this Resolution by ordinary resolution passed by shareholders of the Company in general meeting." **[Ordinary Resolution 6]**

7. ANNUAL MANDATE TO ISSUE SHARES UNDER THE ISDN PSP

"That subject to and conditional upon the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited ("**SEHK**") granting the listing of, and permission to deal in, such number of new shares in the capital of the Company ("**Shares**") which may be allotted and issued under the performance share plan of the Company (the "**ISDN PSP**"):

(a) the aggregate number of new Shares underlying all PSP Awards granted by Directors of the Company pursuant to this Resolution (excluding PSP Awards that have lapsed or been cancelled in accordance with the rules of the ISDN PSP) shall not exceed 3% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company as at the date of the passing of this Resolution;

(b) authority be and is hereby given to Directors of the Company to grant PSP Awards, allot and issue new Shares, procure the transfer of and otherwise deal with Shares under the ISDN PSP during the Relevant Period (as defined under sub-paragraph (c) below); and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the date by which the next annual general meeting of the Company is required by law to be held; and

(iii) the revocation or variation of the authority conferred by this Resolution by ordinary resolution passed by shareholders of the Company in general meeting."

[Ordinary Resolution 7]

8. To transact any other business which may be properly transacted at the Annual General Meeting of the Company.

By Order of the Board

ISDN HOLDINGS LIMITED
Ms. Gn Jong Yuh Gwendolyn
Mr. Tang Chi Chiu
Joint Company Secretaries

Singapore, 22 March 2018

Notes:

(1) (a) A member of the Company who is not a Relevant Intermediary or a clearing house and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member's form of proxy appoints more than one (1) proxy, the appointments shall be invalid unless he specifies 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 member of the Company who is a Relevant Intermediary or a clearing house and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote, 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 one (1) proxy, the appointments shall be invalid unless he specifies the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50, of Singapore.

(2) A proxy need not be a member of the Company.

(3) The form of proxy must be completed and signed in accordance with the instructions printed thereon and return it to the registered office of the Company at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175, (for Singapore Shareholders) or the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders) as soon as possible but in any event not less than 72 hours before the time appointed for the holding of the Annual General Meeting of the Company or any adjournment thereof.

(4) Where the form of proxy is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) Where the form of proxy is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the form of proxy, failing which the form of proxy may be treated as invalid.

Personal Data Privacy

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

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ISDN HOLDINGS LIMITED
(Incorporated In the Republic of Singapore
(Company Registration No. 200416788Z)
(Singapore Stock Code: I07.SI)
(Hong Kong Stock Code: 1656)

IMPORTANT:
1. A member of the Company who is a Relevant Intermediary or a clearing house and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote, 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 one (1) proxy, the appointments shall be invalid unless he specifies the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
2. "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50, of Singapore.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the form of proxy.

PROXY FORM

I/We*, ...(name) of ....
.... (address)
being a member/members* of ISDN Holdings Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her*, the Chairman of the meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 1 Robinson Road, #18-00, AIA Tower, Singapore 048542 on Thursday, 26 April 2018 at 2.00 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM of the Company as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM of the Company and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her* discretion. The Resolutions will be put to vote at the AGM of the Company by way of poll.

(If you wish to exercise all your votes, please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided.)

No.	Resolutions relating to:	For	Against
1.	To receive and adopt the Directors' statement and the audited consolidated financial statements of the Company for the financial year ended 31 December 2017, together with the external auditor's report thereon.		
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.60 Singapore cents per ordinary share for the financial year ended 31 December 2017.		
3.	To approve the payment of Directors' fees of S$136,500 for the financial year ended 31 December 2018 (2017: S$130,000).		
4a.	To re-elect Mr. Kong Deyang who will retire by rotation pursuant to Regulation 89 of the constitution of the Company		
4b.	To re-elect Mr. Soh Beng Keng who will retire by rotation pursuant to Regulation 89 of the constitution of the Company		
5.	To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2018 and to authorise Directors of the Company to fix their remuneration.		
6.	To approve the general mandate to issue Shares		
7.	To approve the annual mandate to issue Shares under the ISDN PSP		

*Delete as appropriate.

Dated this .... day of 2018

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the form of proxy shall be deemed to relate to all the shares held by you.

2. (a) A member of the Company who is not a Relevant Intermediary or a clearing house and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member's form of proxy appoints more than one (1) proxy, the appointments shall be invalid unless he specifies 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 member of the Company who is a Relevant Intermediary or a clearing house and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote, 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 one (1) proxy, the appointments shall be invalid unless he specifies the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   (c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50, of Singapore.

3. A proxy need not be a member of the Company.

4. The form of proxy must be completed and signed in accordance with the instructions printed thereon and returned to the registered office of the Company at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175, (for Singapore Shareholders) or the Company's Hong Kong Branch Share Registrar and Transfer Office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Hong Kong Shareholders) as soon as possible but in any event not less than 72 hours before the time appointed for the holding of the Annual General Meeting of the Company or any adjournment thereof.

5. Where the form of proxy is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. Where the form of proxy is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the form of proxy, failing which the form of proxy may be treated as invalid.

GENERAL:

The Company shall be entitled to reject the form of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the form of proxy. In addition, in the case of shares entered in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore), the Company may reject a form of proxy if the member of the Company, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting of the Company, as certified by the Central Depository (Pte) Limited to the Company.

A Depositor (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore) shall not be regarded as a member of the Company entitled to attend the Annual General Meeting of the Company and to speak and vote thereat unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore) 72 hours before the time fixed for holding the Annual General Meeting of the Company.

PERSONAL DATA PRIVACY:

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

ISDN Holdings
LIMITED

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

Company registration No. 200416788Z