

# ISDN HOLDINGS LIMITED ANNUAL REPORT 2019

Incorporated in Singapore with limited liability  
(Singapore Stock code : 107.SI) (Hong Kong Stock code : 1656)



2535  
878

**Industry 4.0**

GMB

MODEL: 28

**Delivering Tomorrow's Innovation  
. Today**



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# 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 motion controls. We provide the full spectrum of engineering services from conceptualisation, design & development to prototyping, production, sales & marketing and after sales engineering support. ISDN was listed on the Mainboard of The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 24 November 2005 and subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**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 stakeholders.

## 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 relationships 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

## BOARD OF DIRECTORS

Lim Siang Kai (*Chairman*)  
Teo Cher Koon  
Kong Deyang  
Soh Beng Keng  
Tan Soon Liang  
Toh Hsiang-Wen Keith  
(*appointed with effect from 10 May 2019*)

## 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

Tung Wing Yee Winnie  
(*appointed on 28 February 2020*)  
(*Chartered Secretary*)  
31/F., 148 Electric Road  
North Point  
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

## 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: Ms. Lao Mei Leng  
Date of appointment:  
Appointed since the financial year  
ended 31 December 2019  
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, the People's Republic of  
China (the "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 HIGHLIGHTS

	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000	2015 S\$'000
Revenue	<b>290,985</b>	301,990	291,963	258,502	235,299
Gross profit	<b>77,425</b>	80,549	73,765	64,999	65,710
Profit before income tax	<b>20,222</b>	23,696	18,749	14,331	17,213
Profit attributable to equity holders	<b>7,047</b>	10,946	9,489	5,153	8,721
Equity attributable to owners of the Company	<b>152,745</b>	143,751	136,620	121,217	119,727
Non-current assets	<b>98,829</b>	89,816	59,522	52,974	54,425
Current assets	<b>202,933</b>	198,895	177,626	163,873	153,085
Current liabilities	<b>94,132</b>	88,170	84,815	80,254	67,543
Non-current liabilities	<b>9,060</b>	12,723	507	449	699
Cash and cash equivalents	<b>31,168</b>	37,255	38,053	37,292	39,096
Financial Ratios					
Net Assets per Share (S\$ cents)	<b>35.56</b>	36.42	38.47	38.38	39.27
Basic Earnings per Share (S\$ cents)	<b>1.68</b>	2.77	2.41	1.45	2.46

Revenue (S\$'000)  
The Greater China Region

**194,803**

Revenue (S\$'000)

**290,985**





## PRESIDENT'S MESSAGE



**Our experience, diversification and agility** have allowed us to launch large-scale operational improvements while also investing prudently to position ISDN for diversified long-term growth.



### DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the “**Directors**” and the “**Board**”, respectively) of ISDN Holdings Limited (“**ISDN**” or the “**Company**”) and its subsidiaries (collectively, “the **Group**”), it is my pleasure to present to you our annual report for the financial year ended 31 December 2019 (“**FY2019**”).

### Financial Performance

Diversification has always been the foundational core of our business. We have made sustained efforts to build a robust customer base in a wide range of industries – the automotive, electronic and semiconductor to the medical devices sector – from the PRC to Asean. Our over-10,000 customer base has provided the necessary buffers for us to tide through volatile business cycles and stay profitable.

This blueprint proved fruitful for 2019 which was a turbulent year for the global economy due to ongoing trade and geopolitical tensions. Facing these challenges, we stayed agile, keeping a constant lookout for new opportunities. In this respect, we managed to develop new markets in the Chinese medical equipment, telecommunication, and transportation sectors which led to the 11.5% year-on-year increase in revenues to S\$79.3 million for the fourth quarter 2019 (“**4Q2019**.”)

Overall, we stayed resilient despite these temporary headwinds, generating S\$291.0 million in revenue for FY2019, as compared with S\$302.0 million for the previous year (“**FY2018**”). As the core industrial automation business continued to be the key revenue generator, accounting for approximately 98.3% of the total revenue.

With operating costs remaining relatively flat and the support from our better performing partially-owned subsidiaries in the Chinese medical device manufacturing, telecommunication, and transportation sectors, we made a net profit of S\$14.2 million for FY2019 (FY2018: S\$16.6 million).

### Business Transformation

We believe that these complex times favour companies with experience, diversification, and agility. To extend that advantage, in 2019, we embarked on a business transformation strategy with seasoned technology-focused Southeast Asian private equity investor Novo Tellus Capital Partners (“**Novo Tellus**”) to launch major initiatives targeted at improving operating efficiency, upgrading operating capabilities, and moving up the value chain.

In 2019, we have almost completed a consolidation project to amalgamate our Chinese businesses under one entity, thereby reducing task duplications making our PRC operations leaner and more efficient. Carrying on that success, we have since started to work on streamlining our businesses in Singapore, bringing our local operations under one premise. More recently, we have also rolled out new CRM and SAP systems in 4Q2019, all of these aimed at boosting our operational efficiency in the long run.

To enhance our operating capabilities, we reorganised our businesses into five major vertical segments, namely ISDN Software, ISDN Motion Control, ISDN Precision Engineering, ISDN Solutions, and ISDN Renewable Energy. These five centres of excellence allow us to pool our strongest engineering capabilities together to achieve greater efficiency, realise greater economies of scale, and deliver our services globally with our best engineering capabilities. ISDN Software Business



Pte Ltd, in particular, was formed on 8 May 2019 as part of our strategy to expand our capabilities into commercial software, an attractive recurring revenue business model to move up the value chain, propelling ISDN further in the field of Industrial 4.0. We are pleased that the commercial pipeline for our software business is already building.



While we are focused on increasing productivity and cost-effectiveness in our operations, we have not lost sight of the need to seek out new growth horizons for ISDN in Asia. During the year, we continued to expand our reach in the region. In the PRC, we set up ISDN (Zhejiang) Precision Technology Co. Ltd to supply the metal injection moulding parts, in addition to the usual OEM and ODM services in the Chinese telecommunication, automotive, and 3C markets. In the Kingdom of Cambodia (“**Cambodia**”), we have ISDN Energy (Cambodia) Co., Ltd. to explore opportunities in the country’s energy-related infrastructure sector. In Vietnam, we opened Air Vacuum Automation Vietnam Company Limited to supply engineering solutions in the field of Vacuum and Pneumatics for the growing manufacturing needs there.

By supplementing all our organic initiatives with these investments, we can coalesce all of our solutions capabilities into a single global centre to create more advanced total solutions for our customers for the wider Industrial 4.0 opportunities.

On our renewable energy front, we have also made great progress. Since venturing into the nascent renewable energy industry, two of our three hydropower plants projects in North Sumatra are now close to the production stage, with the third to start production at the end of 2020. Together, they account for 24.6 megawatts of power.

Towards the end of last year, in November, we entered into a joint venture with Tokyo listed eREX Co. Ltd and a Cambodian company to build a hydropower plant in Cambodia where we hold a 33% stake. As we have experience with these hydropower plants in Indonesia, we were appointed as the technical project lead for this Cambodian Project. These projects set us up for



future revenue streams when these plants begin operation to create a buffer during uncertain times. They will also bring possible lucrative divestment opportunities in the future.

#### **Outlook for 2020**

As we entered into 2020, the COVID-19 virus outbreak suddenly emerged in the PRC, forcing the Chinese government to extend the national Chinese New Year Holiday and impose mandatory quarantines to contain the virus’s contagious spread. ISDN’s supply chain in the PRC was thus impacted.

ISDN’s PRC operations have since resumed following positive signs that the PRC’s outbreak is subsiding. However, with more than 50 countries affected, there is now a looming threat of a global pandemic. To safeguard the wellbeing of our employees and minimise potential further short-term business disruptions, we have put in place business continuity plans and stringent precautionary measures. We are proud to do our part in the business community in the fight against COVID-19.

Global concerns may remain over the extent of the COVID-19 virus outbreak and the continuing trade war. We will continue to leverage on our diversification and cost management strategies to cushion against these headwinds to continue to deliver profits over the long run.

At the same time, we have started to observe a rebound in customer and market activity around semiconductors, 5G, Industry 4.0, and interest in energy independence. In pivoting the business towards services and software through 2019, we built up our business segments, including broader capabilities such as full robot systems, augmented reality, and manufacturing integration platform. These overlay nicely with the Industrial 4.0’s push towards connecting smart devices and smart buildings, placing us in prime position to benefit from the wider Industrial 4.0 opportunities.

With a firm hand on the tiller, we stand ready to react quickly to the potential challenges and capitalise on the opportunities for 2020.

#### **Acknowledgements**

I am proud of what the dedicated employees of ISDN have accomplished in a tough environment. Our experience, diversification and agility have allowed us to launch large-scale operational improvements while also investing prudently to position ISDN for diversified long-term growth. We remain ever-vigilant to rapidly developing market conditions in the global economy, but also firmly focused on our own strong control over costs and growth.

Our core market opportunities in Industry 4.0 and clean energy remain securely attractive in the mid and long term. By remaining disciplined and agile, I am cautiously confident that ISDN can continue using this period of uncertainty to strengthen our operations and our market position.

On behalf of the Board and Management, I would like to sincerely thank our business partners, customers, and employees for their unwavering support as we continue on this exciting journey.

#### **TEO CHER KOON**

Managing Director and President  
ISDN Holdings Limited



# CORPORATE PROFILE



We have **developed** from a local start-up supplier of servo motors to become a multi-national **“one-stop-platform”** engineering solution provider. 

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-platform” engineering solution provider. Our success is primarily attributable to the relationship that 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.

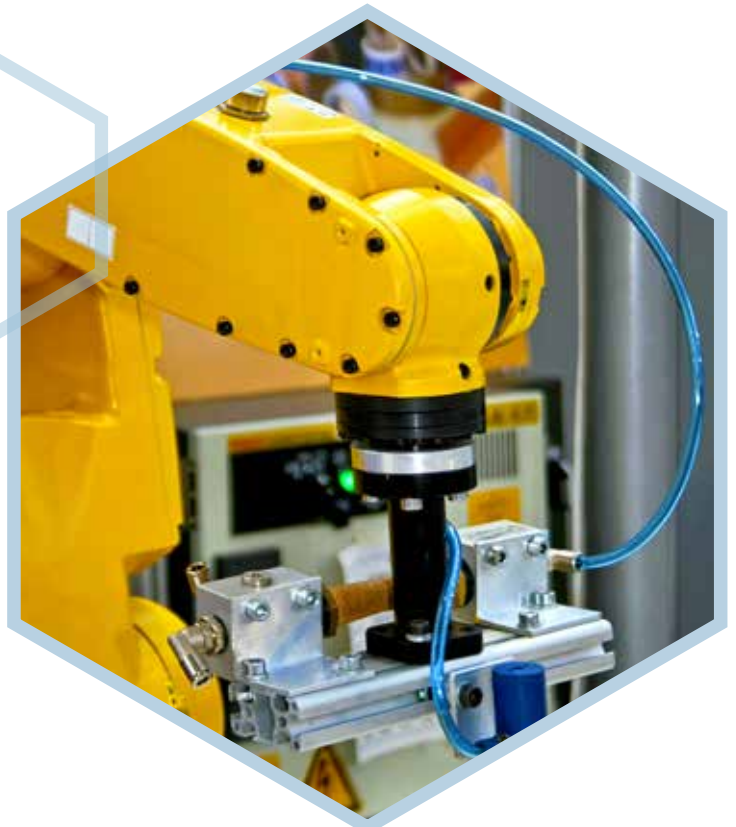
Headquartered in Singapore, we operated through 81 subsidiaries with 74 sales offices all over the PRC, Hong

Kong, Malaysia and a few other Asian countries and region including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2019. 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 range of products such as hinges and locks, precision gearboxes and other industrial hardware for our other specialised engineering solutions divisions. As at 31 December 2019, we had 881 employees, approximately 37% of whom were sales and engineering staff dedicated to serving our customers’ engineering needs in different offices.

The shares of the Company (the “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, our Company successfully achieved a dual primary listing on the SEHK on 12 January 2017. The listing on the SEHK opened up another market for capital activities, expanded our investor base and has also increased our international profile.

## ENGINEERING SOLUTIONS – MOTION CONTROL

As a motion control solution provider, in addition to distributing products, we also design, customise and assemble motion control systems which enable our customers to reduce costs and to better improve production efficiencies. Our motion control systems are typically used for factory automation in a broad range of industries.





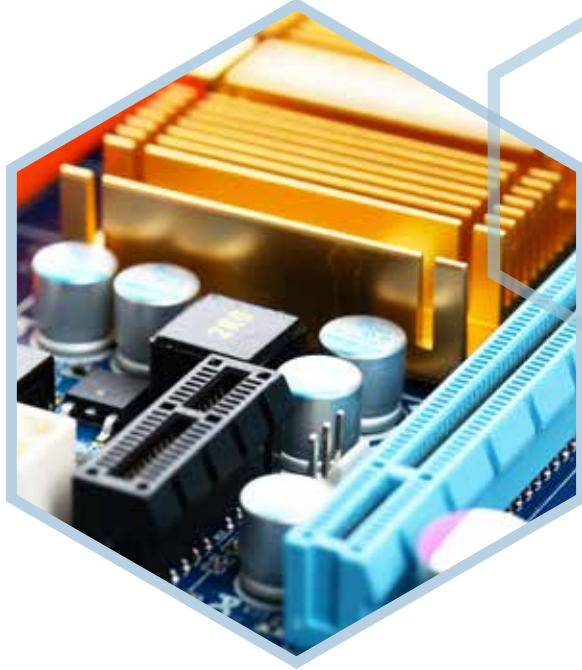


## OTHER SPECIALISED ENGINEERING SOLUTIONS

Other than motion control solutions, we offer our expertise to provide engineered hardware for our customers, including standard modular construction components for use in industrial automation systems, and high-grade components such as industrial locks, fasteners, hinges as well as aluminium profiles and related accessories.

## INDUSTRIAL COMPUTING SOLUTIONS

As part of our suite of industrial engineering offerings, we also provide cost-efficient industrial computing solutions (such as "Wonderware") and custom builds of required structural hardwares (i.e industrial computers).



As we move towards the year 2020, to further extend our business advantages, we embarked on a business transformation process from the core 3 business segments (motion control, industrial computing and other specialised engineering solutions businesses) to five business vertical segments:

ISDN Software, ISDN motion control, ISDN precision manufacturing, ISDN system solution and ISDN Renewable energy.

Pooling our strongest engineering capabilities together to achieve greater efficiency, providing greater economies of scale, and delivering the best of services globally to our customers:

**Delivering Tomorrow's Innovation .  
Today**



*4.6 MW (megawatt)  
hydropower plants  
in North Sumatra,  
Indonesia*



# BOARD OF DIRECTORS



亿仕登高科技工业园  
ISDN High Tech Industrial Park

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## 1. MR. LIM SIANG KAI (林汕鏞) *Chairman and Independent Director*

Mr. Lim Siang Kai (林汕鏞), aged 63, is our Chairman and an independent non-executive Director. Mr. Lim is currently the independent director of several other companies listed on the SGX-ST, the SEHK, the Bursa Malaysia. Prior to joining the Group, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 30 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is the independent non-executive director of Beijing Gas Blue Sky Holdings Limited (previously known as Blue Sky Power Holdings Limited and China Print Power Group Limited) (a company listed on the SEHK under stock code 6828) and an independent director of Joyas International Holdings Limited (a company listed in Singapore). Mr. Lim has been the chairman and an independent director of Samurai 2K Aerosol Limited (a company listed in Singapore) since 16 January 2017. Mr. Lim is also serving as a non-independent and non-executive chairman of D'nonce Technology Berhad, a company listed on the Main Board of Bursa Malaysia, since 12 June 2019. He ceased to be an independent director of Natural Cool Holdings Limited (a company listed in Singapore) on 8 February 2017.

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.

## 2. MR. TEO CHER KOON (張子鈞) *Managing Director and President*

Mr. Teo Cher Koon (張子鈞), aged 61, 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 30 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 81 subsidiaries and 74 sales offices

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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 2019. Mr. Teo is responsible for formulating our corporate strategy, general management and providing technical advice to our Group, and is particularly active in the procurement and marketing activities of our Group.

Mr. Teo obtained a Bachelor of Engineering (Mechanical) from the National University of Singapore in June 1987 and a Technician Diploma in Mechanical Engineering from Ngee Ann Technical College in April 1978.

Mr. Teo is sole director of Assetraise Holdings Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO").

## 3. MR. KONG DEYANG (孔德揚) *Executive Director and Senior Vice President – PRC Operations*

Mr. Kong Deyang (孔德揚), aged 59, 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.

## 4. MR. TOH HSIANG-WEN KEITH *Non-executive Director*

Mr. Toh Hsiang-Wen Keith, aged 44, is our non-executive Director. Mr. Toh was appointed as a non-executive Director of our Company on 10 May 2019. Mr. Toh is a partner at Novo Tellus Capital Partners, a private equity fund focused on technology and industrials investments in Southeast Asia. Mr. Toh was formerly a principal at Francisco Partners L.P.,

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a leading global technology-focused private equity fund. At Francisco Partners L.P., Mr. Toh focused on investments in global technology sectors including electronics manufacturing, semiconductors, enterprise software, internet platforms, and optical communications. He has held numerous board positions over the last decade for technology companies worldwide including a director of (i) Source Photonics Inc, an optical components manufacturer from 2010 to 2017; (ii) Aconex Ltd., a company formally listed on the Australian Stock Exchange and acquired by Oracle in 2017, from 2008 to 2017; and (iii) AEM Holdings Ltd ("AEM"), a company listed on SGX-ST from 2015 to 2018. Previously, Mr. Toh was a product lead at Trilogy Enterprise Inc, an enterprise software company, and held research roles at Stanford University and the Singapore Ministry of Defense.

Mr. Toh holds a Bachelor of Science in Electrical Engineering from Stanford University which he obtained in June 1995.

## 5. MR. SOH BENG KENG (蘇明慶) *Independent director*

Mr. Soh Beng Keng (蘇明慶), aged 66, is our independent non-executive Director. Currently, Mr. Soh also serves as the lead independent director of China Haida Ltd., the holding company of a leading manufacturer of aluminum panels in the PRC, which is 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 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



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to February 2007. From March 2007 to April 2009, Mr. Soh was the chief financial controller of P99 Holdings Limited (previously known as China Fashion Holdings Limited) (delisted from SGX-ST since 21 October 2017), 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 (i) BM Mobility Ltd, a PRC raw material producer and supplier of import substitution products as well as green energy business listed on the SGX-ST, from August 2009 to August 2019; (ii) Sino Grandness Food Industry Group Limited, a company principally engaged in the production and distribution of beverage and canned food products listed on the SGX-ST, from November 2009 to December 2019; and (iii) 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.

#### 6. MR. TAN SOON LIANG (陳順亮) Independent Director

Mr. Tan Soon Liang (陳順亮), aged 47, 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 Managing 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 Catalyst-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. He is also serving as an

independent director in Catalyst-listed Choo Chiang Holdings Limited (42E), a leading retailer and distributor of electrical products and accessories in Singapore, since August 2018. Mr. Tan is also serving as an independent non-executive Director of Catalyst-listed GDS Global Limited, a leading specialist provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region, since 7 March 2020. Between June 2009 to July 2014, he also served as a non-executive director of Catalyst-listed Jubilee Industries Holdings Ltd (50S), a provider of precision plastic injection mould and moulding solutions. He was the independent director in Catalyst-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions, from June 2016 to April 2019.

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 Ms. Cheng Lucy are the joint company secretaries of our Company during the FY2019. Ms. Cheng Lucy resigned on 28 February 2020, Ms. Tung Wing Yee Winnie was appointed as one of the joint company secretaries on the even date.

**MS. GN JONG YUH GWENDOLYN (鄞鐘毓)**, aged 48, 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.

**MS. CHENG LUCY (曾若詩)**, was appointed as one of our joint company secretaries on 16 December 2018. She is a senior corporate secretarial manager of Boardroom Corporate Services (HK) Limited. Ms. Cheng is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has over 15 years of experience in the corporate secretarial field. Ms. Cheng resigned on 28 February 2020.

**MS. TUNG WING YEE WINNIE (董穎怡)**, was appointed as one of our joint company secretaries on 28 February 2020. She is a senior corporate secretarial manager of Boardroom Corporate Services (HK) Limited. Ms. Tung is currently a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia. Ms. Tung also has over 20 years' experience in the fields of company secretarial, financial management and corporate finance.

# 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  
D'nonce Technology Berhad

## **TEO CHER KOON**

### **Group companies**

ISDN Holdings Limited  
Agri Source Farms Sdn Bhd  
Agri Source Pte Ltd  
C True Version Pte Ltd  
DBASIX Malaysia Sdn Bhd  
DBASIX Singapore Pte Ltd  
Dietionary Farm Holding Pte Ltd  
Dietionary Farms Sdn Bhd  
Dirak Asia Pte Ltd  
Dirak Taiwan Co., 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 Energy Pte. Ltd.  
ISDN Enterprise Management (Wu Jiang) Co., Ltd.  
ISDN Investments Pte Ltd  
ISDN Road & Belt Energy Pte. Ltd.  
ISDN Myanmar Power Pte Ltd  
ISDN Resource Pte Ltd  
Jin Zhao Yu Pte Ltd  
JM Vistec System Pte Ltd  
JM Vision Technologies Co., Ltd  
Leaptron Engineering Pte Ltd  
Maxon Motor International Trading (Shanghai) Co., Ltd.  
Maxon Motor (Suzhou) Co., Ltd  
Maxon Motor Taiwan Co., Ltd  
Motion Control Group Pte Ltd  
Precision Motion Control Phils. Inc.  
Prestech Industrial Automation Pte Ltd  
SejinIGB (China) Co., Ltd  
Servo Dynamics (H.K.) Limited  
Servo Dynamics (Thailand) Co., Limited  
Servo Dynamics Co., Ltd  
Servo Dynamics Pte Ltd  
Servo Dynamics Sdn Bhd  
Shanghai DBASIX M&E Equipment Co., Ltd  
Suzhou Dirak Co., Ltd  
Suzhou PDC Co., Ltd  
Suzhou Servo Dynamics Co., Ltd.  
Zhuzhou Dirak Technology Co., Ltd.  
C&I Renewable and Innovative Tech Pte. Ltd  
ISDN NBA Resources Pte. Ltd.  
Emmett Capital (Pte.) Ltd.  
Aenergy Holdings Company Limited  
LAA Energy HK Company Limited  
Maxon motor SEA Pte. Ltd.  
SofKore GmbH  
PT Charma Paluta Energy

PT Alabama Energy  
ISDN Software Business Pte Ltd  
ISDN Energy (Cambodia) Co., Ltd.  
ISDN (Zhejiang) Precision Technology Co., Ltd.  
COTRUST SYSTEM Co., Ltd  
SPHP Co., Pte. Ltd.

### **Other companies**

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

## **KONG DEYANG**

### **Group companies**

ISDN Holdings Limited  
Beijing Junyizhicheng Technology Developing Co., Ltd  
Eisele Asia Co., Ltd  
Excel Best Industries (Suzhou) Co., Ltd  
ISDN Enterprise Management Co., Ltd  
JAPV Mechanical Technology (Wujiang) Co., Ltd  
Gateway Motion (Shanghai) Co., Ltd  
Maxon Motor International Trading (Shanghai) Co., Ltd.  
Maxon Motor (Suzhou) Co., Ltd  
SejinIGB (China) Co., Ltd  
Servo Dynamics Co., Ltd  
Shenzhen Servo Dynamics Co., Ltd  
Shanghai DBASIX M&E Equipment Co., Ltd  
Suzhou PDC Co., Ltd  
Weiye M&E Equipment (Shanghai) Co., Ltd

## **SOH BENG KENG**

### **Group companies**

ISDN Holdings Limited

### **Other companies**

China Haida Ltd

## **TAN SOON LIANG**

### **Group companies**

ISDN Holdings Limited

### **Other companies**

Ach 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  
Clearbridge Health Limited  
Choo Chiang Holdings Limited  
Allin Holdings Pte Ltd  
GDS Global Limited

## **TOH HSIANG-WEN KEITH**

### **Group companies**

ISDN Holdings Limited

### **Partner**

Novo Tellus Capital Partners



# EXECUTIVE OFFICERS\*

## **MR. LAU CHOON GUAN (劉俊源),**

*aged 55, Vice President – sales (motion control) of our Group.*

Mr. Lau is responsible for analyzing market demand, sales and marketing of our Group's products and executing business plans effectively. In September 1990, he was appointed as a foreman in Matsushita Electronics Components (S) Pte Ltd, which manufactures electrical components. In August 1991, he joined our Group as a sales engineer where he was in charge of sales and marketing before eventually being promoted to be a Vice President in our Group in November 2005. Given his years of experience with our Group, Mr. Lau is experienced in all areas of the motion control business. From 2014 to 2016, Mr. Lau was a committee member of the 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 61, Vice President – technical support (motion control) of our Group.*

Mr. Sim joined our Group in April 1992 and is responsible for managing the pre and post product and application sales capabilities of our Group. Since joining our Group, Mr. Sim has contributed to the technical and applications capabilities of the technical department to meet the rapid development in the motion control technology market. He is also actively involved in the adoption of new software engineering tools and standards. Mr. Sim was a production supervisor with Hipak Industries Pte Ltd, a polythene bag production factory, where he was responsible for the efficient running of the production systems from June 1979. When Hipak Industries Pte Ltd was acquired by Lamipak Industries Pte Ltd, he was promoted to the post of superintendent in October 1981, where he was responsible for the efficient running of the expanded production facilities. Mr. Sim left Lamipak Industries Pte Ltd in February 1984 to pursue his studies and serve his national service thereafter. Mr. Sim obtained a Diploma in Electronics Engineering from the French-Singapore Institute in March 1986.

## **MR. CHENG HOCK KIANG (鍾福強),**

*aged 51, Vice President in sales (industrial computing, hardware) of our Group.*

Mr. Cheng joined our Group as a sales engineer of Servo Dynamics in April 1997 and was subsequently employed as a business development manager of our subsidiary, Portwell, since January 1998. He is responsible for building and sustaining good relationships with our customers, overseeing the day-to-day operations of Portwell, and leading our sales team in developing new marketing strategies for our industrial computing systems. Mr. Cheng obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in August 1988 and a Degree of Bachelor of Science with Second Class Honours (Upper) in Information and Communications Technology from SIM University in March 2010.

## **MR. WONG KWOK WHYE PETER (黃國偉),**

*aged 52, Vice President*

Mr. Wong 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 45, 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 (何靈蔚),**

*aged 45, Chief Financial Officer*

Ms. Ho joined our Group in June 2016 and she was responsible for the financial management, financial reporting and internal control functions of the Group. 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 (delisted from SGX-ST since 24 August 2018), 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.

\* Reference to "Executive Officers" in this annual report shall include persons referred to as "Senior Management" under the Rules Governing the Listing of Securities of the SEHK (the "SEHK Listing Rules")

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During FY2019, the core industrial automation business continued to be the key revenue generator accounting for approximately 98.3% of the Group's total revenue. In terms of geography, the PRC remained as our major revenue contributor, followed by Singapore, Hong Kong and Malaysia, accounting for 66.9%, 15.4%, 2.3%, and 3.5% respectively.

Faced with the ongoing trade tension, the cyclical headwinds in the semiconductor industry and a depreciating RMB against the Singapore Dollar ("SGD"), the Group remained long-term focused while staying agile on other replacement markets. In the fourth quarter of 2019, revenue grew 11.5% year-on-year to S\$79.3 million on the back of increasing demand for high-tech precision control systems from the Chinese medical device manufacturers. Overall, the Group's revenue dipped 3.6% year-on-year to S\$291.0 million for FY2019 despite the challenging market conditions.

In line with the revenue trend, gross profit for FY2019 decreased by 3.9% year-on-year to S\$77.4 million for FY2019. Gross profit margins edged down 0.1 percentage points to 26.6% in FY2019.

Our core market opportunities in Industry 4.0 and clean energy remain securely attractive in the mid and long term. While market conditions might look uncertain, the Group will continue to improve its operational efficiencies and stay focused on the long-term opportunities towards Industry 4.0.

## FUTURE PROSPECTS

Although 2019 was a challenging year macro-economically, ISDN was able to make good progress with strengthening its business:

- The Group's diversification allowed it to weather a soft Asian economy as more resilient sectors such as medical technology and defense helped offset demand softness in more cyclical industries.
- Operationally, the Group made good progress with consolidating its engineering and administrative operations to unlock cost efficiencies and grow engineering capabilities at scale. These activities will continue through

2020 as ISDN unlocks further cost efficiencies while growing its long-term technology capabilities.

- Strategically, the Group made prudent investments to advance its long-term growth prospects. ISDN expanded its core capabilities by establishing the ISDN Software business, and investing in metal injection opportunity. These focused growth directions allow ISDN to increase high-value capabilities delivered to customers, and participate in attractive revenue models such as software subscription, service and intellectual property sales. The Group made good progress commercialising its energy portfolio, with 3 power plants slated to commence operations through 4Q 2020.
- The Group also launched a partnership with experienced technology investor Novo Tellus. Novo Tellus acquired an 8.9% stake in ISDN shares, and has worked collaboratively with the Group to advise and review its operational and strategic initiatives.

Through its operating and strategic initiatives and its promising partnership with Novo Tellus, the Group has established a program of cost efficiencies that provides a defensive posture in the event that 2020, including the effects of the COVID-19 outbreak globally, continues to be economically soft.

At the same time, the Group continues to invest prudently to grow its medium and long term prospects through a focus on growing core business capabilities to continue "moving up the value chain", and a focus on conservative commercialisation of its fledgling energy business in preparation for an eventual spinout as the business proves its operational value.

While the Group remains ever-vigilant to fast-evolving market conditions in early 2020, it remains confident that the long term growth prospects in Industry 4.0 and clean energy represent solid market opportunities for its diversified portfolio. To this end, we note that PRC continues to advocate and invest in industrial automation to progress its economic roadmap<sup>1</sup>. Indeed, industry analyst Frost & Sullivan<sup>2</sup> predicts that the PRC's motion control solutions market is estimated to reach S\$3.76 billion by 2020, and Interact Analysis expects the PRC to nearly double revenue of the U.S market till 2023<sup>3</sup>. The Group believes ISDN remains particularly well-positioned to capitalise on these long term strategic sectors for the PRC and Asia at large.

<sup>1</sup> Bloomberg: Not even a virus can stop this president from dreaming, <https://www.bloomberg.com/opinion/articles/2020-02-05/coronavirus-won-t-halt-china-s-technological-ambitions>

<sup>2</sup> Frost & Sullivan Report: [https://www.isdnholdings.com/download/hk/research/Final%20Report\\_Project%20Twins\\_FS\\_12072016.pdf](https://www.isdnholdings.com/download/hk/research/Final%20Report_Project%20Twins_FS_12072016.pdf)

<sup>3</sup> Robotics Business Review: Report predicts \$15b+ market for motion controls by 2023, <https://www.roboticsbusinessreview.com/research/motion-controls-report-predicts-15b-market-by-2023/>



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and Gross Profit Margin

	FY2019 S\$'000	FY2018 S\$'000	% change + / (-)
<b>Engineering Solutions</b>			
Revenue	286,102	301,990	(5.3%)
Gross profit	77,063	80,549	(4.3%)
Gross profit margin	26.9%	26.7%	0.2 ppt
<b>Construction Revenue</b>			
Revenue	4,883	-	n.m.
Gross profit	362	-	n.m.
Gross profit margin	7.4%	-	n.m.
<b>TOTAL</b>			
Revenue	290,985	301,990	(3.6%)
Gross profit	77,425	80,549	(3.9%)
Gross profit margin	26.6%	26.7%	(0.1 ppt)

n.m.: not meaningful

### Revenue and Gross Profit Margin

The Group's revenue for FY2019 of S\$291.0 million was lower as compared to FY2018. The core industrial automation segment continued to be the key revenue generator accounting for approximately 98.3% of the Group's total revenue for FY2019. In FY2019, the Group recognised construction revenue of approximately S\$4.9 million arising from the construction of mini-hydropower plants in Indonesia.

Overall reported revenue for the Group was lower due to a general market slowdown arising from global trade tensions and a depreciation in the Renminbi ("RMB") currency.

As part of management's measures to manage counterparty risk in the slowing economic environment, certain sales accounts were deliberately not renewed resulting in a decrease of S\$5.0 million sales in FY2019 as compared to FY2018.

From May 2019 to December 2019, the RMB had also depreciated by 3.8%. As a result, the revenue from our China operations was translated at a lower exchange rate for FY2019 as compared to FY2018. Based on the FY2018 exchange rate for the same period, revenue would have increased by approximately S\$7.0 million.

Gross profit of S\$77.4 million was S\$3.1 million, or 3.9% lower in FY2019 as compared to FY2018. The gross profit margins for the Group edged down slightly in FY2019 as compared to the corresponding period in 2018 by 0.1 percentage point from 26.7% to 26.6%. Excluding the gross profit arising from the construction of mini-hydropower plants under the service concession arrangement, the gross profit margin would have inched up by 0.2 percentage points in FY2019.

### Other operating income

Other operating income decreased by S\$1.6 million, or 32.0% to S\$3.4 million for FY2019. The decrease was mainly due to the absence of one-off gain on disposal of subsidiaries of S\$0.2 million, decrease in gain on disposal of property, plant and equipment of S\$0.2 million, decrease in commission income of S\$0.3 million, decrease in technical consultancy fees of S\$0.7 million and decrease in rental income of S\$0.1 million.

### Distribution costs

Distribution costs decreased by S\$0.1 million, or 0.3% to S\$25.6 million for FY2019. The decrease was mainly due to decrease in sales commission to sales personnel which was in line with the decrease in revenue.

### Administrative expenses

Administrative expenses increased by S\$0.1 million, or 0.4% to S\$31.0 million for FY2019. The increase was mainly due to the reversal of over provision for withholding tax of S\$1.2 million in FY2018, increase in professional fees of S\$0.4 million; partially offset by over provision of bonus of S\$1.5 million.

### Other operating expenses

Other operating expenses decreased by S\$0.8 million or 38.3% to S\$1.3 million for FY2019. The decrease was mainly due to decrease in allowance for inventory obsolescence S\$0.8 million, decrease in inventories written off of S\$0.1 million and absence of one-off loss on deemed disposal of an associate of S\$0.1 million; partially offset by increase in foreign exchange loss of S\$0.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

Finance costs increased by S\$1.1 million, or 103.6% to S\$2.1 million for FY2019, which was mainly due to an increase in average bank borrowings.

## Income tax expense

Income tax expenses decreased by S\$1.1 million, or 15.3% to S\$6.0 million for FY2019, mainly due to lower taxable profits.

## Property, plant and equipment

Property, plant and equipment increased by S\$4.7 million, or 11.8% as at 31 December 2019. The increase was mainly due to acquisition of land and additional construction costs incurred of S\$3.0 million for the construction of hydropower plant in Indonesia, purchase of plant and machinery of S\$1.0 million and recognition of right-of-use assets of S\$4.4 million resulting from the adoption of the new SFRS(I) 16 *Leases*. This was partially offset by the depreciation charge of S\$3.8 million.

## Associates

Interests in associates decreased by S\$0.5 million, or 8.0% as at 31 December 2019 mainly due to disposal of C&I Renewable Limited of S\$0.2 million and share of loss of associates of S\$0.1 million.

## Service concession receivables

Service concession receivables increased by S\$4.0 million, or 13.3% to S\$34.3 million as at 31 December 2019. This was mainly due to recognition of construction revenue of S\$4.9 million from the construction of mini-hydropower plants under the service concession arrangement offset by foreign exchange revaluation losses of S\$0.9 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

“  
**The Group made good progress with consolidating its engineering and administrative operations to unlock cost efficiencies and grow engineering capabilities at scale.**”



## Other financial assets

As an addition to the renewable energy portfolio, an S\$0.9 million investment was made to obtain a 10% stake in a company which specialises in the design, development, integration and sales of lithium battery management systems.

## Inventories

Inventories decreased by S\$2.1 million or 3.7% to S\$53.1 million as at 31 December 2019 primarily due to the fulfilment of customer orders during the financial year.

## Trade and other receivables

Trade and other receivables increased by S\$10.0 million or 9.8% to S\$111.8 million as at 31 December 2019 mainly due to an increase in notes receivables of S\$3.9 million, coupled with an increase in advance payment to suppliers of S\$3.2 million, increase in amounts owing from non-controlling interest of S\$1.5 million, increase in loan to associates of S\$3.3 million and increase in sundry debtors of S\$1.6 million. This was partly offset by the decrease in trade receivables from third parties and associates of S\$2.5 million and S\$0.6 million respectively and decrease in rental and sundry deposit of S\$0.3 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Trade and other payables

Trade and other payables increased by S\$2.0 million or 3.4% to S\$60.8 million as at 31 December 2019, which was mainly due to increase in trade payables to related parties of S\$3.0 million, increase in amounts due to non-controlling interests of S\$0.7 million and increase in accrued staff cost of S\$0.4 million. This was offset by the decrease in trade payables to third parties of S\$2.2 million arose from payment to trade suppliers as they became due.

## Bank borrowings (current and non-current)

Bank borrowings decreased by S\$1.0 million to S\$27.3 million as at 31 December 2019. The decrease was primarily due to repayment of bank borrowings amounting to S\$24.3 million offset by proceeds of bank borrowings of S\$23.3 million.

## Lease liabilities (current and non-current)

Lease liabilities increased by S\$2.7 million to S\$3.0 million as at 31 December 2019 was mainly due to the adoption of the new SFRS(I) 16 *Leases*.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no material acquisitions and disposals in FY2019.

## LIQUIDITY AND FINANCIAL RESOURCES

During FY2019, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2019, cash and bank balances amounted to approximately S\$38.0 million, which decreased by approximately 9.3% as compared to S\$41.9 million as at 31 December 2018. The quick ratio of the Group was approximately 1.6 times (31 December 2018: 1.6 times).

As at 31 December 2019, the Group has long and short-term bank borrowings of approximately S\$27.3 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$20.2 million (31 December 2018: S\$16.4 million) while the bank borrowings due after one year amounted to approximately S\$7.1 million (31 December 2018: S\$11.8 million).

As at 31 December 2019, the weighted average effective interest rates on bank borrowings is 6.62% (31 December 2018: 4.18%) per annum. The Group does not have fixed rate bank borrowings as at 31 December 2019 and 31 December 2018. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2018: S\$0.3 million), the Group's total borrowings amounted to S\$27.5 million (31 December 2018: S\$28.6 million).

## GEARING RATIO

During FY2019, the gearing ratio of the Group was about 18.0% (2018: 19.9%) which was calculated on the Group's total borrowings (including total borrowings 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 decrease in bank borrowings and increase in equity excluding non-controlling interests.

## TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout FY2019. 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 RMB and United States dollars ("USD"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of subsidiaries of the Company 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 FY2019, the Group has entered into financial instruments to hedge its exposure to foreign currency risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL EXPENDITURES

During FY2019, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$5,017,000 (2018: S\$2,632,000).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, there were 881 (2018: 856) 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.

The Company adopted ISDN Share Option Scheme 2016 ("ISDN ESOS 2016") and ISDN Performance Share Plan ("ISDN PSP") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

## 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 FY2019.

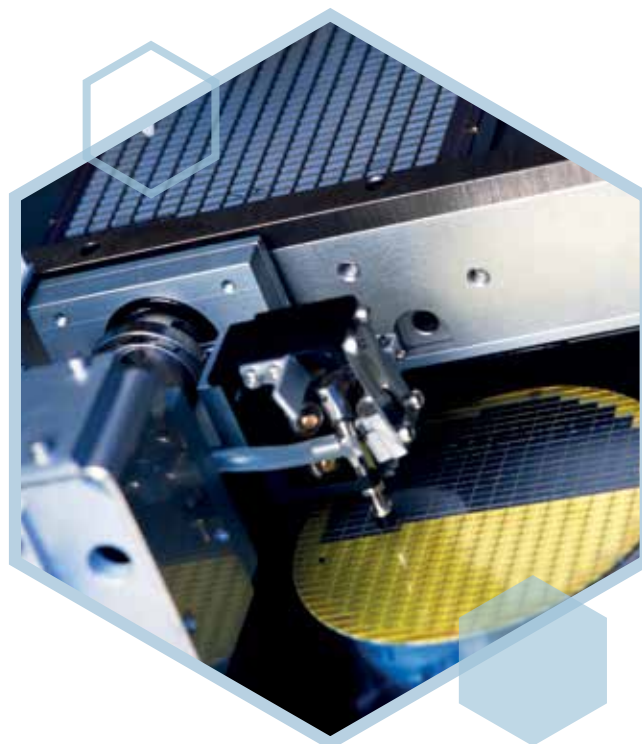
## RISK MANAGEMENT

### 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 2019.

### Charge on the Group's Assets

As at 31 December 2019, the Group's cash and cash equivalents, net book value of property, plant equipment of



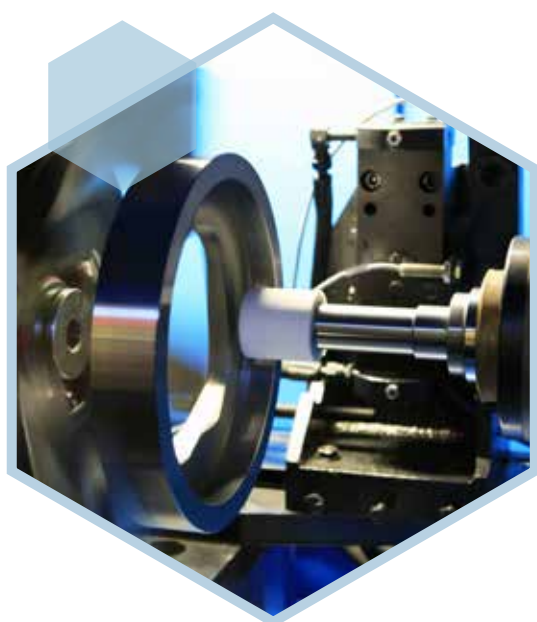
approximately S\$3.1 million and S\$18.6 million, respectively (2018: S\$3.2 million and S\$19.7 million) were pledged to banks to secure general banking facilities granted to the Group.

## PROPOSED FINAL DIVIDEND

The Board have recommended the payment of a final dividend of 0.4 Singapore cents (equivalent to 2.28 Hong Kong cents) per ordinary share for FY2019. The proposed dividend payment is subject to approval by the shareholders of the Company ("the Shareholders") at the annual general meeting (the "AGM") to be held on Wednesday, 29 April 2020 at 9.30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on Thursday, 2 July 2020 to the Shareholders whose names shall appear on the register of members of the Company on Friday, 8 May 2020.

The Directors propose that the Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) SGX-ST and the SEHK granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Monday, 1 June 2020. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Thursday, 2 July 2020.





# CORPORATE GOVERNANCE REPORT

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout ISDN Holdings Limited and its subsidiaries 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 6 August 2018 (the “**2018 Code**”) and the 2018 Code applies to annual reports covering financial years with effect from 1 January 2019. The Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”) requires listed companies to describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the 2018 Code. The Company must comply with the principles of the 2018 Code. Where the Company’s practices vary from any provisions of the 2018 Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This report outlines the Company’s corporate governance framework in place throughout the FY2019 with specific references made to each of the principles and the accompanying provisions to each principles of the 2018 Code and the relevant Practice Guidance of the SGX-ST (the “**Practice Guidance**”). The Company has complied with the principles set out in the 2018 Code. Where there are deviations, appropriate explanations have been set out on how our practices are consistent with the aim and philosophy of the principle in question. This report also makes references to the Code of Corporate Governance implemented on 2 May 2012 (the “**2012 Code**”) in relation to the relevant principles and accompanying guidelines that are still in force.

The Company’s ordinary shares have been listed (the “**Listing**”) on the Main Board of the SEHK since 12 January 2017. From the date of Listing, the Company is required to comply with, among others, the applicable code provisions of the Corporate Governance Code (the “**HK CG Code**”) as set out in Appendix 14 to the SEHK Listing Rules. The Group has complied with the HK CG Code for the FY2019.

## BOARD MATTERS

### Principle 1: Board’s Conduct of its Affairs

*The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

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 the 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 reviews 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. In accordance with C.1.3 of the HK CG Code, 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. All Directors must objectively make decisions in the interests of the Group as fiduciaries and hold the Management accountable for performance. The Board has put in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing a conflict of interest will recuse themselves from discussions and decisions involving the issue of conflict.

# CORPORATE GOVERNANCE REPORT

The Directors of the Company are as follows:

<b>Name of Director</b>	<b>Age</b>	<b>Date of first appointment</b>	<b>Date of last re-election</b>	<b>Designation</b>
Teo Cher Koon	61	28/12/2004	30/04/2019	Executive Director, Managing Director and President
Kong Deyang	59	26/09/2005	26/04/2018	Executive Director
Toh Hsiang-Wen Keith	44	10/05/2019	-	Non-executive Director
Lim Siang Kai	63	26/09/2005	30/04/2019	Independent Non-executive Director and Chairman
Soh Beng Keng	66	26/09/2005	26/04/2018	Independent Non-executive Director
Tan Soon Liang	47	18/08/2016	28/04/2017	Independent Non-executive Director

## **Newly appointed Directors**

The Board ensures that newly appointed Directors are familiar with their duties, obligations and the Group's businesses and corporate governance practices 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 newly appointed Directors are familiar with the Group's business and corporate governance practices. Upon appointment, Directors will also be provided with formal letters, setting out their duties and obligations, including matters reserved for the Board's decision. Newly appointed Directors are given guidance and orientation (which includes management presentations) to allow the Directors to understand the Group's business operations, strategic directions and policies, corporate functions and corporate governance practices. Training will be provided to Directors who have no prior experience as a director of a listed company in the roles and responsibilities of a listed company Director.

## **Existing Directors**

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities at the Company's expense. 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 provisions from the SGX-ST Listing Manual and the SEHK Listing Rules that affect the Company and/or the Directors in discharging their duties. During FY2019, the Directors were provided updates and informative news of the 2018 Code and the Practice Guidance.

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 FY2019. All the Directors have provided their training records for FY2019 to the Company.



# CORPORATE GOVERNANCE REPORT

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 FY2019:

	<b>Reading materials</b>	<b>Attending seminars/ Induction training</b>
<b><u>Executive Directors</u></b>		
Teo Cher Koon	Reading materials	NIL
Kong Deyang	Reading materials	NIL
<b><u>Non-executive Director</u></b>		
Toh Hsiang-Wen Keith	Reading materials	[a]
<b><u>Independent Non-executive Directors</u></b>		
Lim Siang Kai (Chairman)	Reading materials	NIL
Soh Beng Keng	Reading materials	NIL
Tan Soon Liang	Reading materials	NIL

[a] Mr Toh Hsiang-Wen Keith received and acknowledged Directors' training from ISDN in the course of his appointment process to the ISDN Board.

The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's quarterly, half-year 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. These guidelines have been clearly communicated to the Management in writing. Further, matters requiring the Board's approval are disclosed in the Annual Report.

## **Board Committees**

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

The details of the Board Committees are set out below in the Corporate Governance Report:

- (i) Nominating Committee (Principle 4);
- (ii) Remuneration Committee (Principle 6);
- (iii) Audit Committee (Principle 10); and
- (iv) Risk Management Committee (Principle 9).

# CORPORATE GOVERNANCE REPORT

The attendance of the Directors at the formal Board and Board Committee meetings held during FY2019 is as follows:

Name of Director	Board Committees									
	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teo Cher Koon	4	4	N/A	N/A	1	1	N/A	N/A	N/A	N/A
Kong Deyang	4	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Toh Hsiang-Wen Keith <sup>(1)</sup>	4	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lim Siang Kai	4	4	4	4	1	1	3	3	1	1
Soh Beng Keng	4	4	4	4	1	1	3	3	1	1
Tan Soon Liang	4	4	4	4	N/A	N/A	3	3	1	1

Note:

<sup>(1)</sup> Mr Toh Hsiang-Wen Keith was appointed as Non-executive Director with effect from 10 May 2019.

Directors with multiple board representations would ensure that sufficient time and attention are given to the affairs of the Company by actively participating in the Board meetings and Board Committee meetings. The NC would conduct annual review on whether a Director with multiple Board representations adequately carried out his or her duties as a Director of the Company based on internal guidelines. More details are set out in the disclosure under Provision 4.5 of the 2018 Code below.

## Board meetings

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 2018 Code and the SEHK Listing Rules. Ad-hoc meetings will be held when circumstances require. The Company's Constitution also provides for telephone conference and video conference meetings.

The draft agenda of each Board meeting is provided to all Directors together with the notice of each Board meeting. The Directors would then inform of any additional agenda that they would like to discuss at the Board meeting. Board papers together with all appropriate, complete and reliable information including materials relating to the transactions to be discussed in the Board meeting are provided to all Directors at least three (3) days before each Board meeting to enable them to make informed decisions at the Board meeting. The Board papers include minutes of the previous meetings to be tabled and confirmed at the Board meeting, financial results announcements, reports from the internal auditors and external auditors, reports from the Board Committees, and related materials, background or explanatory information relating to the matters to be raised at the Board meeting.



# CORPORATE GOVERNANCE REPORT

The Directors are regularly updated by the Management on the developments within the Group and are supplied with such other information so that they are equipped to participate fully at the Board meetings.

The Management has taken a pro-active approach of informing the Directors on a timely basis of important corporate actions to be taken by the Company and events that will affect the Company, even if such developments may not require the approval of the Board.

The Directors have separate and independent access to the Management, the joint company secretaries and external advisers (where necessary) at the Company's expense.

The appointment and removal of the joint company secretary is a matter for the Board to decide as a whole. The joint company Secretaries or his or her representative administers, attends and prepares minutes of the Board and Board Committee meetings and assists the Chairman of the Board, AC, NC, RC and RMC in ensuring proper procedures at such meetings are complied with so that the Board and the Board Committees function effectively.

## **Principle 2: Board Composition and Guidance**

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.*

The independence of each Director is reviewed annually by the NC, in accordance with Provisions 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules. The Board considers an "independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related companies, its substantial shareholders (a shareholder who has an interest or interests in not less than 5% of the total votes attached to all voting shares in the Company) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company. The Board is independent from the Management. No individual or small group of individuals is allowed to dominate the Board's decision-making.

In addition to the above, the Board and the NC also consider the new Rules 210(5)(d)(i) and (ii) of the SGX Listing Manual, which took effect on 1 January 2019. Pursuant to Rules 210(5)(d)(i) and (ii) of the SGX Listing Manual, the Board and the NC consider that a director is not independent under any of the following circumstances:

- (i) if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and
- (ii) if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC.

# CORPORATE GOVERNANCE REPORT

The Board and the Board Committees comprise of the following Directors:

Name of Directors	Board	Date of First Appointment	Date of Last Re-Election	AC	NC	RC	RMC
Teo Cher Koon	Executive Director	28/12/2004	30/04/2019	-	Member	-	-
Kong Deyang	Executive Director	26/09/2005	26/04/2018	-	-	-	-
Toh Hsiang-Wen Keith <sup>(1)</sup>	Non-executive Director	10/05/2019	-	-	-	-	-
Lim Siang Kai	Independent Non-executive Director	26/09/2005	30/04/2019	Chairman	Member	Member	Chairman
Soh Beng Keng	Independent Non-executive Director	26/09/2005	26/04/2018	Member	Chairman	Member	Member
Tan Soon Liang	Independent Non-executive Director	18/08/2016	28/04/2017	Member	-	Chairman	Member

Note:

<sup>(1)</sup> Mr Toh Hsiang-Wen Keith was appointed as Non-executive Director with effect from 10 May 2019.

There has been no financial, business, family or other material relationship amongst the Directors.

Given that Mr Lim Siang Kai and Mr Soh Beng Keng have served on the Board as Independent Non-executive Directors for more than nine (9) years, the question of whether each of them is independent was subject to more rigorous scrutiny in accordance with A.4.3 of the HK CG Code. The Board, in consultation with the NC consider Mr Lim Siang Kai and Mr Soh Beng Keng to be independent as each of them has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with their familiarity with the business of the Group, have proven themselves to be valuable members of the Board.

The NC has also reviewed and determined that Mr Tan Soon Liang and Mr Lim Siang Kai are independent and in accordance with the 2018 Code and the SEHK Listing Rules, are able to exercise independent judgement.

In addition, 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 SGX-ST Listing Manual and the 2018 Code. The Company does not have any alternate Directors on the Board and did not appoint any alternate Directors during FY2019. 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 Board has complied with the requirements of the 2018 Code and Rule 3.10A of the SEHK Listing Rules that requires at least one third of the Board to be comprised of Independent Non-executive Directors, and in accordance with Rule 3.10 of the SEHK Listing Rules that at least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Corporate Governance Report, half of the Board is independent. The Chairman of the Board, Mr Lim Siang Kai, is independent. The Independent Non-executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board. Key information on the Directors can be found in the "Board of Directors" section of the annual report.



# CORPORATE GOVERNANCE REPORT

As at the date of this Corporate Governance Report, the Board comprises two (2) Executive Directors, one (1) Non-executive Director, and three (3) Independent Non-executive Directors. Presently, there is a good balance between the Executive Directors, Non-executive Director and Independent Non-executive Directors. The Non-Executive Directors make up a majority of the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions. The NC would ensure that the Board comprise of Directors with competencies in areas which are relevant and valuable to the Group, such as accounting, corporate finance, business development, management, sales and strategic planning. In addition to the above factors, the Board would also take into consideration the appropriate balance and mix of skills, knowledge and experience and diversity of skills, age, experience, gender and education background to avoid groupthink and to foster constructive debate. The ultimate decision will be made upon the merits and contribution of the selected candidates.

The Company recognises and embraces the benefits of diversity of Board members. Therefore, the Company has established the Board Diversity Policy to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard to the benefits of diversity of the Board members.

The Independent Non-executive Directors and Non-executive Director 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 and Non-Executive Director have met once without the presence of the Management during FY2019.

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 is a clear division of responsibilities between the leadership of the Board and Management and no one individual has unfettered powers of decision-making.*

The Chairman and the Managing Director and President of the Group are separate persons. Mr Lim Siang Kai is the Independent Non-executive Chairman while Mr Teo Cher Koon is the Managing Director and President. This ensures that there is an appropriate balance of power between the Chairman of the Board and the Managing Director and President, thereby allowing increased accountability and greater capacity of the Board for independent decision-making.

The Board has established and set out in writing the division of responsibilities between Mr Lim Siang Kai (the Independent Non-Executive Chairman) and Mr Teo Cher Koon (the Managing Director and President). Mr Lim Siang Kai, the Non-executive Chairman, is consulted on the business of the Board and the Board Committees. Whereas 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. Mr Teo Cher Koon is assisted by an experienced and qualified team of executive officers of the Group.

The Company does not have a lead independent director as (i) the Chairman is independent and (ii) the Chairman and the Managing Director and President of the Group are separate persons. The Chairman is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

# CORPORATE GOVERNANCE REPORT

## Principle 4: Board Membership

*The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.*

The Board has established a NC with terms of reference which clearly sets out the authorities and duties of the NC. The NC makes recommendations to the Board on relevant matters relating to the following:

- (i) to review the succession plans of the directors, in particular for the appointment and/or replacement of the Chairman, the Managing Director and President and key management personnel, being persons having authority and responsibility for planning, directing and controlling the activities of the Company;
- (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (iii) the review of training and professional development programmes for the Board and its Directors; and
- (iv) the appointment and re-appointment of Directors (including alternate Directors, if any).

## Nominating Committee

The NC comprises one (1) Executive Director and two (2) Independent Non-executive Directors, one (1) 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

During the FY2019, the NC has, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; and (iii) recommend to the Board for consideration the reappointment of the retiring Directors at the forthcoming AGM.

## Nominee Policy

The NC has in place a selection and nomination process for the appointment of new Directors. 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.

The NC, in considering the re-appointment of any Director, had considered, *inter alia*, the attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possesses which are crucial to the Group's business.

# CORPORATE GOVERNANCE REPORT

## 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 and they shall then be eligible for re-election but 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. 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 Non-executive Director and 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.

The NC recommended that Mr Soh Beng Keng, Mr Tan Soon Liang and Mr Toh Hsiang-Wen Keith (collectively, the "**Retiring Directors**"), be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

With the recommendation of NC, Mr Toh Hsiang-Wen Keith was appointed on 10 May 2019, who shall hold office until the conclusion of the forthcoming AGM, pursuant to Regulation 88 of the Company's Constitution.

If Mr Soh Beng Keng is re-elected by shareholders at the forthcoming AGM, he will enter into his fifteenth year of service on the Board. Pursuant to 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 Soh Beng Keng has demonstrated strong independent character and judgement over the years in discharging his duties and responsibilities as an Independent Non-executive Director with the utmost commitment in upholding the interest of the non-controlling shareholders. He has sought clarification as he deemed necessary, including through direct access to the Management.

Mr Soh Beng Keng, Mr Tan Soon Liang and Mr Toh Hsiang-Wen Keith, who are retiring at the forthcoming AGM, have abstained on the resolutions in respect of their nomination for re-election as Directors.

Pursuant to Provision 4.4 of the 2018 Code, the NC has noted that there are no relationships or circumstances which are likely to affect or could appear to affect the judgement of Mr Soh Beng Keng and Mr Tan Soon Liang. After considering the view of the NC and the performance of Mr Soh Beng Keng and Mr Tan Soon Liang 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.

Please refer to pages 45 to 52 of this Annual Report for the detailed information as required under Appendix 7.4.1 of the SGX-ST Listing Manual of the Retiring Directors who will be standing for re-election at the AGM.



# CORPORATE GOVERNANCE REPORT

## Independence of a Director

The NC reviews and affirms the independence of the Company's Independent Non-Executive Directors annually. Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the provisions provided in the 2018 Code and the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules, and requires each Director to assess whether he/she considers himself/herself independent despite being involved in any of the relationships identified in the 2018 Code, the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules. The NC then reviews the Director's independence checklist to determine whether each Director is independent.

The NC has reviewed the annual confirmation of independence of Mr Lim Siang Kai, Mr Soh Beng Keng and Mr Tan Soon Liang for the FY2019 and has confirmed that these independent Directors are independent in accordance with the 2018 Code, the SGX-ST Listing Manual and Rule 3.13 of the SEHK Listing Rules and they do not have any relationships with the Company, its related corporations, its substantial shareholders or its officers which may affect their independence.

The NC has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board during the FY2019.

The NC determines annually in relation to whether the Director is independent in accordance with Rule 3.13 of the SEHK Listing Rules as well.

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 in other listed companies and other principal commitments. Please refer to the section under "Directorship" of this Annual Report for a list of the listed company directorships and principal commitments of each Director of the Company.

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.

## Company Secretaries

The joint company secretaries of the Company (the "**Joint Company Secretaries**") are Ms Gn Jong Yuh Gwendolyn ("**Ms Gn**") and Ms Cheng Lucy ("**Ms Cheng**") during the FY2019. 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 the Listing, Ms Gn has been appointed as one of the Joint Company Secretaries. Ms Cheng, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, was appointed as a Joint Company Secretary with effect from 16 December 2018. Ms Cheng works closely with Ms Gn in the discharge of her duties as a Joint Company Secretary from 16 December 2018 until 11 January 2020 (the "**Initial Period**"). Subsequent to the expiry of the Initial Period, the SEHK has agreed that Ms. Gn is qualified to act as the company secretary of the Company under the SEHK Listing Rules 3.28.

# CORPORATE GOVERNANCE REPORT

For FY2019, Ms Cheng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the SEHK Listing Rules. Ms Gn's professional and continuing training are in relation to Singapore laws. The primary person at the Company with whom the Joint Company Secretaries have been contacting in respect of company secretarial matters is Ms Ho Ting Wai Christine.

With effect from 28 February 2020, Ms Cheng resigned as one of the Joint Company Secretaries and Ms Tung Wing Yee Winnie, a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia, was appointed as one of the Joint Company Secretaries.

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.

## **Principle 5: Board Performance**

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that each of its Board committees and individual Directors.*

The Board has a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution of the individual Directors to the effectiveness of the Board.

The NC decides and recommends for the Board's approval a set of objective performance criteria and its evaluation in relation to the Board and Board Committees' performance as well as the contribution by the Chairman and individual Director to the Board.

The objective performance criteria taken into consideration in the process of evaluation are as follows:

- (i) Timely guidance to the Management;
- (ii) Attendance at Board/Board Committee meetings;
- (iii) Participation at Board/ Board Committee meetings;
- (iv) Commitment to Board activities;
- (v) Board performance in discharging principle functions including enhancing long-term shareholder value;
- (vi) Board Committee performance;
- (vii) Independence of Independent Non-executive Directors;
- (viii) Appropriate complement of skill, experience and expertise on the Board;
- (ix) Return on assets / equity;
- (x) Return on investment; and
- (xi) Company's share price and performance over a five-year period.

# CORPORATE GOVERNANCE REPORT

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 overall performance of the current Board, Board Committees and each individual Director and is of the view that the performance of the Board as a whole, each Board Committee and each individual Director has been satisfactory and met its performance objectives for FY2019. No external facilitator was used in the evaluation process.

## Remuneration Matters

### Principle 6: Procedures for Developing Remuneration Policies

*The Board has a formal and transparent procedure for developing policy on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.*

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.

Their role 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 the RC:

- (i) review and recommend to the Board, a formal and transparent framework of remuneration for the Board and key executives;
- (ii) review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel;
- (iii) review 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;
- (iv) ensure adequate disclosure on Directors' remuneration;
- (v) review and administer the ISDN Employee Share Option Scheme 2016 ("**ISDN ESOS 2016**") and ISDN Performance Share Plan ("**ISDN PSP**") (collectively, 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;



# CORPORATE GOVERNANCE REPORT

- (vi) review and approve 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
- (vii) recommend 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.

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 FY2019 is set out below:

	<b>2019</b>	<b>2018</b>
	<b>Number of individuals</b>	
S\$0 to S\$100,000	-	-
S\$100,001 to S\$200,000	1	1
S\$200,001 to S\$300,000	4	3
S\$300,001 to S\$400,000	-	-
S\$400,001 to S\$500,000	1	1
S\$1,000,001 to S\$1,100,000	-	1
	<b>6</b>	<b>6</b>

Details of the remuneration of each Director and the five (5) individuals with the highest emoluments in the Group for FY2019 are set out in Principle 8 in this report.

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

During FY2019, the RC's review covered all aspects of remuneration, including but not limited to termination terms, Directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes, including share schemes and benefits-in-kind. Recommendations of remuneration packages for each director as well as for the key management personnel were made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director or any of his associates was involved in deciding his own remuneration.

In setting the remuneration packages, the RC 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 FY2019.

# CORPORATE GOVERNANCE REPORT

## Principle 7: Level and Mix of Remuneration

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives 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.

The Non-executive Director and 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 for FY2019 were recommended by the Board for approval at the last AGM of the Company.

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.

## Principle 8: Disclosure on Remuneration

*The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, and the relationships between remuneration, performance and value creation.*

Details of the level and mix of the remuneration and fees paid to the Directors for FY2019 are set out below:

	Basic salary	Director fees	Bonus	Benefits-in-kind	Termination benefit	Fair value share of options granted	Total
	%	%	%	%	%	%	%
<b>Executive Directors</b>							
S\$3,000,001 to S\$3,500,000							
Teo Cher Koon	25	-	74	1	-	-	100
S\$1,000,001 to S\$1,500,000							
Kong Deyang	9	-	86	3	2	-	100
<b>Non-executive Director</b>							
Below S\$100,000							
Toh Hsiang-Wen Keith	-	100	-	-	-	-	100
<b>Independent Non-executive Directors</b>							
Below S\$100,000							
Lim Siang Kai	-	100	-	-	-	-	100
Soh Beng Keng	-	100	-	-	-	-	100
Tan Soon Liang	-	100	-	-	-	-	100

Please refer to Note 9 of the Notes to the Financial Statements for further details on the remuneration and fees paid to the Directors.

# CORPORATE GOVERNANCE REPORT

For FY2019, the Company only identified six (6) key management personnel/executive officers (who are not Directors or the President of the Company). The details of remuneration paid to the key management personnel/executive officers (who are not Directors or President of the Company) for FY2019 is disclosed below:

	<b>Salary</b>	<b>Bonus</b>	<b>Directors Fees<sup>(1)</sup></b>	<b>Other Benefits</b>	<b>Total</b>
	%	%	%	%	%
<b><u>S\$450,001 - S\$500,000</u></b>					
Lau Choon Guan	96	2	-	2	100
<b><u>S\$250,001 - S\$300,000</u></b>					
Ho Ting Wai Christine	70	30	-	-	100
<b><u>S\$200,000 - S\$250,000</u></b>					
Cheng Hock Kiang	81	4	11	4	100
Sim Leong Seang	90	6	-	4	100
Wong Kwok Whye Peter	65	-	31	4	100
<b><u>S\$150,001 - S\$200,000</u></b>					
Chow Ka Man	92	-	-	8	100

Note:

<sup>(1)</sup> Mr Cheng Hock Kiang and Mr Wong Kwok Whye Peter received directors' fee in the capacity as a director of the subsidiary of the Company.

For FY2019, of the five (5) individuals with the highest emoluments in the Group, two (2) are directors of subsidiaries respectively, whose emoluments are disclosed in *Principle 8: Disclosure on Remuneration*. Details of the total emoluments paid to the remaining three (3) (2018: 3) highest paid employees for FY2019 were as follows:

	<b>2019 S\$'000</b>	<b>2018 S\$'000</b>
Salaries, allowances and other benefits	981	1,543
Discretionary bonuses	72	235
Contributions to retirement benefits scheme	67	45
	<b>1,120</b>	<b>1,823</b>

	<b>2019 Number of individuals</b>	<b>2018 Number of individuals</b>
S\$200,001 to S\$300,000	1	-
S\$300,001 to S\$400,000	1	1
S\$400,001 to S\$500,000	1	1
S\$1,000,001 to S\$1,100,000	1	1
S\$1,500,001 to S\$1,600,000	-	1
S\$2,000,001 to S\$3,000,000	1	-
S\$3,600,001 to S\$3,700,000	-	1
	<b>5</b>	<b>5</b>

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 FY2019.



# CORPORATE GOVERNANCE REPORT

The aggregate amount of the total remuneration paid to the top six (6) key management personnel (who are not Directors) was S\$1,555,000 in FY2019. As far as the Company is aware, the remuneration of the key executives is in line with industry practices.

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\$100,000 for FY2019:

	<b>Salary</b>	<b>Bonus</b>	<b>Directors Fees</b>	<b>Other Benefits</b>	<b>Total</b>
	%	%	%	%	%
Thang Yee Chin <sup>(1)</sup>	82	18	-	-	100

**Note:**

- (1) Thang Yee Chin is a director of twenty-four (24) subsidiaries of the Company and oversees the administrative function 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\$300,000 to S\$350,000 for FY2019.

## **ISDN Employee Share Option Scheme 2016 and ISDN Performance Share Plan**

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 2016 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 FY2019.

The compensation structure is directly linked to corporate and individual performance 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 allow 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 FY2019 relating to their remuneration packages.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 9: Risk Management and Internal Controls

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.*

### Risk and Management Committee

The Board recognises that the internal control system provides reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, with the oversight of the RMC which was formed on 19 December 2016, is responsible for determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. 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:

- (i) supervise the risk control condition in respect of market risks, credit risks, operational risks, liquidity risks, compliance risks, information technology risks and reputation risks;
- (ii) monitor and evaluate 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;
- (iii) consider, review and approve the risk management strategy, policies and guidelines of the Group;
- (iv) decide on the risk profile, risk level, tolerance and capacity and related resource allocation;
- (v) review the risk reporting records of the Group and material risk management updates and reports of material breaches of risk limits and to assess the adequacy of proposals;
- (vi) engage 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 Group's day-to-day operations; and
- (vii) monitor and approve 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.

# CORPORATE GOVERNANCE REPORT

During FY2019, the RMC held one meeting to review the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance control as well as risk management functions. The RMC is satisfied with the effectiveness of the Group's risk management and internal control systems.

It should be noted that the Group's system of internal controls and risk management is designed to manage rather than to eliminate the risk not meeting the Group's business objectives. Such system of internal controls and risk management can only provide reasonable, not absolute, assurance against, *inter alia*, the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities. 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 against 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:

- (i) the Managing Director and President, and Chief Financial Officer ("**CFO**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (ii) the Managing Director and President, and other key management personnel 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 2019

## **Principle 10: Audit Committee**

*The Board has an Audit Committee which discharges its duties objectively.*

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance 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.



# CORPORATE GOVERNANCE REPORT

The AC is regulated by its written terms of reference which sets out the AC's authorities and duties. The primary functions performed by the AC are set out below:

- (i) review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (ii) review the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (iii) review the assurance from the President and CFO on the financial records and financial statements;
- (iv) making recommendations to the Board on the proposals to the shareholders on the appointment and removal of external auditors; and the remuneration and terms of engagement of the external auditors;
- (v) review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (vi) review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (vii) review 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;
- (viii) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board;
- (ix) discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- (x) review potential conflicts of interest (if any);
- (xi) review the independence of the internal and external auditors;
- (xii) review interested person transactions and continuing connected transactions;
- (xiii) review the internal control procedures and ensure co-operation given by the Management to the external auditors; and
- (xiv) undertake such other functions and duties as requested by the Board and as required by SGX-ST Listing Manual and the SEHK Listing Rules.

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 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. The Company confirmed that Rule 13.88 of the SEHK Listing Rules had been complied with.

# CORPORATE GOVERNANCE REPORT

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for FY2019 is disclosed under Note 8 of the Notes to the Financial Statements. There were no non-audit fees paid or payable to the Company's auditors during FY2019. The AC has reviewed the audit services rendered by the external auditors for FY2019 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 16 of the Notes to the Financial Statements (collectively, the "**Relevant Subsidiaries**").

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.

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 AC 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.

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 Company has set out its whistle-blowing policy on its intranet. The Company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC. As of the date of this Corporate Governance Report, there were no reports received through the whistle-blowing mechanism.

The AC comprises three (3) Independent Non-executive Directors, one (1) 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 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.

The members 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.

No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

# CORPORATE GOVERNANCE REPORT

## Internal Auditors

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. The AC decides on the appointment, termination and remuneration of the head of the internal audit function.

For FY2019, the Company outsourced its internal audit function to Wensen Consulting Asia (S) Pte. Ltd. ("**WCA**"). WCA conducted an internal audit in FY2019 and reports directly to the AC and 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, and has appropriate standing within the Company. 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 independent, effective and 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 risk management system and 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 the year ending 31 December 2020.

During the AC meeting to approve the results announcement and the financial statements of the Group for FY2019, the AC discussed with the external auditors on the identified key audit matters and read how those key audit matters have been addressed by the external auditors in their auditor's report. Having considered these, the AC is satisfied on the bases, estimates and judgements exercised by management in relation to those identified key audit matters.

The AC has reviewed the Group's risk assessment, based on the audit reports and controls put in place by the Management, and have discussed with the internal auditors the effectiveness of the Group's internal controls. The AC is satisfied that the Group's internal controls are adequate and operating efficiently.

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. There are also meetings between the AC and internal auditors without the presence of the Management.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Principle 11: Shareholder Rights and Conduct of General Meetings

*The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders by placing strong emphasis on strengthening relationships with its shareholders and the investment community. The Company 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.

# CORPORATE GOVERNANCE REPORT

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.

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 and the SEHK Listing Rules 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.

At general meetings of Shareholders, the Company tables separate resolutions on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. In this regard, the Company has complied with Provision 11.2 of the 2018 Code.

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 external auditors also attend the AGM to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditor's report.

The Directors' attendance at the general meetings of the Company held in FY2019 are set out in the table below:

Name of Director	Annual General Meeting		Extraordinary General Meeting	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teo Cher Koon	1	1	1	1
Kong Deyang	1	-	1	-
Toh Hsiang-Wen Keith <sup>(1)</sup>	1	-	1	-
Lim Siang Kai	1	1	1	1
Soh Beng Keng	1	1	1	1
Tan Soon Liang	1	1	1	1

**Note:**

(1) Mr Toh Hsiang-Wen Keith was appointed as Non-executive Director with effect from 10 May 2019.



# CORPORATE GOVERNANCE REPORT

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.

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

The Company publishes minutes of its general meetings of Shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments and queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Group has adopted a 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. 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 12: Engagement with Shareholders**

*The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.*

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategies and growth plans. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

The Company is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST and SEHK, 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.

# CORPORATE GOVERNANCE REPORT

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

- (i) 21 clear days' or 20 clear business days' (whichever is longer) notice for any AGM 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, SGX-ST Listing Manual the SEHK Listing Rules and other relevant statutory and regulatory requirements;
- (ii) Price sensitive announcement of interim and full year results released through SGXNET and the website of the SEHK;
- (iii) Disclosures on the SGXNET and the website of the SEHK;
- (iv) Press releases;
- (v) Press and analysts' briefings as may be appropriate; and
- (vi) The Group's website ([www.isdnholdings.com](http://www.isdnholdings.com)) where shareholders and the public may access information on the Group.

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 Company has taken the following steps to solicit and understand the views of shareholders:

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 amongst the investing public. The Company has a section on the Company's website at <http://www.isdnholdings.com/investorrelations.html> to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to maintain a regular dialogue channel with shareholders to gather views, inputs and address shareholder's concerns.

In addition, shareholders and other stakeholders may send their enquires and concerns to the Board by addressing them to the Joint Company Secretaries by post to the principal place of business of the Company at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175. The Joint Company Secretaries will forward the enquires or concerns to the Managing Director and President or Chairman of the Board committees or senior management, as appropriate, within their area of responsibilities for handling.

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Joint Companies Secretaries by written requisition at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175. Pursuant to the Company's Constitution, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "*Shareholders Rights*" above.

# CORPORATE GOVERNANCE REPORT

## Principle 13: Engagement with Shareholders

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.*

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company holds analysts' briefings of its quarterly results and a analysts briefing of its full year results. The quarterly financial results are published through the SGXNET and the website of the SEHK, via press releases and on the Company's corporate website, to ensure fair dissemination to shareholders. The date of release of the results is announced through SGXNET and the website of the SEHK. The Company also conducts analysts' briefings and investor roadshows to maintain regular dialogue with shareholders as well as to solicit and understand the views of shareholders.

The detailed investor relation calendar is set out in the table below:

Period	Event
1 <sup>st</sup> Quarter 2019 (January – March 19)	<ul style="list-style-type: none"><li>• 2018 Full Year Financial Results Announcement and Analysts' Briefing</li><li>• Conference calls, meetings with analysts and investors</li></ul>
2 <sup>nd</sup> Quarter 2019 (April – June 19)	<ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Extraordinary General Meeting</li><li>• Announcement of 1Q FY2019 Financial Results, Press Release and Analysts' Briefing</li><li>• Conference calls, meetings with analysts and investors</li></ul>
3 <sup>rd</sup> Quarter 2019 (July – September 19)	<ul style="list-style-type: none"><li>• Media exposure – CNA "A Class Above"</li><li>• Announcement of 2Q FY2019 Financial Results, Press Release and Analysts' Briefing</li><li>• Payment of 2018 Final Dividends by cash and scrip dividend</li><li>• Conference calls, meetings with analysts and investors</li></ul>
4 <sup>th</sup> Quarter 2019 (October –December 19)	<ul style="list-style-type: none"><li>• Announcement of 3Q FY2019 Financial Results, Press Release and Analysts' Briefing</li><li>• Conference calls, meetings with analysts and investors</li></ul>

The Company maintains a current corporate website, <http://www.isdnholdings.com/>, to communicate and engage with stakeholders.

## 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 FY2019 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.

## Interested Person Transactions ("IPTs")

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 IPTs are subject to review by the AC to ensure compliance with established procedures.

# CORPORATE GOVERNANCE REPORT

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

For FY2019, there was no general mandate obtained by the Company in relation to any IPT.

There were no significant IPTs entered between the Group and interested persons during FY2019.

<b>Name of interested person</b>	<b>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)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding less than S\$100,000)</b>
Not applicable	Nil	Nil

## Dealing in Company's Securities

In compliance with Rule 1207(19) of the SGX-ST Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code to provide guidance for the Company, Directors and 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 as set out in Appendix 10 to the SEHK Listing Rules (the "Model Code"). 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 for FY2019.

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 commencing 30 days and 60 days before the announcement of the Company's quarterly, half-year and full-year financial results respectively and ending on the day of the announcement of the quarterly, half-year 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 and the Model Code.

## 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").



# CORPORATE GOVERNANCE REPORT

The Board wishes to update the Shareholders 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	Amount	Amount	Amount	Expected timeline of full utilisation of unutilised proceeds
	of net proceeds allocated	utilised from 08/05/2013 up to 31/12/2019	utilised during FY2019	unutilised as at 31/12/2019	
	S\$'000	S\$'000	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	December 2023
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	-	6,100	December 2023
Exploration of power plant opportunities	2,000	2,000	-	-	N/A
<b>Total</b>	<b>10,415</b>	<b>3,700</b>	<b>-</b>	<b>6,715</b>	

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 26,987,295 new ordinary shares in the capital of the Company at the offer price of S\$0.20 (equivalent to approximately HK\$1.16) per share in connection with the subscription agreement entered with NTCP SPV VI ("NTCP") on 27 February 2019 (the "Subscription").

The Board wishes to update the Shareholders on the Group's utilisation of the net proceeds of approximately S\$5,300,000 (after deducting expenses of approximately S\$62,000) from the Subscription, as set out below:

Prospects/ Future Plans	Amount of	Amount	Amount	Expected timeline of full utilisation of unutilised proceeds
	net proceeds allocated	utilised during FY2019	unutilised as at 31/12/2019	
	S\$'000	S\$'000	S\$'000	S\$'000
Business development	4,770	-	4,770	December 2021
General working capital <sup>(1)</sup>	530	-	530	December 2020
<b>Total</b>	<b>5,300</b>	<b>-</b>	<b>5,300</b>	

Note:

<sup>(1)</sup> The general working capital consisted payroll related expenses, trade payables, administrative overheads and other operating expenses.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Functions

Since the Company's completion of 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:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance; and
- (v) 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 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.

Under the policy, the procedures and internal controls for the handling and dissemination of inside information are as follows:

- (a) the Company should announce the inside information immediately where it is necessary to avoid the establishment of a false market in the Company's securities or would be likely to materially affect the price or value of the Company's securities;
- (b) the Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant draft announcement (if applicable) before publication;
- (c) the Company should make the inside information announcement through the electronic publication systems operated by the SEHK, SGX-ST and the Company's website; and
- (d) the Group has established and implemented procedures for dealing with media speculation, market rumours and analysts' reports.

## Changes in the Company's Constitutional Documents

An extraordinary general meeting was held on 30 April 2019, a special resolution was passed regarding the proposed amendments to the Constitution. The proposed amendments to the Constitution are set out in the circular of the Company dated 25 March 2019.

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

# CORPORATE GOVERNANCE REPORT

## Additional Information on Directors Seeking Re-election

Details	Name of Director		
	Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
Date of Appointment	18/08/2016	26/09/2005	10/05/2019
Date of last re-appointment (if applicable)	28/04/2017	26/04/2018	Nil
Age	47	66	45
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the qualifications and working experience of Mr Tan Soon Liang, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-executive Director of the Company.	The Board of Directors, having considered the qualifications and working experience of Mr Soh Beng Keng, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-executive Director of the Company.	The Board of Directors, having considered the qualifications and working experience of Mr Toh Hsiang-Wen Keith, is of the view that he has the requisite experience and capabilities to assume the responsibilities as a Non-executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Appointment: Independent Non-Executive Director	Appointment: Independent Non-Executive Director	Appointment: Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-executive Director	Independent Non-executive Director	Non-executive Director
Professional qualifications	Bachelor of Business (Honours) from Nanyang Technological University;  Master of Business Administration from University of Hull; and  CFA Charterholder	Bachelor of Commerce (Accountancy) from Nanyang University  Fellow of the Institute of Singapore Chartered Accountants	Bachelor of Science in Electrical Engineering from Stanford University
Working experience and occupation(s) during the past 10 years	Ti Ventures Pte. Ltd Managing Director, (May 2009 – Present)  Ti Investment Holdings Pte. Ltd. Director, (June 2010 – Present)  Omnibridge Capital Pte. Ltd Director, (December 2014 – Present)  ISDN Holdings Limited Independent Director, (August 2016 – Present)  Clearbridge Health Limited Independent Director, (November 2017 – Present)	BM Mobility Ltd Lead Independent Director August 2009 – August 2019  Sino Grandness Food Industry Group Limited Lead Independent Director November 2009 – December 2019  China Haida Ltd Lead Independent Director From April 2007 till now  P99 Holdings Limited (previously known as China Fashion Holdings Limited) (delisted from SGX-ST since 21 October 2017) Chief Financial Controller March 2007 – April 2009	Novo Tellus Capital Partners Partner  Francisco Partners L.P. Principal 2001 - 2012  Source Photonics Inc Director 2010 – 2017  Aconex Ltd Director 2008 – 2017  AEM Holdings Ltd Director 2015 – 2018

# CORPORATE GOVERNANCE REPORT

Details	Name of Director		
	Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
	<p>Choo Chiang Holdings Limited Independent Director, (August 2018 – Present)</p> <p>Wong Fong Industries Limited Independent Director, (June 2016 – April 2019)</p> <p>Jubilee Industries Holdings Ltd Non-executive Director, (June 2009 – July 2014)</p> <p>BDO Raffles Advisory Pte Ltd Advisor (May 2009 – May 2010)</p> <p>GDS Global Limited (March 2020 – Present)</p>	<p>Yamada Green Resources Limited Lead Independent Director September 2010 – October 2013</p>	
Shareholding interest in the listed issuer and its subsidiaries	No	NIL	<p>NTCP holds 38,323,401 ordinary shares (the “<b>ISDN Shares</b>”) in the capital of the Company.</p> <p>Novo Tellus PE Fund 2, L.P. (“<b>NT Fund 2</b>”) holds 100% of shares in the capital of NTCP and therefore is deemed to have an interest in ISDN Shares.</p> <p>New Earth Group 2 Ltd (“<b>NEG 2</b>”) is the general partner of NT Fund 2 and therefore is deemed to have an interest in ISDN Shares.</p> <p>Toh Hsiang-Wen Keith is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in NEG 2, and therefore is deemed to have an interest in ISDN Shares.</p>
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes



# CORPORATE GOVERNANCE REPORT

Details	Name of Director		
	Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
Other Principal Commitments Including Directorships	<p><b><u>Past (for the last 5 years)</u></b></p> <p>T10 Lifestyle Concepts Pte Ltd Non-executive Director, (April 2011 – November 2015)</p> <p>Epika Pte Ltd Non-executive Director, (March 2016 – March 2017)</p> <p>Allin International Holdings Pte Ltd Non-executive Director (October 2015 – May 2018)</p> <p>MG Investors Pte Ltd Non-executive Director (October 2015 – May 2018)</p> <p>Wong Fong Industries Limited Independent Director (June 2016 – April 2019)</p> <p>The Learning Fort Pte Ltd Non-executive Director (August 2016 – July 2018)</p> <p><b><u>Present</u></b></p> <p>Ti Ventures Pte. Ltd Managing Director, (May 2009 – Present)</p> <p>Ti Investment Holdings Pte. Ltd. Non-executive Director, (June 2010 – Present)</p> <p>ACH Investors Pte Ltd Non-executive Director (October 2015 – Present)</p> <p>Omnibridge Capital Ltd Non-executive Director, (March 2014 – Present)</p> <p>Omnibridge Capital Pte. Ltd Managing Director, (December 2014 – Present)</p> <p>Omnibridge Investment Ltd Non-executive Director, (March 2014 – Present)</p> <p>Omnibridge Investment Partners Ltd Non-executive Director, (October 2015 – Present)</p> <p>Omnibridge Investment Partners Pte Ltd Non-executive Director, (July 2016 – Present)</p>	<p><b><u>Past (for the last 5 years)</u></b></p> <p>BM Mobility Ltd Lead Independent Director August 2009 – August 2019</p> <p>Sino Grandness Food Industry Group Limited Lead Independent Director November 2009 – December 2019</p> <p><b><u>Present</u></b></p> <p>China Haida Ltd Lead Independent Director (April 2007 – Present)</p> <p>ISDN Holdings Limited Independent Director (September 2005 – Present)</p>	<p><b><u>Past (for the last 5 years)</u></b></p> <p>Source Photonics Inc Director 2010 – 2017</p> <p>Aconex Ltd Director 2008 – 2017</p> <p>AEM Holdings Ltd Director 2015 – 2018</p> <p><b><u>Present</u></b></p> <p>Novo Tellus Capital Partners Partner</p> <p>ISDN Holdings Limited Non-executive Director (May 2019 – Present)</p>

# CORPORATE GOVERNANCE REPORT

Details	Name of Director		
	Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
	<p>Omnibridge Investment Pte Ltd Non-executive Director, (March 2016 – Present)</p> <p>ISDN Holdings Limited Independent Director, (August 2016 – Present)</p> <p>Clearbridge Health Limited Independent Director (November 2017 – Present)</p> <p>Choo Chiang Holdings Limited Independent Director (August 2018 – Present)</p> <p>Allin Holdings Pte Ltd Non-executive Director (March 2018 – Present)</p> <p>GDS Global Limited Independent Director (March 2020 – Present)</p>		
a.	<p>Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	No	No
b.	<p>Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	<p>Yes</p> <p>Mr Tan was a non-executive director of T10 Lifestyle Concepts Pte Ltd (“T10”) from April 2011 to November 2015, a company incorporated in Singapore. He was a non-executive nominee director on the board of directors of T10, representing the interests of Ti Investment Holdings Pte Ltd., which had a 60.0% shareholding in T10. During the period of his directorship in T10, he was not involved in the daily business operations nor financial management of T10. On 12 November 2015, T10 was dissolved pursuant to a compulsory winding up application.</p>	No

# CORPORATE GOVERNANCE REPORT

Details		Name of Director		
		Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
c.	Whether there is any unsatisfied judgment against him?	No	No	No
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

# CORPORATE GOVERNANCE REPORT

Details		Name of Director		
		Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
	i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No



# CORPORATE GOVERNANCE REPORT

Details		Name of Director		
		Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
	iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	Yes Mr Toh Hsiang-Wen Keith was in breach of Section 133 of the Securities and Futures Act (Chapter 289 of Singapore) in connection with his purchase of shares in AEM Holdings Ltd in March and April 2017 when he was a director of AEM. He voluntarily notified the MAS of these breaches promptly after becoming aware of these breaches by way of a letter dated 18 April 2017. The MAS, in its letter of 14 November 2017 (Ref No. 20170413-00223-D01, 20170413-00224-D01, 20170413-00225-D01, 20170413-00226-D01, 20170413-00227-D01 and 20170413-00228-D01), subsequently informed Mr Toh of its position not to take further regulatory action in respect of the said breaches.

# CORPORATE GOVERNANCE REPORT

Details	Name of Director		
	Mr Tan Soon Liang	Mr Soh Beng Keng	Mr Toh Hsiang-Wen Keith
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes
If yes, please provide details of prior experience.	<p>Mr Tan is currently an Independent Director of the following companies:</p> <ul style="list-style-type: none"> <li>a. ISDN Holdings Limited (SGX-ST and SEHK)</li> <li>b. Clearbridge Health Limited</li> <li>c. Choo Chiang Holdings Limited</li> </ul>	<p>BM Mobility Ltd Lead Independent Director August 2009 – August 2019</p> <p>Sino Grandness Food Industry Group Limited Lead Independent Director November 2009 – December 2019</p> <p>China Haida Ltd Lead Independent Director Present</p> <p>Heeton Holdings Limited Director September 2003 – 2004</p> <p>Yamada Green Resources Limited Lead Independent Director September 2010 – October 2013</p>	<p>Mr Toh Hsiang-Wen Keith was a Director of AEM Holdings, an SGX-ST company, from 2015 to 2018</p>
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A	N/A	N/A

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Company and the Group for the FY2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019 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 16 and 17 to the consolidated financial statements.

## 2 Business Review and Performance

### *Review of business and performance*

A discussion and analysis of the Group's performance during the FY2019, which includes a description of principal risks and uncertainties facing the Group, and the key factors affecting its financial performance and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Information about affair review of, and an indication of likely future development in, the Group's business is set out in the section headed "President's Message" and "Management Discussion and Analysis" of this annual report.

### *Compliance with laws and regulations*

During the FY2019, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

### *Important event after the reporting period*

As disclosed in Note 27 to the consolidated financial statements, the Board is not aware of any important event affecting the Group that has occurred subsequent to the FY2019 and up to the date of this annual report.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2 Business Review and Performance (cont'd)

### *Stakeholders' engagement*

The Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore is dedicated to maintaining good relationship with these stakeholders. Recognising the crucial roles of our customers and suppliers in our business operation, the Group has reinforced its relationships with these business partners through ongoing communication in a proactive and effective manner.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of our employees. The Group also places ongoing efforts to provide adequate training and development resources to our staff with an aim to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth.

## 3 Results and Appropriations

The results of the Group for the FY2019 are set out in the consolidated statement of comprehensive income.

Subsequent to the reporting year end, a tax-exempt (one-tier) final dividend of 0.4 Singapore cents (equivalent to approximately 2.28 Hong Kong cents) per share of the Company (the "**Share**") in respect of the FY2019 has been recommended by the Board and is subject to the approval of the shareholders at the Company's forthcoming AGM.

The Board proposes that the Shareholders be given the option to receive the final dividend in new Shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the final dividend at the forthcoming AGM; and (2) the SGX-ST and the SEHK granting the listing of, and permission to deal in, the new Shares to be allotted and issued pursuant to the scrip dividend proposal.

A circular to Shareholders containing, among others, details of the scrip dividend proposal will be despatched to the shareholders together with the form of election for scrip dividend on or about Monday, 1 June 2020.

## 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 FY2019 are set out in Note 13 to the consolidated financial statements.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 6 Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the FY2019 are set out in Note 12 to the consolidated financial statements.

## 7 Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in the Note 24 to the consolidated financial statements.

## 8 Share Capital

Details of movement in the Company's share capital during the FY2019 are set out in Note 22 to the consolidated financial statements.

- a. On 18 March 2019, the Company allotted and issued 26,987,295 subscription shares to NTCP SPV VI (the "**Subscriber**") at the subscription price of S\$0.20 (equivalent to approximately HK\$1.16) per subscription share in accordance with the terms and conditions of the subscription agreement entered into with the Subscriber.

The gross proceeds from the subscription amounted to S\$5.4 million (equivalent to approximately HK\$31.3 million). There has been no material usage as of 31 December 2019. The Company currently expects that the unutilised proceeds will be fully utilised by 31 December 2021.

For further details, please refer to the announcements of the Company dated 27 February 2019, 8 March 2019 and 18 March 2019.

- b. 7,896,368 Shares issued during the FY2019 were in lieu of cash dividends.

## 9 Purchases, Sales or Redemption of the Company's Listed Securities

During the FY2019 and up to the date of this statement, the Company did not redeem any of the Shares listed on the SGX-ST and the SEHK nor did the Company or any of its subsidiaries purchase or sell any of the Shares.

## 10 Reserves and Distributable Reserves

Details of the movements in the reserves of the Company and the Group during the FY2019 are set out in Note 23 to the consolidated financial statements, respectively.

Distributable reserves of the Company as at 31 December 2019 amounted to S\$15,077,000 (2018: S\$12,167,000).

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 11 Directors

The Directors during the FY2019 and up to the date of this statement were:

### Executive Directors

Mr. Teo Cher Koon (President and Managing Director)

Mr. Kong Deyang

### Non-executive Director

Mr. Toh Hsiang-Wen Keith (appointed with effect from 10 May 2019)

### Independent Non-executive Directors

Mr. Lim Siang Kai (Chairman)

Mr. Soh Beng Keng

Mr. Tan Soon Liang

Mr. Toh Hsiang-Wen Keith shall hold office until the conclusion of the forthcoming AGM pursuant to Regulation 88 of the constitution of the Company (the "**Constitution**") and being eligible, offer himself for re-election.

In addition, Mr. Soh Beng Keng and Mr. Tan Soon Liang shall retire from office at the forthcoming AGM pursuant to Regulation 89 of the Constitution and being eligible, offer themselves for re-election.

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Board of Directors" and "Executive Officers" of this annual report.

## 12 Confirmation of Independence of Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence in writing pursuant to Rule 3.13 of the SEHK Listing Rules and considers all the independent non-executive Directors to be independent.

## 13 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.

None of the Director proposed for re-election at the forthcoming AGM 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).

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 14 Directors' Remuneration

The Board has the general power of determining the Directors' fees, subject to authorization of the Shareholders at the AGM each year.

The remuneration and other emoluments are determined by the Board by recommendation of the RC 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 FY2019 are set out in Note 9 to the consolidated financial statements.

## 15 Employee and Remuneration Policies

As at 31 December 2019, there were 881 (2018: 856) 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. The Company has adopted the ISDN ESOS 2016 and the ISDN PSP as incentives to the Directors and other eligible participants. The Group also provides and arranges on-job-training for the employees.

## 16 Permitted Indemnity Provision

Under the Constitution, every Director or other officers of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto, including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers during the FY2019 and the indemnity provision and Directors' and officers' liability insurance remains in force as of the date of this statement.

## 17 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 2019, the interests or short positions of the Directors and the chief executive of the Company (the "**Chief Executive**") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the 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 were required to be recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "**Act**"); or pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the SEHK pursuant to the Model Code, were as follows:

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 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 Act, none of the Directors holding office at the end of the FY2019 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 1.1.2019/ Date of appointment	As at 31.12.2019	As at 1.1.2019/ Date of appointment	As at 31.12.2019
The Company				
- <u>ISDN Holdings Limited</u>				
Mr. Teo Cher Koon (" <b>Mr. Teo</b> ")	-	-	132,155,150	136,287,480
Mr. Kong Deyang (" <b>Mr. Kong</b> ")	2,050,000	2,050,000	-	-
Mr. Toh Hsiang-Wen Keith (" <b>Mr. Toh</b> ") (1)	-	-	26,987,295	38,323,401
The Holding Company				
- <u>Assetraise Holdings Limited ("<b>Assetraise</b>")</u>				
Mr. Teo	1	1	-	-

By virtue of Section 7 of the Act, Mr. Teo 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 FY2019 and 21 January 2020.

(1) Mr. Toh was appointed on 10 May 2019.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 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 Hong Kong Law

(i) Long positions in Shares, underlying Shares or debentures of the Company

Name of director	Capacity	Number of ordinary shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Shares
		Personal interests	Corporate interests			
Mr. Teo <sup>(1)</sup>	Interest of controlled corporation	-	136,287,480	-	136,287,480	31.73%
Mr. Kong	Beneficial owner	2,050,000	-	-	2,050,000	0.48%
Mr. Toh <sup>(2)</sup>	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%

Notes:

- (1) The Shares were held by Assestraise, which is beneficially owned by Mr. Teo and his spouse, Ms. Thang Yee Chin ("**Ms. Thang**"). Accordingly, Mr. Teo was deemed to be interested in these 136,287,480 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP. NT Fund 2 is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. NEG 2 is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Toh is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP.

(ii) Long position in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2019, Mr. Teo had the personal interests in the following associated corporations:-

1. in 5,547 ordinary shares, representing 1% of the issued shares, in Dirak Asia Pte Ltd held in his capacity as a beneficial owner; and
2. in 1 ordinary share, representing 50% of the issued shares, in Assestraise held in his capacity as a beneficial owner.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 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 2019, none of the Directors or the Chief Executive had registered an interest or short position in the shares, or underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the 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 provision of the SFO); or which were required to be recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Act; or pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the SEHK pursuant to the Model Code.

## 18 Share Options and Performance Share Plan

The Company has the ISDN PSP. The ISDN PSP was approved and adopted by Shareholders on 17 February 2012 and as amended on 16 December 2016 to satisfy the requirements of the SEHK Listing Rules. 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 director; and
- (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 2016 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 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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18 Share Options and 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:

The maximum entitlement of each participant under the ISDN PSP 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 ISDN PSP:

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

There were no awards granted or exercised or cancelled or lapsed and there was no outstanding share pursuant to the ISDN PSP in FY2019.

The ISDN ESOS 2016 was approved and adopted by Shareholders on 22 April 2016 and amended on 16 December 2016 to satisfy the requirements of the SEHK Listing Rules. The purpose of the ISDN ESOS 2016 is to complement the ISDN PSP in the Group's efforts to reward, retain and motivate participants to achieve better performance. The ISDN ESOS 2016 was not utilised in FY2019. The ISDN ESOS 2016 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.

The following persons shall be eligible to participate in the ISDN ESOS 2016:

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18 Share Options and Performance Share Plan (cont'd)

Other salient information relating to the ISDN ESOS 2016 is set out below:

- (i) The aggregate number of Shares over which share options (the "Options") may be granted on any date under the ISDN ESOS 2016 shall not exceed 15% of the total issued Shares (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 2016 and any other schemes adopted by the Company must not exceed 10% of the issued Shares.
- (iii) The number of Shares over which Options may be granted to a participant for subscription under the ISDN ESOS 2016 shall be determined at the absolute discretion of 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 2016 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.
- (vii) The grant of Options shall be accepted within 30 days from the date of offer. Offers of Options made to grantees, if not accepted by the closing date, will automatically lapse and shall forthwith be deemed to be null and void and of no effect. Upon acceptance of the offer, the grantee must pay the Company a consideration of S\$1.00 or such amount as the RC may decide.
- (viii) Any performance targets attached to a grant of options must be achieved before the relevant participant may exercise such Options.

Maximum entitlement of each participant under the ISDN ESOS 2016:

The maximum entitlement of each participant under the ISDN ESOS 2016 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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18 Share Options and Performance Share Plan (cont'd)

Options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the total number of Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in a 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such further grant shall be approved by the shareholders in a general meeting.

The remaining life of the ISDN ESOS 2016:

The ISDN ESOS 2016 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 or exercised or cancelled or lapsed and there was no outstanding share pursuant to the ISDN ESOS 2016 in FY2019.

At the date of the annual report, the Company had 53,202,742 Options outstanding under the ISDN ESOS 2016, which represented approximately 12.39% of the Shares in issue.

## 19 Audit Committee

The AC comprises all independent non-executive Directors. The members of the AC 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, interim and annual announcements of the financial statements and the auditors' report on the annual consolidated 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 consolidated 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;

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 19 Audit Committee (cont'd)

- (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 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 Act, the SGX-ST Listing Manual and the CG Code and assists the Board in the execution of its corporate governance responsibilities within its established terms of reference.

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 SGX-ST Listing Manual have been complied with.

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

The AC has recommended to the Board the nomination of Moore Stephens LLP for their reappointment as independent auditor of the Company (the "**Independent Auditor**") at the forthcoming AGM.

The AC has reviewed, with the management and the Independent Auditor, the accounting principles and policies adopted by the Group, and discussed audited consolidated financial statements of the Group for the FY2019. The consolidated financial statements have been audited by the Independent Auditor.

## 20 Arrangements to Purchase Shares or Debentures

Other than the warrant holdings disclosed above, at no time during the FY2019 was the Company or any of its subsidiaries, a part to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 21 Directors' Interests in Contracts of Significance

Other than disclosed above and in Note 34 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or its holding company or any of their respective subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly and indirectly, subsisted at the end of the FY2019 or at any time during the FY2019.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 22 Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed below item 24, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries and controlling shareholders (as defined in the SEHK Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the FY2019 or at any time during the FY2019.

## 23 Management Contracts

Save for service contracts of the Executive Directors, 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 FY2019.

## 24 Continuing Connected Transactions

We have entered into certain transactions with connected persons and these transactions constitute continuing connected transactions within the meaning 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.

### **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. On 27 December 2018, we entered into Renewal Supply Agreements (the "**Agreements**") with Maxon Motor. The salient terms of the agreement are set out below:

**Contract period:** The term of the agreements are three years from 1 January 2019 to 31 December 2021. Under the agreements, 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.

**Purchase quantity:** We agreed to purchase the quantity of the relevant products per calendar year as agreed upon during the budgeting phase of the preceding year. The quantity of the relevant products may be adjusted within a rolling forecasting during the calendar year if there are appropriate reasons.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Continuing Connected Transactions (cont'd)

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

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

**Territory:** We are authorised to sell products within the PRC, 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 30 to 60 days.

**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.

**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.

**Termination:** The Renewal Supply Agreements can be terminated by either to such Supply Agreement at any time by giving six months' prior written notice to the end of a calendar month.

**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 Motor (Suzhou) Co. Ltd. ("**Maxon Suzhou**"), Maxon Motor International Trading (Shanghai) Co., Ltd ("**Maxon Shanghai**"), Maxon Motor SEA Pte. Ltd. ("**Maxon SEA**") and Motor Taiwan Co., Ltd ("**Maxon Taiwan**") and hence, Maxon Motor is a connected person of the Company at the subsidiary level.

#### Historical transaction amount

For the financial years ended 31 December 2019 and 2018, the total purchase amount paid and payable by the Group to Maxon Motor amounted to S\$48,043, S\$127,000 and S\$38,092,000, respectively.

## 24 Continuing Connected Transactions (cont'd)

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

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

##### Proposed annual caps

For the financial year ending 31 December 2020 and 2021, the total purchase amounts payable by the Group to Maxon Motor are not expected to exceed S\$61,920,000 and S\$74,304,000 respectively.

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.

#### 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. On 27 December 2018, we have entered into the renewal service agreement with Maxon Motor. The salient terms of the agreements are set out below:

**Contract period:** The service agreements are valid from 1 January 2019 up to and including 31 December 2021, 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 favorable than those charged against independent third parties of Maxon Motor from time to time.

##### Relationship

Maxon Motor is an associate of Interelectric. Interelectric owns 50% of the shareholding interest in Maxon Suzhou, Maxon Shanghai, Maxon SEA and Maxon Taiwan 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 2019 and 2018, the total service fee paid and payable by the Group to Maxon Motor amounted to S\$296,000 and S\$171,000, respectively.

##### Proposed annual caps

For the financial year ended 31 December 2020 and 2021, the total service fees payable by the Group to Maxon Motor are not expected to exceed S\$300,000 per annum.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Continuing Connected Transactions (cont'd)

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

#### **2. Service agreements with Maxon Motor (cont'd)**

##### 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.

##### 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:

- 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;
- 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;
- 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
- 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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Continuing Connected Transactions (cont'd)

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

#### 2. Service agreements with Maxon Motor (cont'd)

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 disclosed herein constitute related party transactions set out in Note 34 to the consolidated financial statements. All other related party transactions as described in Note 34 to the consolidated financial statements do not fall under the definition of "Continuing Connected Transactions" 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:

- In the ordinary and usual course of business of the Group;
- On normal commercial terms or better; and
- 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.

## 25 Related Party Transactions

The Group entered into certain transactions with its related parties during the FY2019.

Details of the related party transactions are set out in Note 34 to the consolidated financial statements. Except as disclosed above, none of the related party transactions constitute a connected transaction or Continuing Connected Transactions under the SEHK Listing Rules.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

As at 31 December 2019, the persons who (other than a Director or the Chief Executive) or entities which have interests or short positions in the Shares and underlying Shares 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:

Name	Capacity	Number of Shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Shares
		Personal interests	Corporate interests			
Assetraise <sup>(1)</sup>	Beneficial owner	136,287,480	-	-	136,287,480	31.73%
Ms. Thang <sup>(1)</sup>	Interest of controlled corporation	-	136,287,480	-	136,287,480	31.73%
NTCP <sup>(2)</sup>	Interest of controlled corporation	38,323,401	-	-	38,323,401	8.92%
Mr. Loke Wai San ("Mr. Loke") <sup>(2)</sup>	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%
NEG 2 <sup>(2)</sup>	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%
NT Fund 2 <sup>(2)</sup>	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%

Notes:

- (1) Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 136,287,480 Shares. By virtue of the SFO, Mr. Teo and his spouse Ms. Thang, are deemed to be interested in these.
- (2) These Shares were held by NTCP. NT Fund 2 is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. NEG 2 is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Loke is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## **26 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (cont'd)**

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any entities or persons (who were not a Director or the Chief Executive) who had an interest or short position in the Shares or underlying Shares which have been disclosed to the Company under the provisions to Divisions 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.

## **27 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.

## **28 Corporate Governance**

The Company has complied with the principles and guidelines as set out in the code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 and the CG Code, where applicable. Please refer to the section headed "Corporate Governance Report" in this annual report.

## **29 Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction**

In compliance with Rules 1207(19) of the SGX-ST Listing Manual and the Model Code, 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 FY2019.

The Company and its employees are not allowed to deal in the Shares during the period commencing 30 days immediately before the announcement of the Company's quarterly results and half-yearly 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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 30 Major Customers and Suppliers

For the FY2019, the Group sold less than 30% of its goods and services to its 5 largest customers.

For the FY2019, purchases attributable to the Group's largest supplier accounted for approximately 22.5% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 60.8% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors, or the irrelative close 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.

## 31 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.

## 32 Environmental Policies and Performance

The Group is highly aware of the importance of environment protection and has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

The Group continuously endeavours to promote environmental and social responsibility to employees and contribute to 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 (the "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](http://www.isdnholdings.com/investorrelations.html) for the publication of the ESG Information in due course.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 33 Donations

The Group made charitable donation of S\$10,000 (2018: S\$10,000) during the FY2019.

## 34 Directors' Interests in a Competing Business

During the FY2019 and up to the date of this statement, none of the Directors are considered to have any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and have any other conflicts of interest, as required to be disclosed under the SEHK Listing Rules.

## 35 Deed of Non-Competition

The Company has received the written confirmations from Mr. Teo and his spouse Ms. Thang, in respect of the compliance with the provisions of the deed of non-competition (the "**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 of the Company, during the FY2019 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 FY2019 and up to the date of this annual report.

## 36 Equity-Linked Agreement

Other than the ISDN PSP and ISDN ESOS 2016 disclosed above, no equity-linked agreements were entered into by the Company during the FY2019 or subsisted at the end of the FY2019, which required the Company to issue any of its Shares.

## 37 Sufficiency of Public Float

Upon dual listing of the Shares 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.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 38 Independent Auditor

The Independent Auditor, Moore Stephens LLP has expressed their willingness to accept re-appointment. Moore Stephens LLP will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Moore Stephens LLP as the Independent Auditor is expected to be proposed at the forthcoming AGM.

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

On behalf of the Board of Directors,

.....  
TEO CHER KOON  
*Managing Director and President*

.....  
LIM SIANG KAI  
*Chairman*

Singapore  
11 March 2020



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## 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 2019, 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 ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) 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 2019 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment of trade and other receivables</b></p> <p>As at 31 December 2019, the carrying amount of the Group's trade and other receivables, net of allowance for expected credit loss ("ECL") of S\$3,680,000 amounted to S\$146,065,000.</p> <p>The collectability of trade and other receivables is a key element of the Group's working capital management, and is managed on an ongoing basis by management. The Group determines the ECL of trade and other receivables by making debtor-specific assessment of expected impairment loss for overdue receivables and using a provision matrix for remaining receivables that is based on the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information.</p> <p>The assessment of correlation between historical observed default rates, forecast economic conditions and expected credit losses require the management to exercise significant judgement. Accordingly, we determined this as a key audit matter.</p> <p>Disclosures on trade and other receivables are included in Note 4(ii)(c) and (d), Note 19 and Note 35(a) to the financial statements.</p>	<p>Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and key controls relating to the monitoring of trade and other receivables and considering their aging to identify collection risks.</p> <p>We reviewed the reasonableness of significant judgement used by the management in assessing the recoverability of trade and other receivables and their assessment of the recoverability of long outstanding and overdue receivables. We tested the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of ageing of receivables and historical credit loss experience, and reviewed data and information that management has used, including consideration of forward-looking information based on specific economic data. We checked the arithmetic accuracy of management's computation of the ECL.</p> <p>We checked to subsequent receipts from major debtors after the year end. We obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable.</p> <p>In addition, we reviewed the adequacy of the disclosures relating to allowance for impairment loss on trade and other receivables and credit risk in Note 19 and Note 35(a) to the financial statements, respectively.</p> <p>Based on available evidence, we found management's assessment of the allowance for expected credit loss for trade and other receivables to be reasonable and the disclosures in Note 4(ii)(c) and (d), Note 19 and Note 35(a) to the financial statements to be appropriate.</p>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment of goodwill</b></p> <p>As at 31 December 2019, the Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S\$12,227,000. The goodwill has been allocated to the relevant cash generating unit (“CGU”) as disclosed in Note 15 to the financial statements.</p> <p>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. Accordingly, we determined this as a key audit matter.</p> <p>Disclosures on goodwill are included in Note 4(ii)(a) and Note 15 to the financial statements.</p>	<p>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.</p> <p>We tested the robustness of the management’s forecast by evaluating the appropriateness of the key inputs used in the discounted cash flow forecasts, such as growth rates and discount rates, to historical data and external market data. 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.</p> <p>In addition, we reviewed the adequacy of the disclosure relating to impairment testing of goodwill in Note 15 to the financial statements.</p> <p>Based on our audit procedures performed, we found that the estimations used in the VIUs calculations were reasonable and the disclosures in Note 4(ii)(a) and Note 15 to the financial statements to be appropriate.</p>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Service concession arrangements</b></p> <p>The Group has certain mini-hydropower plant projects under service concession arrangements entered into with local government authorities or agencies (the "Grantor") in Indonesia. The Group applies SFRS(I) INT 12 <i>Service Concession Arrangements</i> in its recognition of the consideration received from the Grantor in exchange for the construction services as financial asset for service concession arrangements within the scope of SFRS(I) INT 12.</p> <p>The accounting for service concession arrangements is complex and involves significant judgement, particularly in relation to the identification and application of the appropriate accounting treatment for the recording of revenue and associated assets under SFRS(I) INT 12. The determination of the fair values of the financial receivables under these concession agreements includes complex calculations and significant estimations required such as discounts rates, future cash flows and other factors used in the determination of the amortised cost of financial asset and corresponding financial income. Accordingly, we determined this as a key audit matter.</p> <p>Disclosures relating to service concession arrangements are included in Note 4(ii)(e), Note 19 and Note 29 to the financial statements.</p>	<p>We evaluated the Group's process in assessing the applicability of SFRS(I) INT 12 and reviewed the associated agreements to assess whether these agreements are appropriately identified as service concession arrangements within the scope of SFRS(I) INT 12.</p> <p>We obtained an understanding of management's process for measuring construction revenue and service concession receivables. We reviewed the contractual terms of the service concession arrangements and inspected the underlying documentation to ascertain the progress of work including any material changes to contractual terms and costs to complete.</p> <p>We reviewed management's estimation in determining the fair values of the service concession receivables including the discount rates, estimates of future cash flows and other factors used in the determination of the amortised cost of financial asset and corresponding finance income.</p> <p>In addition, we assessed the appropriateness of the related accounting entries made by management and reviewed the adequacy of the disclosure made relating to service concession arrangements in the financial statements.</p> <p>We found the judgement applied and estimations used by management in the determination of service concession receivables to be appropriate. We also found that the disclosures in Note 4(ii)(e), Note 19 and Note 29 to the financial statements to be appropriate.</p>

## 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## 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 SFRS(I)s, 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 Responsibilities 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.
- 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISDN HOLDINGS LIMITED (INCORPORATED IN SINGAPORE)

## **Auditor's Responsibilities for the Audit of the Financial Statements** (cont'd)

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 Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Lao Mei Leng.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore

11 March 2020



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Group	
		2019 S\$'000	2018 S\$'000
<b>Revenue</b>	5	290,985	301,990
Cost of sales		(213,560)	(221,441)
<b>Gross profit</b>		77,425	80,549
Other operating income	6	3,356	4,933
Distribution costs		(25,588)	(25,672)
Administrative expenses		(30,993)	(30,859)
Net impairment losses on financial assets	35	(446)	(2,503)
Other operating expenses		(1,287)	(2,085)
Finance costs	7	(2,107)	(1,035)
Share of (loss)/profit of associates, net		(138)	368
<b>Profit before income tax</b>	8	20,222	23,696
Income tax	10	(6,030)	(7,118)
<b>Profit for the year</b>		14,192	16,578
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
- Net fair value changes on cash flow hedge		100	(101)
- Exchange differences on translation		(2,045)	(1,727)
<b>Total comprehensive income for the year</b>		12,247	14,750
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		7,047	10,946
Non-controlling interests		7,145	5,632
		14,192	16,578
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		4,854	9,417
Non-controlling interests		7,393	5,333
		12,247	14,750
<b>Earnings per share:</b>	11		
Basic		1.68	2.77
Diluted		1.68	2.77

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Group	
		2019 S\$'000	2018 S\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	12	43,965	39,314
Investment properties	13	479	497
Land use rights	14	1,199	1,270
Goodwill	15	12,227	12,227
Associates	17	5,646	6,136
Service concession receivables	19	34,261	30,233
Other financial assets	20	900	-
Deferred tax assets	26	152	139
<b>Total non-current assets</b>		<b>98,829</b>	<b>89,816</b>
<b>Current Assets</b>			
Inventories	18	53,131	55,183
Trade and other receivables	19	111,804	101,835
Cash and bank balances	21	37,998	41,877
<b>Total current assets</b>		<b>202,933</b>	<b>198,895</b>
<b>Total Assets</b>		<b>301,762</b>	<b>288,711</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	22	78,095	70,984
Reserves	23	74,650	72,767
		152,745	143,751
Non-controlling interests	16	45,825	44,067
<b>Total Equity</b>		<b>198,570</b>	<b>187,818</b>
<b>Non-current Liabilities</b>			
Bank borrowings	24	7,096	11,842
Lease liabilities	25	1,309	224
Deferred tax liabilities	26	655	657
<b>Total non-current liabilities</b>		<b>9,060</b>	<b>12,723</b>
<b>Current Liabilities</b>			
Bank borrowings	24	20,186	16,423
Lease liabilities	25	1,659	81
Trade and other payables	27	60,769	58,783
Contract liabilities	5	8,913	10,597
Current tax liabilities		2,605	2,286
<b>Total current liabilities</b>		<b>94,132</b>	<b>88,170</b>
<b>Total Liabilities</b>		<b>103,192</b>	<b>100,893</b>
<b>Total Equity and Liabilities</b>		<b>301,762</b>	<b>288,711</b>

The accompanying notes form an integral part of the financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Company	
		2019 S\$'000	2018 S\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	12	28	30
Subsidiaries	16	50,410	50,410
Associates	17	118	124
<b>Total non-current assets</b>		<b>50,556</b>	<b>50,564</b>
<b>Current Assets</b>			
Other receivables	19	2,823	363
Amount owing by subsidiaries	16	51,235	46,436
Dividend receivable		4,966	9,918
Cash and bank balances	21	3,218	3,023
<b>Total current assets</b>		<b>62,242</b>	<b>59,740</b>
<b>Total Assets</b>		<b>112,798</b>	<b>110,304</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	22	78,095	70,984
Reserves	23	14,898	11,888
<b>Total Equity</b>		<b>92,993</b>	<b>82,872</b>
<b>Non-current Liabilities</b>			
Bank borrowings	24	6,790	11,455
<b>Total non-current liabilities</b>		<b>6,790</b>	<b>11,455</b>
<b>Current Liabilities</b>			
Bank borrowings	24	5,027	2,291
Lease liabilities	25	14	-
Other payables	27	7,974	13,686
<b>Total current liabilities</b>		<b>13,015</b>	<b>15,977</b>
<b>Total Liabilities</b>		<b>19,805</b>	<b>27,432</b>
<b>Total Equity and Liabilities</b>		<b>112,798</b>	<b>110,304</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company							
	Share capital 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
<b>Group</b>								
Balance at 1 January 2019	70,984	(436)	(2,053)	4,820	70,436	143,751	44,067	187,818
Profit for the year	-	-	-	-	7,047	7,047	7,145	14,192
Other comprehensive (loss)/income for the year	-	-	(2,293)	100	-	(2,193)	248	(1,945)
Total comprehensive (loss)/income for the year	-	-	(2,293)	100	7,047	4,854	7,393	12,247
Issue of shares	5,397	-	-	-	-	5,397	-	5,397
Shares issued in-lieu of cash for dividend relating to FY2018 (Note 22 and Note 28)	1,714	-	-	-	(1,714)	-	-	-
Dividend paid in cash relating to FY2018 (Note 28)	-	-	-	-	(1,257)	(1,257)	-	(1,257)
Dividends to non-controlling interests	-	-	-	-	-	-	(5,635)	(5,635)
Balance at 31 December 2019	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	← Attributable to equity holders of the Company →									
	Share capital	Warrants issue	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity	
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	70,981	3,384	(436)	(802)	4,921	58,572	136,620	15,206	151,826	
Adjustment on initial application of SFRS(I) 9	-	-	-	-	-	(254)	(254)	(96)	(350)	
<b>Adjusted balance at 1 January 2018</b>	<b>70,981</b>	<b>3,384</b>	<b>(436)</b>	<b>(802)</b>	<b>4,921</b>	<b>58,318</b>	<b>136,366</b>	<b>15,110</b>	<b>151,476</b>	
Profit for the year	-	-	-	-	-	10,946	10,946	5,632	16,578	
Other comprehensive loss for the year	-	-	-	(1,428)	(101)	-	(1,529)	(299)	(1,828)	
Total comprehensive (loss)/income for the year	-	-	-	(1,428)	(101)	10,946	9,417	5,333	14,750	
Shares issued pursuant to exercise of warrants (Note 22)	3	(3)	-	-	-	-	-	-	-	
Warrants expired (Note 22)	-	(3,381)	-	-	-	3,381	-	-	-	
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,893)	(3,893)	
Acquisition of a subsidiary with non-controlling interests (Note 16(e))	-	-	-	-	-	-	-	27,766	27,766	
Disposal of subsidiaries (Note 16(d))	-	-	-	177	-	80	257	(249)	8	
Payment of dividends (Note 28)	-	-	-	-	-	(2,289)	(2,289)	-	(2,289)	
Balance at 31 December 2018 (Restated)	70,984	-	(436)	(2,053)	4,820	70,436	143,751	44,067	187,818	

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	S\$'000	S\$'000
<b>Cash Flows from Operating Activities</b>		
Profit before income tax	20,222	23,696
Adjustments for:		
Amortisation of land use rights	32	33
Trade receivables written off	154	135
Depreciation of property, plant and equipment	3,784	2,162
Depreciation of investment properties	18	19
Allowance for inventory obsolescence	204	1,028
Allowance for impairment loss on trade and other receivables	830	2,521
Gain on disposal of a subsidiary	-	(180)
Gain on disposal of property, plant and equipment, net	(20)	(155)
Loss on deemed disposal of an associate	-	77
Gain on disposal of interest in an associate	(15)	-
Property, plant and equipment written off	2	15
Inventories written off	277	420
Write back of allowance for inventory obsolescence	(194)	(232)
Write back of allowance for impairment loss on trade receivables	(384)	(18)
Interest expense	2,107	1,035
Interest income	(311)	(252)
Share of loss/(profit) of associates, net	138	(368)
Foreign currency on translation of foreign operations	1,190	(1,339)
Operating cash flow before working capital changes	28,034	28,597
Changes in working capital:		
Inventories	1,765	(6,377)
Trade and other receivables	(8,098)	30,985
Trade and other payables	975	(4,497)
Cash from operating activities before service concession arrangements	22,676	48,708
Change in receivables from service concession arrangements	(4,883)	(30,233)
Cash generated from operations after service concession arrangements	17,793	18,475
Interest paid	(1,903)	(686)
Interest received	311	252
Income tax paid	(5,721)	(5,708)
<b>Net cash generated from operating activities</b>	10,480	12,333

The accompanying notes form an integral part of the financial statements



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	S\$'000	S\$'000
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(5,017)	(2,632)
Additions to investment properties	-	(12)
Proceeds from disposal of property, plant and equipment	71	320
Net cash inflow on disposal of a subsidiary (Note 16)	-	563
Acquisition of subsidiary, net of cash (Note 16)	-	(5,297)
Loans to associates	(3,395)	(7,468)
Dividend from associates	111	446
Acquisition of other financial assets	(900)	-
Acquisition of an associate	(685)	-
Repayment from associates	-	464
<b>Net cash used in investing activities</b>	<b>(9,815)</b>	<b>(13,616)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends to equity holders of the Company	(1,257)	(2,289)
Dividends to non-controlling interests	(5,958)	(6,354)
Proceeds from bank loans	22,570	23,491
Proceeds from exercise of warrants	-	3
Repayments of bank loans	(24,345)	(11,214)
Proceeds from trust receipts and other borrowings, net	792	1,538
Repayments of lease liabilities, net	(1,718)	(183)
Interest paid	(163)	-
Increase in fixed deposit pledged and restricted bank deposit	(2,348)	(4,372)
Proceeds from issue of shares	5,397	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(7,030)</b>	<b>620</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,365)</b>	<b>(663)</b>
Cash and cash equivalents at beginning of the year	37,255	38,053
Effect of currency translation on cash and cash equivalents	278	(135)
<b>Cash and cash equivalents at end of the year</b> (Note 21)	<b>31,168</b>	<b>37,255</b>

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

## 1 General

ISDN Holdings Limited is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Mainboard of SGX-ST and the Main Board of SEHK. The Company's registered office and principal place of business is at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assestraise Holdings Limited, a company incorporated in the British Virgin Islands. Assestraise Holdings Limited is beneficially owned 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 subsidiaries and associates are set out in Notes 16 and 17.

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) ("SFRS(I)s")

### *Adoption of New and Revised SFRS(I) issued which are effective*

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and SFRS(I) Interpretations ("**SFRS(I) INTs**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INTs. The adoption of these new or amended SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

### **SFRS(I) 16 Leases**

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 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. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

### Adoption of New and Revised SFRS(I) issued which are effective (cont’d)

#### **SFRS(I) 16 Leases** (cont’d)

- a) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4, the Group is exempted from having to reassess whether pre-existing contracts contain a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to leases entered or modified before 1 January 2019.
- b) The Group has, on a lease-by-lease basis:
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - excluded initial direct costs in the measurement of the right-of-use (“**ROU**”) asset at the date of initial application; and
  - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- c) The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Impact on lessee accounting

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets and lease liabilities for the leases were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right-of-use assets recognised on 1 January 2019 is equal to the lease liabilities.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

#### Impact on lessor accounting

There are no significant changes to the accounting by the Group as a lessor.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

*Adoption of New and Revised SFRS(I) issued which are effective* (cont'd)

### **SFRS(I) 16 Leases** (cont'd)

Financial impact of adoption of SFRS(I) 16

On 1 January 2019, the Group:

- (i) recognised right-of-use assets and lease liabilities of S\$3,295,000.
- (ii) included in lease liabilities recognised under SFRS(I) 16, S\$305,000 of finance lease liabilities that were recorded as at 31 December 2018.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.62%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follow:

	<u>S\$'000</u>
Operating lease commitment disclosed as at 31 December 2018	3,517
<b>Less:</b>	
Discounted using the incremental borrowing rate at 1 January 2019	(126)
Short-term leases	(79)
Leases of low-value assets	(17)
<b>Add:</b>	
Finance lease liabilities recognised as at 31 December 2018	305
Lease liabilities recognised as at 1 January 2019	<u><u>3,600</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2 Adoption of New and Revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

### Adoption of New and Revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
	<i>Amendments to References to the conceptual framework in SFRS(I) standards</i>	1 January 2020
SFRS(I) 3	<i>Amendments to SFRS(I) 3 Business Combination: Definition of a Business</i>	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8	<i>Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020
SFRS(I) 10 and SFRS(I) 1-28	<i>Amendments to SFRS(I) 10 and SFRS(I) 1-28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture</i>	Deferred indefinitely, early application is still permitted

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

## 3 Summary of Significant Accounting Policies

### (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 Singapore Financial Reporting Standards (International) (“SFRS(I)s”) as issued by Accounting Standards Council. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (b) 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.

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 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 profit or loss. Contingent consideration that is classified as equity is not remeasured, 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (b) 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 unless the transaction provides evidence of an impairment indicator of the transferred assets. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (b) Group Accounting (cont'd)

#### (ii) Associates (cont'd)

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.

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 equal 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 and associates are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

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

### (c) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (c) Foreign Currencies (cont'd)

#### (ii) Transactions and balances

In preparing the financial statements of each 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. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in the other comprehensive income and accumulated in the exchange translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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 term of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to hedging accounting policies in Note 3 (i)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the net investment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (c) Foreign Currencies (cont'd)

#### (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 exchange 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.

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 that do not result in the Group losing significant influence), 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.

### (d) Property, Plant and Equipment

#### (i) Measurement

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

#### (ii) Subsequent expenditure

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

#### (iii) Depreciation

Depreciation is recognised so as to write off the cost of assets, less any residual value over their estimated useful lives, using the straight-line method as follows:

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

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

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

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

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

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

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

#### (iv) Disposal

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 recognised in profit or loss.

### (e) 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 estimated remaining useful lives of 45 years to 50 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (e) Investment Properties (cont'd)

The residual value, useful life and depreciation method are reviewed at each financial year end, with the effects of any changes in estimate accounted for on a prospective basis. The effects 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.

### (f) 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 financial year end, with the effect of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.

### (g) 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (h) 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.

### (i) Derivative Financial Instruments and Hedge Activities

#### (i) Derivative financial instruments

The Group enters into a derivative financial instrument to manage its exposure to interest rate risk.

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 is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### (ii) Hedge accounting

The Group designates derivatives as hedging instruments in respect of interest rate risk on firm commitments as cash flow hedge. Note 35(b) sets out details of the fair value of the derivative instrument used for hedging purposes.

The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (i) Derivative Financial Instruments and Hedge Activities (cont'd)

#### (ii) Hedge accounting (cont'd)

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### (iii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other operating income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (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.

### (k) Financial Assets

#### (i) Classification and Measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (k) Financial Assets (cont'd)

#### (i) Classification and Measurement (cont'd)

##### Subsequent measurement

#### a) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables and service concession receivables. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

##### Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in profit or loss.

Interest income is recognised in profit or loss and is included in the "other income" line item.

##### FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses (debt instruments measured at FVOCI that are not part of a designated hedging relationship) which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income" using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in profit or loss.

##### FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. For debt investment that is measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Interest income from these financial assets is included in "other income" using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (k) Financial Assets (cont'd)

#### (i) Classification and Measurement (cont'd)

##### Subsequent measurement (cont'd)

#### a) Debt instruments (cont'd)

##### FVPL (cont'd)

In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVPL.

#### (ii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with the following financial instruments:

- financial assets measured at amortised costs; and
- intra-group financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

##### Simplified approach - Trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables (including service concession receivables) as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (k) Financial Assets (cont'd)

#### (ii) Impairment (cont'd)

##### General approach - Other financial instruments and financial guarantee contracts ("FGC")

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (k) Financial Assets (cont'd)

#### (ii) Impairment (cont'd)

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost, and debt investments at FVOCI are credit impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (k) Financial Assets (cont'd)

#### (iii) Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All 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 asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If the Group has elected on initial recognition to measure the equity instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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.

### (l) 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.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (m) Cash and Cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (n) 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.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### (p) 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.

### (q) Dividends to Company's Shareholders

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

### (r) Financial Guarantees

The Company has issue corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the bank if the subsidiaries fails to make principal or interest payments when due in accordance with the terms of their borrowings.

#### Financial guarantee in the separate financial statements

Financial guarantees contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantee are measured initially at their fair values and, if not designated as "fair value through profit and loss", and do not arise from a transfer of a financial assets, are subsequently measured at the higher of:

- a. the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9; and
- b. the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payment to reimburse the holder less any amounts that the Company expects to recover. Loss allowance for ECLs for financial guarantee issued are presented in the Company's statement of financial position as bank borrowings.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (s) Financial Liabilities

#### (i) Financial liabilities

The Group recognises a financial liability on its statements 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.

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 amortised cost of a financial liability.

Bank borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

#### (ii) 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.

### (t) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (u) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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.

### (v) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation (“PO”) by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (v) Revenue Recognition (cont'd)

#### (i) Goods and services sold

The Group supplies integrated engineering solutions which comprise motion control solutions, specialised engineering solutions and industrial computing solutions to various industries.

Revenue from sale of goods and services in the ordinary course of business is recognised when the control of the goods and services has transferred, being when the goods and services are delivered to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled performance obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has not accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has the objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered as this represents the point in time that the right to consideration is unconditional because only the passage of time is required before the payment is due.

Revenue is recognised at a point in time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Certain sales contracts of the Group grant customers the right to return the product during a stipulated grace period (up to one year) if the customers are dissatisfied with the product. Therefore, a refund liability and a right to the returned goods are recognised in relation to goods expected to be returned. Accumulated experience is used to estimate the numbers of returns at the time of sale at a portfolio level using the expected value method. Because the level of product returns has been consistent over previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of the assumption and the estimated amount of returns are reassessed at each reporting date.

#### (ii) Service concession arrangements

Revenue related to construction services under a service concession arrangement is recognised over time. Operation or service revenue is recognised in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (v) Revenue Recognition (cont'd)

#### (iii) Rendering of services

##### *Technical service income*

Technical service income is recognised when the service has been performed and rendered.

##### *Property management income*

The Group provides property management service to tenants of its leasehold properties and is recognised when the service has been performed and rendered.

##### *Administrative income and commission income*

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

### (w) Service Concession Arrangements

The Group has entered into various service concession arrangements with local government authorities or agencies (the “**Grantors**”) to build and operate mini-hydroplants with concession periods of 25 years from the commercial operating date and to transfer the plants to the Grantors at the end of the concession periods. Such concession arrangements fall within the scope of INT FRS 112 *Service Concession Arrangements*.

A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for “Financial Assets” in Note 3(k) to the financial statements.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure but does not have any contractual rights under the concession agreements to receive a fixed and determinable amount of payments during the concession period. The intangible asset (operating concession) is stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided on a straight-line basis over the operation phase of the concession periods.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (w) Service Concession Arrangements (cont'd)

The Group currently does not have any intangible asset arising from its existing service concession arrangements.

### (x) 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.

### (y) Leases – accounting policies applicable from 1 January 2019

#### (i) When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets in "property, plant and equipment" in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (y) Leases – accounting policies applicable from 1 January 2019 (cont'd)

#### (i) When the Group is a lessee (cont'd)

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (y) Leases – accounting policies applicable from 1 January 2019 (cont'd)

#### (i) When the Group is a lessee (cont'd)

##### Short-term lease and lease of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### (ii) When the Group is a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Income arising from these leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the rental income.

Sub-lease arrangements where the Group acts as an intermediate lessor are classified as finance or operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset. Where the Group has applied the short-term exemptions to the head lease, then the sub-lease will be classified as an operating lease.

#### **Accounting policies applicable prior to 1 January 2019**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (y) Leases – accounting policies applicable prior to 1 January 2019 (cont'd)

- (i) When the Group is a lessee

#### Lessee – Finance lease

Leases where the Group assumes substantially all risk and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and borrowings respectively, at the inception of the lease based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liabilities. The finance expense is recognised in profit or loss on basis that reflects a constant periodic rate of interest on the finance lease liability.

#### Lessee – Operating lease

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.

- (ii) When the Group is the lessor

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under SFRS(I) 16.

### (z) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (z) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (z) 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.

### (aa) 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 (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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (aa) 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.

### (bb) 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### (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\$10,000 (2018: S\$796,000) (Notes 6 and 8). In addition, certain inventories which were determined to be obsolete and unusable amounting to S\$277,000 (2018: S\$420,000) (Note 8) were written off during the financial year.

The carrying amount of the Group's inventories and allowance for inventory obsolescence as at 31 December 2019 are set out 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 CGU to which goodwill has been allocated is based on 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.

The details of the estimation of VIU and the carrying amount of the goodwill as at 31 December 2019 are set out in Note 15.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 4 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\$6,030,000 (2018: S\$7,118,000) (Note 10) for the financial year ended 31 December 2019.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2019 are disclosed in Note 26.

#### (c) Allowance for impairment loss of trade receivables

The Group uses a provision matrix to calculate allowance for ECLs for trade receivables. The provision rates are based on internal credit ratings for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates in the recent past two years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between internal credit ratings, historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in the internal credit ratings of the customers. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Note 35(a). The carrying amount of the Group's trade receivables as at 31 December 2019 is disclosed in Note 19.

#### (d) Allowance for impairment loss of other receivables

In determining the ECL, management has taken into account the historical default experience and the financial positions of the debtors, adjusted for factors that are specific to the debtor and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables. The above assessment is after taking into account the current financial positions of the entities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

#### (d) Allowance for impairment loss of other receivables (cont'd)

The Group's credit risk exposure for other receivables are set out in Note 35(a) to the financial statements. Accordingly, for the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL as disclosed in Note 35(a) to the financial statements.

The carrying amounts of the Group's other receivables as at 31 December 2019 are disclosed in Note 19.

#### (e) Service concession arrangements

The Group recognises revenue relating to construction services over time under the service concession arrangements. The progress is measured based on the Group's efforts towards the satisfaction of performance obligation based on the costs incurred up to the date of the reporting period as a percentage of total estimated costs for each performance obligation in the contract.

The Group recognises the consideration received or receivable in exchange for the construction services as a financial receivable under a service concession arrangement. The consideration received or receivable shall be recognised initially at fair value.

The financial receivable under a service concession arrangement requires the Group to make an estimate of a number of factors, which include, *inter alia*, fair value of the construction services, expected future supply of electricity produced by the relevant mini-hydropower plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market conditions.

The information about the service concession arrangements is disclosed in Note 29. The carrying amount of the Group's service concession receivables as at 31 December 2019 is disclosed in Note 19.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 5 Revenue and Contract Liabilities

### (a) Disaggregation of revenue

The Group's revenue is disaggregated by the type of goods or services provided to customers, geographical markets, and timing of goods or services transferred.

Segments	Engineering Solutions - Motion control S\$'000	Other specialised engineering solutions S\$'000	Industrial computing solutions S\$'000	Others S\$'000	Total S\$'000
<b>2019</b>					
<b>Geographical markets</b>					
Singapore	32,019	6,514	6,297	-	44,830
PRC	151,567	43,236	-	-	194,803
Hong Kong	6,597	56	-	-	6,653
Malaysia	9,405	678	23	98	10,204
Others	20,770	8,831	11	4,883	34,495
<b>Total revenue from contracts with customers</b>	220,358	59,315	6,331	4,981	290,985
<b>Goods or services transferred at a point in time</b>	220,358	59,315	6,331	98	286,102
<b>Services transferred over time</b>	-	-	-	4,883	4,883
<b>2018</b>					
<b>Geographical markets</b>					
Singapore	32,464	4,985	5,560	-	43,009
PRC	166,067	44,770	-	-	210,837
Hong Kong	11,790	98	-	992	12,880
Malaysia	7,689	934	29	-	8,652
Others	18,271	8,334	7	-	26,612
<b>Total revenue from contracts with customers</b>	236,281	59,121	5,596	992	301,990
<b>Goods or services transferred at a point in time</b>	236,281	59,121	5,596	992	301,990

### (b) Contract liabilities

	Group		
	2019	31 December 2018	1 January 2018
	S\$'000	S\$'000	S\$'000
Contract liabilities	8,913	10,597	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 5 Revenue and Contract Liabilities (cont'd)

### (b) Contract liabilities (cont'd)

#### Contract liabilities

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Revenue recognised in the current year that was included in the contract liabilities at the beginning of the year	9,589	-
Increase due to cash received, excluding amount recognised as revenue during the year	7,905	10,597

Contract liabilities relate to the advances received for sales of goods. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

## 6 Other Operating Income

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Interest income:		
- interest on bank deposits	200	150
- interest on loan to an associate	111	102
Total interest income on financial assets at amortised cost	311	252
Commission income	610	879
Gain on disposal of property, plant and equipment	20	179
Gain on disposal of a subsidiary	-	180
Gain on disposal of interest in an associate	15	-
Government grant	153	185
Operating lease rental income:		
- investment properties	56	60
- sub-let of office/warehouse premises	434	515
Property management income	360	413
Technical service income	449	1,136
Write back of allowance for inventory obsolescence*	194	232
Miscellaneous income	754	902
	<b>3,356</b>	<b>4,933</b>

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 7 Finance Costs

	Group	
	2019 S\$'000	2018 S\$'000
Interest expense on:		
- bank loans	1,472	959
- trust receipts	70	57
- leases liabilities	163	19
- arrangement fees	402	-
	2,107	1,035

## 8 Profit before Income Tax

	Group	
	2019 S\$'000	2018 S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	32	33
Audit fees		
- Company's auditors*	402	409
- Other auditors	267	200
Depreciation of property, plant and equipment		
- recognised in cost of sales	397	368
- recognised in distribution costs	713	241
- recognised in administrative expenses	2,674	1,553
	3,784	2,162
Depreciation of investment properties	18	19
Other operating expenses included:		
- trade receivables written off	154	135
- allowance for inventory obsolescence	204	1,028
- property, plant and equipment written off	2	15
- inventories written off	277	420
- foreign exchange losses, net	585	282
- loss on disposal of plant and equipment	-	24
- loss on deemed disposal of an associate	-	77
Operating lease rental expense	162	1,826

\* There was no non-audit fee paid/payable to the Company's auditors during the financial year ended 2019 and 2018.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 9 Employee Benefits

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Directors' fees	164	137
Directors' remuneration		
- salaries and related costs	4,166	5,071
- defined contribution plans	27	33
Key management personnel (other than directors)		
- salaries and related costs	1,473	2,178
- defined contribution plans	82	75
Other than directors and key management personnel		
- salaries and related costs	24,172	24,317
- defined contribution plans	3,426	3,253
	<u>33,510</u>	<u>35,064</u>

Details of Directors' emoluments are set out as follows:

	<b>Directors' fees</b>	<b>Directors' remuneration</b>	<b>Other benefits</b>	<b>Discretionary bonuses</b>	<b>Retirement scheme contributions</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>For the year ended</b>						
<b>31 December 2019</b>						
Independent directors						
- Lim Siang Kai (Chairman)	53	-	-	-	-	53
- Soh Beng Keng	42	-	-	-	-	42
- Tan Soon Liang	42	-	-	-	-	42
Non-executive directors						
- Toh Hsiang-Wen Keith	27	-	-	-	-	27
Executive directors						
- Teo Cher Koon	-	771	42	2,319	9	3,141
- Kong Deyang	-	92	36	906	18	1,052
	<u>164</u>	<u>863</u>	<u>78</u>	<u>3,225</u>	<u>27</u>	<u>4,357</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 9 Employee Benefits (cont'd)

	Directors' fees S\$'000	Directors' remuneration S\$'000	Other benefits S\$'000	Discretionary bonuses S\$'000	Retirement scheme contributions S\$'000	Total S\$'000
<b>For the year ended</b>						
<b>31 December 2018</b>						
Independent directors						
- Lim Siang Kai (Chairman)	53	-	-	-	-	53
- Soh Beng Keng	42	-	-	-	-	42
- Tan Soon Liang	42	-	-	-	-	42
Executive directors						
- Teo Cher Koon	-	739	89	2,763	12	3,603
- Kong Deyang	-	142	36	1,302	21	1,501
	137	881	125	4,065	33	5,241

(a) Directors' inducement and termination benefits

None of the Directors received or will receive any inducement and termination benefits during the financial years ended 31 December 2019 and 2018.

(b) Directors' waived emoluments

None of the Directors waived or agreed to waive any emoluments during the financial years ended 31 December 2019 and 2018.

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

The Company did not pay consideration to any third parties for making available Directors' services during the financial years ended 31 December 2019 and 2018.

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the financial years ended 31 December 2019 and 2018.

There were no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the financial years ended 31 December 2019 and 2018.

(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 or at any time during the financial years ended 31 December 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 9 Employee Benefits (cont'd)

### Five highest paid individuals

For the financial years ended 31 December 2019 and 2018, of the five individuals with highest emoluments, two are the Executive Directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining individuals for the financial years ended 31 December 2019 and 2018 are set out below.

	Group	
	2019 S\$'000	2018 S\$'000
Salaries, allowance and benefits in kind	981	1,543
Discretionary bonuses	72	235
Retirement scheme contributions	67	45
	1,120	1,823

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

	Group	
	2019 Number of individuals	2018 Number of individuals
S\$200,001 to S\$300,000	1	-
S\$300,001 to S\$400,000	1	1
S\$400,001 to S\$500,000	1	1
S\$1,000,001 to S\$1,100,000	1	1
S\$1,500,001 to S\$1,600,000	-	1
S\$2,000,001 to S\$3,500,000	1	-
S\$3,600,001 to S\$3,700,000	-	1
	5	5

## 10 Income Tax

	Group	
	2019 S\$'000	2018 S\$'000
Current income tax		
- Singapore	328	244
- PRC	4,686	6,125
- Outside Singapore and the PRC	532	267
- Under/(Over) provision in respect of prior years	495	(86)
	6,041	6,550
Deferred tax (Note 26)		
- Withholding tax on the profits of the Group's subsidiaries	-	344
- (Over)/Under provision in respect of prior years	(11)	224
	(11)	568
	6,030	7,118

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 10 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	
	2019 S\$'000	2018 S\$'000
Profit before income tax	20,222	23,696
Income tax calculated at applicable tax rates	5,149	5,756
Non-deductible expenses	355	908
Singapore statutory stepped income exemption	(52)	(141)
Deferred tax assets not recognised	95	191
Share of results of associates	(1)	(78)
Withholding tax on undistributed earnings of certain of the Group's PRC subsidiaries	-	344
Under/(Over) provision in respect of prior years:		
- current income tax	495	(86)
- deferred income tax	(11)	224
	<u>6,030</u>	<u>7,118</u>

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% (2018: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia is 24% (2018: 24%).

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 10 Income Tax (cont'd)

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\$Nil (2018: S\$2,783,000) 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.

### Unrecognised tax losses

As at 31 December 2019, the Group has unutilised tax losses of approximately S\$8.4 million (2018: S\$7.8 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\$8.4 million (2018: S\$7.8 million) has not been recognised in accordance with the Group's accounting policy stated in Note 3(z). The deferred tax asset not recognised is estimated to be S\$1.4 million (2018: S\$1.3 million).

The unutilised tax losses of Singapore entities of the Group have no expiry date, while the unutilised tax losses of the PRC entities of the Group 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 2019, deferred tax liabilities of S\$610,000 (2018: S\$610,000) (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\$27.2 million (2018: S\$56.2 million). The deferred tax liability not recognised is estimated to be S\$1.4 million (2018: S\$2.8 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 11 Earnings Per Share

	Group	
	2019	2018
	Singapore	Singapore
	cents per	cents per
	share	share
Basic earnings per share	1.68	2.77
Fully diluted earnings per share	1.68	2.77

### 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	
	2019	2018
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the Company	7,047	10,946

	Group	
	2019	2018
Weighted average number of ordinary shares for the purposes of basic earnings per share	418,804,712	394,685,586

### 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.

The Group has no dilution in its earnings per share as at 31 December 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 12 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
<b>Group</b>								
<u>2019</u>								
<b>Cost</b>								
At 1 January 2019	3,284	25,139	2,582	3,479	6,785	7,355	10,837	59,461
Additions	1,813	4,381	285	26	1,178	556	1,159	9,398
Disposals	-	-	(10)	(92)	(77)	(64)	-	(243)
Written off	-	-	(11)	(13)	(3)	(47)	-	(74)
Translation adjustment	(63)	(708)	(81)	14	(163)	(45)	(25)	(1,071)
At 31 December 2019	5,034	28,812	2,765	3,414	7,720	7,755	11,971	67,471
<b>Accumulated depreciation</b>								
At 1 January 2019	-	5,726	1,979	2,174	4,541	5,727	-	20,147
Depreciation for the year	-	2,184	209	335	513	543	-	3,784
Disposals	-	-	(5)	(89)	(37)	(61)	-	(192)
Written off	-	-	(8)	(10)	(13)	(41)	-	(72)
Translation adjustment	-	(84)	(62)	45	13	(73)	-	(161)
At 31 December 2019	-	7,826	2,113	2,455	5,017	6,095	-	23,506
<b>Net book value</b>								
At 31 December 2019	5,034	20,986	652	959	2,703	1,660	11,971	43,965
<b>Company</b>								
<u>2019</u>								
<b>Cost</b>								
At 1 January 2019	-	-	20	-	-	21	-	41
Additions	-	43	-	-	-	10	-	53
At 31 December 2019	-	43	20	-	-	31	-	94
<b>Accumulated depreciation</b>								
At 1 January 2019	-	-	4	-	-	7	-	11
Depreciation for the year	-	29	10	-	-	16	-	55
At 31 December 2019	-	29	14	-	-	23	-	66
<b>Net book value</b>								
At 31 December 2019	-	14	6	-	-	8	-	28



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 12 Property, Plant and Equipment (cont'd)

	Freehold land S\$'000	Leasehold properties S\$'000	Renovations S\$'000	Motor vehicles S\$'000	Plant and equipment S\$'000	Furniture, fittings and office equipment S\$'000	Construction in progress S\$'000	Total S\$'000
<b>Group</b>								
<u>2018</u>								
<b>Cost</b>								
At 1 January 2018	787	25,815	2,156	3,357	5,973	7,352	1,066	46,506
Acquisition through business combination (Note 16(e)(ii))	2,497	-	-	32	-	1	9,716	12,246
Additions	-	-	441	803	1,036	597	-	2,877
Disposals	-	-	(5)	(639)	(92)	(176)	-	(912)
Written off	-	-	-	(26)	-	(10)	-	(36)
Disposal of subsidiaries	-	-	(25)	-	(87)	(7)	-	(119)
Translation adjustment	-	(676)	15	(48)	(45)	(402)	55	(1,101)
At 31 December 2018	3,284	25,139	2,582	3,479	6,785	7,355	10,837	59,461
<b>Accumulated depreciation</b>								
At 1 January 2018	-	5,327	1,792	2,363	4,132	5,566	-	19,180
Depreciation for the year	-	510	190	434	462	566	-	2,162
Disposals	-	-	(4)	(524)	(55)	(164)	-	(747)
Written off	-	-	-	(12)	-	(9)	-	(21)
Disposal of subsidiaries	-	-	(6)	-	(11)	(2)	-	(19)
Translation adjustment	-	(111)	7	(87)	13	(230)	-	(408)
At 31 December 2018	-	5,726	1,979	2,174	4,541	5,727	-	20,147
<b>Net book value</b>								
At 31 December 2018	3,284	19,413	603	1,305	2,244	1,628	10,837	39,314
<b>Company</b>								
<u>2018</u>								
<b>Cost</b>								
At 1 January 2018	-	-	-	-	-	-	-	-
Additions	-	-	20	-	-	21	-	41
At 31 December 2018	-	-	20	-	-	21	-	41
<b>Accumulated depreciation</b>								
At 1 January 2018	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	4	-	-	7	-	11
At 31 December 2018	-	-	4	-	-	7	-	11
<b>Net book value</b>								
At 31 December 2018	-	-	16	-	-	14	-	30

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 12 Property, Plant and Equipment (cont'd)

The Group's leasehold properties are set out below.

Description and location	Gross Area (approximately)	Use	Encumbrance
<u>Leasehold properties</u>			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	469 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
No. 1128 Jiangxing East Road Wujiang Economic Development Zone PRC	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2019, 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\$18,304,000 (2018: S\$19,413,000).

As at 31 December 2019, the net book value of property, plant and equipment of the Group held under leases liabilities was S\$324,000 (2018: S\$432,000).

During the financial year, the Group acquired with an aggregate cost of S\$5,017,000 (2018: S\$2,877,000) of which S\$Nil (2018: 245,000) were acquired by means of finance lease. Cash payments of S\$5,017,000 (2018: S\$2,632,000) were made to purchase property, plant and equipment.

On 1 January 2019, the addition of leasehold properties of S\$3,295,000 was pertaining to right-of-use assets as a result of the adoption of SFRS(I) 16 *Leases* by the Group. Subsequent to the adoption, the Group acquired right-of-use assets amounting to S\$1,086,000. Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 25.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 13 Investment Properties

	Group	
	2019 S\$'000	2018 S\$'000
<b>Cost</b>		
Balance at 1 January	959	947
Additions	-	12
Balance as at 31 December	959	959
<b>Accumulated depreciation</b>		
Balance at 1 January	462	443
Depreciation for the year	18	19
Balance at 31 December	480	462
<b>Net book value</b>		
Balance at 31 December	479	497

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S\$850,000 (2018: S\$903,000) 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 35(b).

The Group's investment properties are set out below.

Description and location	Gross Area (approximately)	Tenure	Use	Encumbrance
<u>Freehold building</u>				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johor, Malaysia	270 sq. m	Freehold building	Leased out to third party	None
<u>Leasehold properties</u>				
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

Investment properties are leased to third parties. During the financial year, rental income from these investment properties amounted to S\$56,000 (2018: S\$60,000); and direct operating expenses amounted to S\$31,000 (2018: S\$30,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 14 Land Use Rights

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cost</b>		
Balance at 1 January	1,600	1,644
Translation adjustment	(46)	(44)
Balance at 31 December	<u>1,554</u>	<u>1,600</u>
<b>Accumulated amortisation</b>		
Balance at 1 January	330	306
Amortisation for the year	32	33
Translation adjustment	(7)	(9)
Balance at 31 December	<u>355</u>	<u>330</u>
<b>Net book value</b>		
Balance at 31 December	<u>1,199</u>	<u>1,270</u>
Amount to be amortised:		
- not later than one year	32	33
- later than one year but not later than five years	128	132
- later than five years	1,039	1,105
	<u>1,199</u>	<u>1,270</u>

The land use rights relate to two parcels of state-owned land situated in the PRC. The land use rights have a remaining tenure of 37 years (2018: 38 years).

As at 31 December 2019 and 2018, the land use rights are mortgaged to secure the Group's bank borrowings as disclosed in Note 24.

## 15 Goodwill

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Balance at 1 January	12,227	11,686
Additional goodwill recognised from business combination occurring during the year (Note 16(e)(ii))	-	541
Balance at 31 December	<u>12,227</u>	<u>12,227</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 15 Goodwill (cont'd)

### Impairment testing of goodwill

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

	Group	
	2019 S\$'000	2018 S\$'000
<b>Engineering Solutions – Motion Control</b>		
- Servo Dynamics (Thailand) Co., Ltd (" <b>Servo Thailand</b> ")	75	75
- TDS Technology (S) Pte Ltd (" <b>TDS</b> ")	2,103	2,103
<b>Other Specialised Engineering Solution</b>		
- Dirak Asia Pte Ltd (" <b>Dirak Asia</b> ")	9,508	9,508
<b>Others</b>		
- Aenergy Holdings Company Limited (" <b>Aenergy</b> ") (Note 16(e))	541	541
	<u>12,227</u>	<u>12,227</u>

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. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates. The growth rates used are based on the average historical growth rate of each CGU and past experience and with reference to the 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 the 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 15 Goodwill (cont'd)

The key assumptions used in the estimation of value-in-use are set out below.

	Group	
	2019	2018
<b>Engineering Solutions – Motion Control</b>		
Growth rates	0.0% to 5.0%	1.0% to 5.0%
Perpetual growth rate	1.5% to 3.4%	2.0% to 3.5%
Pre-tax discount rate	9.8% to 12.2%	10.0% to 12.2%
Excess of recoverable amount over carrying amount	S\$948,000	S\$629,000
<b>Other Specialised Engineering Solution</b>		
Growth rates	0.0% to 15.0%	0.0% to 10.0%
Perpetual growth rate	6.0%	6.0%
Pre-tax discount rate	15.7%	16.0%
Excess of recoverable amount over carrying amount	S\$11,939,000	S\$9,073,000
<b>Others</b>		
Revenue estimate	Estimates based on the mini-hydropower plant capacity of 4.6 and 10 megawatts	-
Pre-tax discount tax	14.1%	-
Excess of recoverable amount over carrying amount	S\$14,110,000	-

No impairment testing on goodwill of Aenergy in the previous financial year ended 31 December 2018 as the fair value of the net identifiable assets acquired was determined only provisionally for the reason disclosed in Note 16(e)(ii).

### 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, Dirak Asia and Aenergy, (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% (2018: 1%), respectively, the relevant excess of recoverable amounts over carrying amount would decrease to S\$128,000, S\$389,000 and S\$557,000 (2018: Nil, S\$389,000 and Nil) for engineering solutions – motion control, other specialised engineering solution and other CGUs respectively, but will still be in excess of their carrying amounts of the respective CGUs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries

	Company	
	2019	2018
	S\$'000	S\$'000
<b>Non-current assets</b>		
Unquoted equity shares, at cost	36,783	36,783
Loans to subsidiaries	13,627	13,627
	<u>50,410</u>	<u>50,410</u>
<b>Current assets</b>		
Amounts owing by subsidiaries	52,735	47,936
Less: Allowance for impairment loss	(1,500)	(1,500)
	<u>51,235</u>	<u>46,436</u>

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	
	2019	2018
	S\$'000	S\$'000
<b>Current assets</b>		
Amounts owing by subsidiaries		
At 1 January and 31 December	<u>1,500</u>	<u>1,500</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 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	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019 %	2018 %	
<u>Held by the Company</u>					
Motion Control Group Pte Ltd <sup>(1)</sup>	Singapore	S\$17,531,255	100	100	Investment holding
Servo Dynamics Pte Ltd <sup>(1)</sup>	Singapore	S\$1,600,000	100	100	Motion control solutions and industrial computing solutions
Portwell Singapore Pte Ltd <sup>(1)</sup>	Singapore	S\$100,000	100	100	Industrial computing solutions
Leaptron Engineering Pte Ltd <sup>(1)</sup>	Singapore	S\$300,000	100	100	Other specialised engineering solutions
ISDN Investments Pte Ltd <sup>(1)</sup>	Singapore	S\$13,757,001	100	100	Investment holdings
<u>Held by Motion Control Group Pte Ltd</u>					
Precision Motion Control Pte Ltd <sup>(1)</sup>	Singapore	S\$300,000	100	100	Motion control solutions
Servo Dynamics Co., Ltd. <sup>(2) (4) (8)</sup>	PRC	US\$2,400,000	100	100	Motion control solutions
Servo Dynamics (Thailand) Company Limited <sup>(4)</sup>	Thailand	THB16,900,000	59.73	59.73	Motion control solutions
Servo Engineering Sdn Bhd <sup>(3)</sup>	Malaysia	MYR350,000	90	90	Motion control solutions
Servo Dynamics (H.K.) Limited <sup>(4)</sup>	Hong Kong	HK\$128,570	100	100	Motion control solutions
Eisele Asia Co., Ltd. <sup>(2) (4) (5) (10)</sup>	PRC	US\$210,000	50	50	Other specialised engineering solutions
IGB (HK) Company Ltd <sup>(4)</sup>	Hong Kong	HK\$16,815	70.9	51	Investment holdings
Servo Dynamics Sdn Bhd <sup>(3)</sup>	Malaysia	MYR3	100	100	Motion control solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019 %	2018 %	
Held by <u>Motion Control Group Pte Ltd (cont'd)</u>					
Excel Best Industries (Suzhou) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$4,000,000	100	100	Properties holding
Weiyi M&E Equipment (Shanghai) Co., Ltd <sup>(2) (4) (11)</sup>	PRC	US\$140,000	51	51	Inactive
Suzhou PDC Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$4,800,000	100	100	Properties holding
Gateway Motion (Shanghai) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$210,000	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co., Ltd <sup>(2) (4) (11)</sup>	PRC	US\$450,000	95.33	95.33	Other specialised engineering solutions
DBASIX Singapore Pte Ltd <sup>(1)</sup>	Singapore	S\$1,600,000	75	75	Investment holding
TDS Technology (S) Pte Ltd <sup>(1)</sup>	Singapore	S\$1,000,000	61.18	61.18	Motion control solutions
ISDN Enterprise Management (Wu Jiang) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$100,000	100	100	Investment holding
Accel Technologies (China) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$210,000	100	100	Other specialised engineering solutions
A Tracks Pte Ltd <sup>(1)</sup>	Singapore	S\$100	70	70	Motion control solutions
Dirak Asia Pte Ltd <sup>(1) (5) (7)</sup>	Singapore	S\$554,690	49	49	Other specialised engineering solutions
Suzhou Xiancheng Automation Technology Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$210,000	-	100	Motion control solutions
ISDN Software Business Pte Ltd <sup>(1) (6)</sup>	Singapore	S\$100,000	100	-	Industrial computing solutions
Held by <u>Precision Motion Control Pte Ltd</u>					
Air Vacuum Automation Vietnam Company Limited <sup>(6)</sup>	Vietnam	VND6,900,000,000	51	-	Motion control solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019	2018	
Held by <u>Servo Dynamics Pte Ltd</u>			%	%	
Maxon Motor (Suzhou) Co., Ltd <sup>(2) (4) (5) (10)</sup>	PRC	US\$690,000	50	50	Motion control solutions
Maxon Motor International Trading (Shanghai) Co., Ltd <sup>(2) (4) (5) (10)</sup> (formerly known as Maxon Electronic Machine International Trade (Shanghai) Co., Ltd)	PRC	US\$200,000	50	50	Motion control solutions
Servo Dynamics Engineering Company Limited <sup>(4)</sup>	Vietnam	US\$300,000	51	51	Motion control solutions
Maxon Motor SEA Pte Ltd <sup>(1) (5)</sup>	Singapore	S\$500,000	50	50	Motion control solutions
Maxon Motor Taiwan Co., Ltd. <sup>(4) (5)</sup>	Republic of China (Taiwan)	TWD5,000,000	50	-	Motion control solutions
Held by <u>Servo Dynamics Co., Ltd</u>					
Su Zhou Servo Dynamics Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$600,000	100	100	Motion control solutions
Beijing Junyizhicheng Technology Developing Co., Ltd <sup>(2) (4) (9)</sup>	PRC	RMB2,000,000	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd <sup>(2) (4) (9)</sup>	PRC	RMB6,000,000	100	100	Motion control solutions
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd <sup>(2) (4) (5) (9)</sup>	PRC	RMB2,000,000	50	50	Other specialised engineering solutions
Held by <u>IGB (H.K.) Co., Ltd</u>					
SEJINIGB (China) Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$510,000	70.9	51	Other specialised engineering solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019 %	2018 %	
Held by					
<u>DBASIX Singapore Pte Ltd</u>					
Shanghai DBASIX M&E Equipment Co., Ltd <sup>(2) (4) (8)</sup>	PRC	US\$420,000	75	75	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd <sup>(3)</sup>	Malaysia	MYR500,000	75	75	Other specialised engineering solutions
Held by					
<u>TDS Technology (S) Pte Ltd</u>					
ADL Control (S) Pte Ltd <sup>(1) (5)</sup>	Singapore	S\$100,000	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd <sup>(3) (5)</sup>	Malaysia	MYR100,000	48.94	48.94	Motion control solutions
TDS Technology (KL) Sdn Bhd <sup>(3) (5)</sup>	Malaysia	MYR100,000	48.94	48.94	Motion control solutions
PT TDS Technology <sup>(4) (5)</sup>	Indonesia	IDR878,900,000	36.71	36.71	Motion control solutions
SDL Control (Penang) Sdn Bhd <sup>(3)</sup>	Malaysia	MYR2	61.18	61.18	Motion control solutions
SDL Control (KL) Sdn Bhd <sup>(3)</sup>	Malaysia	MYR2	61.18	61.18	Motion control solutions
Held by					
<u>ISDN Investments Pte Ltd ("ISDN Investment")</u>					
Agri Source Pte Ltd <sup>(1)</sup>	Singapore	S\$250,000	100	100	Investment holdings
ISDN Resource Pte Ltd <sup>(1)</sup>	Singapore	S\$1,000,000	100	100	Investment holdings
ISDN Energy Pte Ltd <sup>(1)</sup>	Singapore	S\$1,960	100	100	Inactive
ISDN Myanmar Power Pte Ltd <sup>(1)</sup>	Singapore	S\$1	100	100	Inactive
LAA Energy HK Company Limited <sup>(4)</sup>	Hong Kong	HK\$1	100	100	Investment holdings
ISDN Road & Belt Energy Pte Ltd <sup>(1)</sup>	Singapore	S\$100	51	51	Inactive
ISDN Bantaeng Pte Ltd <sup>(1)</sup>	Singapore	S\$205,254	100	80.5	Investment holdings

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019 %	2018 %	
Held by <u>ISDN Investments Pte Ltd ("ISDN Investment")</u> (cont'd)					
Aenergy Holdings Company Limited <sup>(4) (5)</sup>	Hong Kong	HK\$105,668,666	50	50	Investment holdings
ISDN (Zhejiang) Precision Technology Co., Ltd. <sup>(6) (8)</sup>	PRC	US\$1,000,000	100	-	Other specialised engineering solutions
C&I Singapore Renewable and Innovative Tech Pte. Ltd. <sup>(1) (12)</sup>	Singapore	US\$500,000	100	-	Inactive
Held by <u>ISDN Energy Pte Ltd</u>					
ISDN Energy (Cambodia) Co., Ltd. <sup>(6)</sup>	Cambodia	KHR200,000,000	100	-	Inactive
Held by <u>LAA Energy HK Company Limited</u>					
PT LAA Energy <sup>(4)</sup>	Indonesia	IDR140,100,000,000	90	90	Inactive
Held by <u>Agri Source Pte Ltd</u>					
Agri Source Farms Sdn Bhd <sup>(3)</sup>	Malaysia	MYR600,000	100	100	Inactive
Dietionary Farm Holding Pte Ltd <sup>(1)</sup>	Singapore	S\$1,200,000	100	100	Investment holdings
Prima Infrastructure Sdn Bhd <sup>(2) (5)</sup>	Malaysia	MYR500,000	49	49	Land holding
Held by <u>Dietionary Farm Holding Pte Ltd</u>					
Dietionary Farms Sdn Bhd <sup>(4)</sup>	Malaysia	MYR350,000	100	100	Carrying out hydroponic growing with the application of our in-house motion control solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019 %	2018 %	
Held by <u>Aenergy Holdings Company Limited</u>					
PT Potensia Tomini Energi <sup>(4) (5)</sup>	Indonesia	IDR10,000,000,000	24.5	24.5	Inactive
PT Charma Paluta Energy <sup>(4) (5)</sup>	Indonesia	IDR3,600,000,000	40	40	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	47.5	47.5	Investment holdings
PT Abantes Energi Indonesia <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	24.5	24.5	Inactive
PT Simalem Bumi Energi <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	24.5	24.5	Inactive
PT Senina Hidro Energi <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	24.5	24.5	Inactive
PT Karo Bumi Energi <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	24.5	24.5	Construction of a mini hydropower plant in progress
PT Galang Hidro Energi <sup>(4) (5)</sup>	Indonesia	IDR20,000,000,000	24.5	24.5	Inactive
PT Alabama Energy <sup>(4) (5)</sup>	Indonesia	IDR5,000,000,000	40.5	40.5	Construction of a mini hydropower plant in progress
Held by <u>PT SDM Bahagia Sejahtera</u>					
PT Punggawa Datara Energy <sup>(4) (5)</sup>	Indonesia	IDR14,375,000,000	22.05	22.05	Inactive
Held by <u>ISDN Resource Pte Ltd ("ISDN Resource")</u>					
Jin Zhao Yu Pte Ltd <sup>(1)</sup>	Singapore	S\$3,000	51	51	Inactive
ISDN NBA Resources Pte Ltd <sup>(1)</sup>	Singapore	S\$1	100	100	Inactive
Held by <u>ISDN Bantaeng Pte Ltd</u>					
PT ISDN Bantaeng Corporation <sup>(4)</sup>	Indonesia	IDR14,623,000,000	85	68.42	Inactive

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Registered/ issued and fully paid share capital*	Effective equity interest held by the Group		Principal activities
			2019	2018	
			%	%	
<u>Held by Dirak Asia Pte Ltd</u>					
Suzhou Dirak Co., Ltd <sup>(2) (5) (7) (8)</sup>	PRC	US\$210,000	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd <sup>(2) (5) (7) (8)</sup>	PRC	US\$750,000	49	49	Other specialised engineering solutions
Dirak Taiwan Co., Ltd <sup>(2) (5) (7)</sup>	Republic of China (Taiwan)	TWD5,000,000	29.89	29.89	Other specialised engineering solutions
Zhuzhou Dirak Technology Co., Ltd <sup>(2) (5) (7) (11)</sup>	PRC	RMB5,080,000	29.4	29.4	Other specialised engineering solutions
<u>Held by Suzhou Dirak Co., Ltd</u>					
Beijing Dirak Co., Ltd <sup>(2) (5) (7) (9)</sup>	PRC	RMB500,000	31.85	31.85	Other specialised engineering solutions
Dirak (Tianjin) Group Co., Ltd <sup>(2) (5) (7) (8)</sup> (formerly known as Dirak (Shanghai) Co., Ltd)	PRC	RMB100,000	49	49	Inactive
<u>Held by Servo Dynamics (H.K.) Limited</u>					
SDHK (Shenzhen) Technology Co., Ltd <sup>(4) (8)</sup>	PRC	RMB1,000,000	100	100	Inactive
<u>Held by Leaptron Engineering Pte Ltd</u>					
PT Leaptron Engineering <sup>(4)</sup>	Indonesia	IDR4,860,400,000	100	100	Inactive

\*Registered paid-up capital as at 31 December 2019, disclosed in the local currency of respective subsidiary

- (1) Audited by Moore Stephens LLP Singapore  
(2) Audited or reviewed by Moore Stephens LLP Singapore for SFRS(I) consolidation purposes  
(3) Audited by member firms of Moore Global Network 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  
(8) Wholly owned foreign enterprise (WOFE) registered under PRC law  
(9) Limited liability company registered under PRC law  
(10) Jointly owned foreign enterprise registered under PRC law  
(11) Sino-foreign joint venture  
(12) Change of ownership interest, refer to Note 16(i)



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 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	
		2019	2018	2019	2018	2019	2018
				S\$'000	S\$'000	S\$'000	S\$'000
Dirak Asia subgroup	Singapore	51%	51%	1,323	1,015	8,066	7,236
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")	PRC	50%	50%	4,852	3,585	5,088	4,436
Aenergy Holdings Company Limited subgroup ("Aenergy subgroup")	Hong Kong	50%	50%	(933)	-	23,519	21,719
Individual immaterial subsidiaries with non-controlling interests				2,151	733	9,152	10,676
Total				<u>7,393</u>	<u>5,333</u>	<u>45,825</u>	<u>44,067</u>

(Restated)

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

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 is 50% owned by Servo Dynamics and 50% by Interelectric since September 2002.

Aenergy subgroup was established under the law of Hong Kong on 27 March 2013 with an approved registered capital of HK\$18,181. Aenergy subgroup is principally engaged in construction of hydropower plants. Aenergy subgroup is 50% owned by ISDN Investment, 34.8% by Robert Alexander Stone and 15.2% by See Hup Seng Holdings Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests: (cont'd)

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

### Summarised statement of financial position

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current						
Assets	21,603	21,245	25,721	22,757	29,807	11,431
Liabilities	(8,196)	(9,100)	(16,053)	(14,052)	(32,346)	(10,473)
Net current assets/(liabilities)	13,407	12,145	9,668	8,705	(2,539)	958
Non-current						
Assets	2,408	2,043	507	227	49,578	42,479
Liabilities	-	-	-	(60)	-	-
Net non-current assets	2,408	2,043	507	167	49,578	42,479
Net assets	15,815	14,188	10,175	8,872	47,039	43,437

### Summarised statement of comprehensive income

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	30,131	29,201	58,115	53,226	4,883	-
Profit/(Loss) before income tax	3,197	2,768	12,743	10,091	(1,865)	-
Income tax	(603)	(778)	(3,040)	(2,922)	-	-
Profit/(Loss) after tax and total comprehensive income/(loss)	2,594	1,990	9,703	7,169	(1,865)	-

### Other summarised information

Cash flow generated from/(used in) operating activities	3,162	794	8,579	9,686	(7,434)	-
Dividends to non-controlling interests during the year	63	104	4,056	3,210	-	-
Acquisition of property, plant and equipment	809	969	50	86	3,032	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 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\$5,033,000 (2018: S\$5,341,000) 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) **ISDN Investments Pte Ltd**

In 2018, the Company subscribed 10,000,000 ordinary shares in the share capital of its wholly owned subsidiary, ISDN Investments Pte Ltd for a total cash consideration of S\$13,757,000. As a result, the issued and paid-up share capital of ISDN Investments Pte Ltd increased to S\$13,757,001. The additional investment was deployed to fund in Indonesia under the Group's hydropower business in Indonesia.

#### (b) **Maxon Motor SEA Pte. Ltd.**

In 2018, the Company's wholly-owned subsidiary, Servo Dynamics Pte Ltd ("**Servo Dynamics**"), incorporated a new subsidiary, Maxon SEA in Singapore, with Interelectric AG to engage in the business of supplying high-precision drive systems as well as encoders, gears and control electronics. Servo Dynamics holds 50% equity interests in Maxon SEA, for a total capital cash consideration of S\$250,000 (Note 19(g)).

#### (c) **Agri Source Suzhou Co., Ltd.**

In 2018, a wholly-owned subsidiary of the Group, Agri Source Suzhou Co., Ltd, was voluntarily struck off, and had a net cash inflow from the striking-off amounting to S\$227,000.

#### (d) **TRACE Linear Technology (Suzhou) Co., Ltd.**

In 2018, a wholly-owned subsidiary of the Group, Servo Dynamics Co., Ltd., disposed of its entire shareholding interest (being 50% of the issued and paid-up share capital) in TRACE Linear Technology (Suzhou) Co., Ltd. ("**Trace**") to a third party for a cash consideration of EUR250,000 (equivalent to S\$383,000).

The attributable assets and liabilities of the subsidiary disposed of and the cash flows relating to the disposal are set out below.

### Analysis of assets and liabilities over which control was lost

	<b>2018</b>
	<b>S\$'000</b>
Current assets	662
Non-current assets	101
Current liabilities	(264)
	499
Less: Non-controlling interest	(249)
Net assets disposed	250

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

### (d) TRACE Linear Technology (Suzhou) Co., Ltd. (cont'd)

#### Gain on disposal of a subsidiary

	<b>2018</b> <b>S\$'000</b>
Cash consideration received	383
Net assets disposed	(250)
	<u>133</u>
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	47
Gain on disposal of a subsidiary	<u><u>180</u></u>

#### Cash inflow arising from disposal of a subsidiary

	<b>2018</b> <b>S\$'000</b>
Consideration received in cash and cash equivalents	383
Less: Cash and cash equivalents disposed of	(47)
Net cash inflow from disposal of a subsidiary	<u><u>336</u></u>

### (e) Step-up acquisition of Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup")

#### (i) Acquisition of 81% interest in PT Alabama Energy ("PT Alabama")

In 2018, the Group completed the acquisition of 81% interest in PT Alabama through its associated company, Aenergy, for a total consideration of US\$1,050,000 (equivalent to S\$1.3 million), satisfied via capitalisation of partial of the loans from Aenergy to PT Alabama. Upon completion of the acquisition, the Group has an effective interest of 32.3% in PT Alabama. PT Alabama has a mini-hydropower plant under construction under a service concession arrangement.

#### (ii) Change in the Group's ownership interest in Aenergy subgroup

Prior to the completion of step-acquisition of Aenergy subgroup on 27 December 2018, the Group held an effective interest of 39.9% interest in Aenergy and accounted for the investment in Aenergy subgroup as an associate of the Group.

On 27 December 2018, the Company's wholly-owned subsidiary company, ISDN Investments Pte Ltd, subscribed for additional new ordinary shares in the share capital of Aenergy, for a total consideration of US\$6,875,000 (equivalent to S\$9,439,000). The consideration was satisfied by capitalisation of part of the total loan amounts granted to Aenergy subgroup.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

### (e) Step-up acquisition of Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup") (cont'd)

#### (ii) Change in the Group's ownership interest in Aenergy subgroup (cont'd)

In 2018, the Group provided additional capital funds of approximately US\$12.3 million to Aenergy subgroup, of which US\$2.7 million was from the settlement of an amount due from investor. Subsequent to the transfer of these capital funds, an amount of US\$6.9 million (equivalent to S\$9.4 million) was capitalised as issued and paid-up capital of Aenergy.

Consequently, the Aenergy subgroup were considered as subsidiaries of the Group with effect as of 31 December 2018. The change in the Group's ownership interest in Aenergy subgroup resulted in a loss on deemed disposal of associate of S\$77,000 recognised in profit or loss in the previous financial year ended 31 December 2018.

Details of the assets acquired, liabilities recognised and consideration transferred in respect of the above step-up acquisition are as follows:

	<b>S\$'000</b>
<u>Provisional fair value of assets acquired and liabilities recognised with effect as of 31 December 2018</u>	
Cash and bank balances	4,142
Trade and other receivables	7,289
Service concession receivables (Note 19)	30,233
Property, plant and equipment* (Note 12)	12,246
Trade and other payables	(10,473)
Total provisional identifiable net assets at fair value	43,437
Non-controlling interests	(22,156)
	21,281
Less: Fair value of deemed disposal of 39.9% interest in Aenergy	(12,383)
Provisional fair value of identifiable net assets acquired	<u>8,898</u>
<u>Consideration</u>	
Consideration transferred	9,439
Less: Provisional fair value of identifiable net assets acquired	(8,898)
Provisional goodwill arising on acquisition of 10.1% interest in Aenergy	<u>541</u>
<u>Net cash outflow arising from acquisition of subsidiaries</u>	
Consideration transferred – via capitalisation of loan amount	9,439
Less: Cash and cash equivalents acquired	(4,142)
Net cash outflow from acquisition of subsidiaries	<u>5,297</u>

\* These comprised mainly freehold land and construction in progress in relation to a mini hydropower plant owned by the Aenergy subgroup which does not fall within the scope of SFRS(I) INT 12.

The purchase price allocation of the acquisition of Aenergy subgroup in the financial year ended 31 December 2018 was provisional based on management's best estimate of the likely fair value of the net identifiable assets at the date of acquisition, as the Group had sought an independent valuation for the three mini hydropower plants under construction owned by Aenergy subgroup.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

### (e) Step-up acquisition of Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup") (cont'd)

#### (ii) Change in the Group's ownership interest in Aenergy subgroup (cont'd)

The results of the valuation of these assets had not been received at the date the 2018 financial statements were authorised for issue. The valuation of these assets were received in 2019 and showed that the fair value at the date of the acquisition was S\$8,880,000, a decrease of S\$18,000 compared to the provisional value, which is not material to the Group. Therefore, the goodwill has not been revised as at current year end.

During the review of the provisional value, management identified an amount of S\$5,610,000 affecting the comparative figures of trade and other receivables and non-controlling interests. The amount owing from non-controlling interests are non-trade, interest-free and repayable on demand in cash. The amounts are secured by shares pledged to Aenergy. As a result, certain line items are amended on the face of the consolidated statement of changes in equity for the financial year ended 31 December 2018 and consolidated statement of financial position of the Group as at 31 December 2018. This adjustment neither affects the Group's profit for the year and total comprehensive income, nor information in the statement of financial position at the beginning of the preceding period.

	31 December 2018		
	(Previously reported)	(Reclassification)	(As restated)
	S\$'000	S\$'000	S\$'000
<b>Consolidated Statement of Financial Position</b>			
Trade and other receivables	96,225	5,610	101,835
Non-controlling interest	38,457	5,610	44,067

#### Goodwill arising on acquisition

Goodwill arose in the acquisition of Aenergy subgroup because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

### (e) Step-up acquisition of Aenergy Holdings Company Limited ("Aenergy") and its subsidiaries ("Aenergy subgroup") (cont'd)

#### (ii) Change in the Group's ownership interest in Aenergy subgroup (cont'd)

##### Impact of acquisition on the results of the Group

Included in the Group's profit in the previous financial year ended 31 December 2018 was S\$356,000, being share of loss attributable to Aenergy subgroup, that has been accounted for using the equity method of accounting. The Group recognised "share of results from associates" being the operating result of Aenergy subgroup for the period up to the completion of the step-up acquisition date, i.e. with effect on 31 December 2018.

Had the business combination been effected at 1 January 2018, management estimates that consolidated revenue of the Group would have increased by S\$12.4 million, and the consolidated profit for the year would have decreased by S\$0.9 million. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the date of acquisition mentioned above would have been the same if the acquisition had occurred on 1 January 2018.

### (f) IGB (HK) Company Ltd

In 2019, the Company's wholly-owned subsidiary, Motion Control Group Pte Ltd has subscribed for 6,815 ordinary shares in IGB (HK) Company Ltd ("**IGB HK**") for an aggregate consideration of HK\$6,815. Following the completion of the subscription, the issued and paid-up share capital of IGB HK has increased from HK\$10,000 to HK\$16,815, the Group's effective equity interest in IGB HK has increased from approximately 51.0% to approximately 70.9%.

### (g) ISDN Bantaeng Pte Ltd

In 2019, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd, acquired 40,004 ordinary shares, representing 19.5% of the issued and paid-up share capital of ISDN Bantaeng Pte. Ltd. ("**ISDN Bantaeng**") from Mr Aditya Christian, an independent third party for S\$1. Following the completion of the share transfer, the Group's shareholding interest in ISDN Bantaeng has increased from 80.5% to 100%. The change in the non-controlling interest arising from this acquisition is insignificant to the Group.

### (h) Maxon Motor Taiwan Co., Ltd ("**Maxon Taiwan**")

The Group owns 50% of ownership interest in Maxon Taiwan. The remaining 50% is held by a third party. In assessing whether the Group has control over Maxon Taiwan where it holds less than a majority of voting rights, the Group concluded that it holds the substantive rights to direct Maxon Taiwan's relevant activities and that there are strong operational barriers or incentives that would prevent (or deter) the other third party from exercising their rights. Accordingly, the Group accounted for Maxon Taiwan as a subsidiary in accordance with SFRS(I) 10 with effect from 1 January 2019.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16 Subsidiaries (cont'd)

### (i) **C&I Singapore Renewable and Innovative Tech Pte. Ltd.**

In 2019, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd acquired the entire issued share capital of C&I Singapore Renewable and Innovative Tech Pte. Ltd. ("**C&I Singapore**") from C&I Renewable Limited, an associated company of the Group, for a cash consideration of S\$1. Prior to the completion of the acquisition, the Group held a 30% effective shareholding interest in C&I Singapore, which was an associated company of the Company. Following the completion of the acquisition, C&I Singapore became an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of ISDN Investments Pte Ltd.

### (j) **ISDN Software Business Pte. Ltd.**

In 2019, the Company's wholly-owned subsidiary, Motion Control Group Pte Ltd, incorporated a new wholly-owned subsidiary, ISDN Software Business Pte. Ltd. ("**ISDN Software Business**") in Singapore with an issued share capital of S\$100,000. ISDN Software Business is principally engaged in the business of retails sales of computer hardware and software, and providing information technology consultancy.

### (k) **Air Vacuum Automation Vietnam Company Limited**

In 2019, an indirect wholly-owned subsidiary of the Company, Precision Motion Control Pte Ltd ("**PMC**") incorporated a new subsidiary, Air Vacuum Automation Vietnam Company Limited ("**AVAVCL**") in Vietnam, with an issued and paid-up share capital of VND6,900,000,000 (approximately S\$407,100) comprising 6,900,000,000 ordinary shares. PMC held 3,519,000,000 ordinary shares (or 51%) in AVAVCL, the balance of 3,381,000,000 ordinary shares (or 49%) is held by an existing employee of the Group. AVAVCL is principally engaged in the distribution of pneumatics, compressed air, vacuum pumps and other automation equipment.

### (l) **ISDN Energy (Cambodia) Co., Ltd.**

In 2019, an indirect wholly-owned subsidiary of the Company, ISDN Energy Pte. Ltd. incorporated a new wholly-owned subsidiary, ISDN Energy (Cambodia) Co., Ltd. ("**ISDN Energy Cambodia**") in Cambodia, with an issued share capital of Cambodian Riel ("**KHR**") 200,000,000 (equivalent to S\$69,965) comprising 1,000 ordinary shares. ISDN Energy Cambodia is principally engaged in the business of import and export of electrical components and equipment.

### (m) **ISDN (Zhejiang) Precision Technology Co., Ltd,**

In 2019, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd has incorporated a new wholly-owned subsidiary, ISDN (Zhejiang) Precision Technology Co., Ltd., ("**ISDN (Zhejiang)**") in the PRC. The initial issued and paid-up capital of ISDN (Zhejiang) is US\$1,000,000 (equivalent to S\$1,399,300). ISDN (Zhejiang) is principally engaged in the business of selling and producing precision metal or ceramic parts for the manufacturing industry.

### (n) **Suzhou Xiancheng Automation Technology Co., Ltd.**

In 2019, a wholly-owned subsidiary of the Group, Suzhou Xiancheng Automation Technology Co., Ltd., a company incorporated under the laws of the PRC, has been placed under members' voluntary liquidation under the laws of the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 Associates

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Unquoted equity shares, at cost	2,871	2,306	100	100
Share of post-acquisition profits	4,235	6,068	18	24
Dividends received	(1,574)	(2,428)	-	-
Translation adjustment	57	8	-	-
	5,589	5,954	118	124
Loans to associates	57	182	-	-
	5,646	6,136	118	124

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

As at 31 December 2019, investment in associates includes goodwill of S\$154,000 (2018: S\$154,000).

During the financial year, the Group recognised dividend income of S\$111,000 (2018: S\$234,000) from its investments in associates. The dividend of S\$111,000 (2018: S\$446,000) has been received in cash.

Loans to associates represent quasi-equity loans, which form part of the Group's net investment in the associates. These loans to associates 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 Group's net investment in the associate, they are accordingly stated at cost.

### Associates which are individually material

The summarised financial information in respect of the Group's material associates, and not adjusted for the percentage of equity interest held by the Group is set out below.

#### (a) JM Vistec System Pte Ltd and its subsidiaries ("JM Vistec subgroup")

	JM Vistec subgroup	
	2019 S\$'000	2018 S\$'000
Current assets	6,175	7,218
Non-current assets	49	62
Current liabilities	(3,229)	(3,237)
Revenue	8,523	12,030
(Loss)/Profit for the year	(992)	199
Total comprehensive (loss)/income	(992)	199

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 Associates (cont'd)

### Associates which are individually material (cont'd)

#### (a) JM Vistec System Pte Ltd and its subsidiaries ("**JM Vistec subgroup**") (cont'd)

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

	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net assets of JM Vistec subgroup	2,995	4,043
Proportion of the Group's ownership	40%	40%
Carrying amount of the Group's interest in JM Vistec subgroup	<u>1,198</u>	<u>1,617</u>

#### (b) Prestech Industrial Automation Pte Ltd ("**Prestech**")

	<b>Prestech</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Current assets	3,991	3,236
Non-current assets	1,911	1,910
Current liabilities	(550)	(407)
Non-current liabilities	(762)	(784)
Revenue	4,593	4,020
Profit for the year	931	681
Total comprehensive income	<u>931</u>	<u>681</u>

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

	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net assets of Prestech	4,590	3,955
Proportion of the Group's ownership	37.5%	37.5%
Carrying amount of the Group's interest in Prestech	<u>1,721</u>	<u>1,483</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 Associates (cont'd)

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:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Assets and Liabilities:</b>		
- total assets	14,424	12,926
- total liabilities	8,199	7,048
<b>Results:</b>		
- revenue	11,303	7,167
- (loss)/profit for the year	(268)	32
- other comprehensive (loss)/income	(268)	32

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:

<b>Name</b>	<b>Country of incorporation/ principal place of business</b>	<b>Effective equity interest held by the Group</b>		<b>Principal activities</b>
		<b>2019</b>	<b>2018</b>	
		%	%	
<u>Held by the Company</u>				
Emmett Capital (Pte) Ltd <sup>(4)(5)</sup>	Singapore	50	50	Corporate finance advisory
<u>Held by</u>				
<u>Servo Dynamics Pte Ltd</u>				
Maxon Motor Taiwan Co., Ltd <sup>(4)(7)</sup>	Republic of China (Taiwan)	-	50	Motion control solutions
<u>Held by</u>				
<u>Motion Control Group Pte Ltd</u>				
DKM South Asia Pte Ltd <sup>(4)</sup>	Singapore	35	35	Motion control solutions
Precision Motion Control Philippines Inc. <sup>(4)</sup>	Philippines	40	40	Motion control solutions
IDI Laser Services Pte Ltd <sup>(4)</sup>	Singapore	33.33	33.33	Laser solutions
Prestech Industrial Automation Pte Ltd <sup>(4)</sup>	Singapore	37.5	37.5	Motion control solutions
JM Vistec System Pte Ltd <sup>(1)</sup>	Singapore	40	40	Other specialised engineering solutions

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2019 %	2018 %	
Held by <u>ISDN Myanmar Power Pte Ltd</u> C&I Renewable Limited <sup>(8)</sup>	British Virgin Islands	-	30	Renewable energy solutions
Held by <u>TDS Technology (S) Pte Ltd</u> TDS Technology (Thailand) Company Limited <sup>(4)</sup>	Thailand	28.14	28.14	Motion control solutions
Held by <u>JM Vistec System Pte Ltd</u> JM Vistec (Suzhou) Co., Ltd <sup>(4)</sup>	PRC	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd <sup>(4)</sup>	Republic of China (Taiwan)	40	40	Other specialised engineering solutions
C True Vision Pte Ltd <sup>(1)</sup>	Singapore	40	40	Other specialised engineering solutions
JM Vistec System (Thailand) Co., Ltd <sup>(4)</sup>	Thailand	19.6	19.6	Other specialised engineering solutions
SofKore GmbH <sup>(4)</sup>	Germany	40	40	Other specialised engineering solutions
Held by <u>ISDN Resource Pte Ltd</u> PT Leaptron Armadatrans International <sup>(4)</sup>	Indonesia	49	49	Inactive
Held by <u>C&amp;I Renewable Limited</u> C&I Renewable HK Limited <sup>(8)</sup>	Hong Kong	-	30	Investment holdings
C&I Power Storage HK Limited <sup>(8)</sup>	Hong Kong	-	30	Investment holdings
C&I Singapore Renewable and Innovative Tech Pte Ltd <sup>(4)(7)</sup>	Singapore	-	30	Research and experimental development on environment and clean technologies

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2019 %	2018 %	
Held by <u>C&amp;I Renewable HK Limited</u> Suzhou Comtec Tianyi Solar Technology Ltd. <sup>(8)</sup>	PRC	-	30	Renewable energy solutions
Held by <u>ISDN Energy Pte. Ltd.</u> SPHP Co., Pte. Ltd. <sup>(6)</sup>	Singapore	33	-	Investment holdings
Held by <u>SPHP Co., Pte. Ltd.</u> SPHP (Cambodia) Co., Ltd. <sup>(6)</sup>	Cambodia	33	-	Renewable energy

<sup>(1)</sup> Audited by Moore Stephens LLP Singapore

<sup>(2)</sup> Audited or reviewed by Moore Stephens LLP Singapore for SFRS(I) consolidation purposes

<sup>(3)</sup> Audited by member firms of Moore Global Network Limited in the respective countries

<sup>(4)</sup> Audited by other firms of certified public accountants for statutory purposes

<sup>(5)</sup> No management control over the financial and operating policy decisions

<sup>(6)</sup> Acquired during the financial year

<sup>(7)</sup> Change in the Group's ownership interest, refer to Note 16(i)

<sup>(8)</sup> Disposed during the financial year

### (a) Acquisition of associates

In 2019, the Group has through its wholly-owned indirect subsidiary, ISDN Energy Pte. Ltd. acquired 330,000 ordinary shares representing 33% of the entire issued and paid-up share capital in SPHP Co., Pte. Ltd. ("**SPHP**") for a consideration of US\$500,000 (equivalent to S\$685,000). SPHP has a wholly-owned subsidiary in Cambodia known as SPHP (Cambodia) Co., Ltd. ("**SPHP Cambodia**"). Following the completion of the acquisition, SPHP and SPHP Cambodia have become associated companies of the Group and ISDN Energy Pte. Ltd.

### (b) Disposal of an associate

ISDN Myanmar Power Pte. Ltd., a wholly-owned subsidiary of the Group, had on 30 October 2019 entered into a sale and purchase agreement with Comtec Power Group Limited ("**Comtec Power**") to sell 3,003 ordinary shares representing 30% of the issued and paid-up share capital in C&I Renewable Limited to Comtec Power, an independent third party for RMB822,172 (equivalent to S\$159,000). Consequently, an amount of S\$144,000 was transferred out from investment in associates and a gain on disposal of S\$15,000 had been recognised in profit or loss for the financial year ended 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18 Inventories

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Components parts	44,591	38,555
Finished goods	13,379	20,736
Work-in-progress	2,450	1,604
Goods-in-transit (finished goods)	1,220	3,162
Total inventories at cost	61,640	64,057
Less: Allowance for inventory obsolescence	(8,509)	(8,874)
Total inventories at the lower of cost and net realisable value	<u>53,131</u>	<u>55,183</u>
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	<u>212,993</u>	<u>220,377</u>

Movements in the allowance for inventory obsolescence as below:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Balance at the beginning of the year	8,874	8,498
Add: Allowance for inventory obsolescence	204	1,028
Less: Write back of allowance for inventory obsolescence	(194)	(232)
Less: Written off allowance for inventory obsolescence	(375)	(420)
Balance at the end of the year	<u>8,509</u>	<u>8,874</u>

Included in finished goods are rights to recover returned goods from customers amounting to S\$Nil (2018: S\$99,000). These are measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those inventories and any potential decrease in the value of the returned inventories to the Group. Refund liabilities in respect of these returned goods from customers were also recognised in trade and other payables as disclosed in Note 27.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 19 Trade and Other Receivables

	Group		Company	
	2019 S\$'000	2018 S\$'000 (Restated)	2019 S\$'000	2018 S\$'000
<u>Non-current:</u>				
Service concession receivables (Note 29)	34,261	30,233	-	-
<u>Current:</u>				
Trade receivables, net of impairment (a):				
- note receivables (b)	10,607	6,669	-	-
- third parties	59,143	61,651	-	-
- associates	2,342	2,963	-	-
- related parties	1,695	1,727	-	-
	73,787	73,010	-	-
Other receivables, net of impairment:				
Funding to investee companies (c)	5,788	5,928	-	-
Advances to associates (d)	115	144	22	30
Advances to related parties (d)	177	124	-	-
Deposits	579	912	24	7
Loans to associates (e)	3,659	353	27	9
Promissory note due (f)	1,158	1,176	-	-
Sundry debtors (g)	5,875	4,282	2,557	37
Amounts owing from non-controlling interest (Note 16(e)(ii))	7,485	6,008	-	-
	24,836	18,927	2,630	83
Advances paid to suppliers	12,192	8,953	-	-
Prepayments	989	945	193	280
	111,804	101,835	2,823	363
	146,065	132,068	2,823	363

- (a) Trade receivables are non-interest bearing and are usually due within 30 – 90 days term. Included in trade receivables as at 31 December 2019 were trade receivables from third parties amounting to S\$684,000 (2018: S\$781,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 19 Trade and Other Receivables (cont'd)

- (c) Funding to investee companies, net of impairment:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Note (c)(i)	421	426
Note (c)(ii)	3,925	3,902
Note (c)(iii)	1,780	1,801
Others	234	236
	<u>6,360</u>	<u>6,365</u>
Less: Allowance for impairment loss	(572)	(437)
	<u>5,788</u>	<u>5,928</u>

- (i) In prior years, ISDN Investment has provided the initial funding of US\$330,000 under an investment agreement entered into for the proposed acquisition of certain equity interest in the investee company in Indonesia for its mining business. The funding is interest-bearing at 10% per annum.

In the previous financial year ended 2018, the parties terminated the investment agreement and the Group is in negotiation with the investee company for the balance of funding of US\$310,000 (equivalent to S\$420,000 as at 31 December 2019) to be repaid to ISDN Investment and collateralised by a third person's personal undertaking to guarantee for the repayment by the investee company. Management is of the view that the repayment amount is not credit-impaired based on the financial standing of the third person guarantor.

- (i) In prior years, ISDN Resource provided a total funding of US\$2.9 million (equivalent to S\$3.9 million) under the mining operation agreements entered into with two investee companies in Indonesia to which ISDN Resource will provide financing and other management related services for the investee companies' mining business. This funding is secured by unconditional personal guarantee of the shareholder of the investee companies.

The Group has proceeded with arbitration against the investee companies in Singapore. The arbitration is on-going. Management is of the view that the repayment amount is not credit-impaired based on the financial standing of the guarantor.

- (ii) This is the prepaid capital investment funding via Aenergy to an investee company which holds a mini-hydropower plant project. This capital investment will be capitalised as part of the acquisition consideration for 80% equity interest in the investee company once the power purchase agreement in relation to the mini-hydropower plant project is secured and signed.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 19 Trade and Other Receivables (cont'd)

- (e) The loans to associates are unsecured, interest-free, and repayable on demand.
- (f) In prior years, ISDN Investment issued a promissory note to an individual ("**Borrower**") amounted to US\$950,000 (equivalent to S\$1.3 million as at 31 December 2019), 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 date of the loan drawdown. The purpose of the loan was to explore for overseas investment opportunities for the Group.

In 2018, the promissory note became due and the Group extended the promissory note to 30 June 2020. Subsequent to the current year end, the Borrower signed a repayment plan agreement and agreed to repay the amount due to ISDN Investment over 12 payments, starting from 30 September 2020.

Management is of the view that the promissory note is not credit-impaired based on the repayment plan and the financial standing of the Borrower.

- (g) Included in sundry debtors was an amount of S\$250,000 being the amount due from a non-controlling interest in relation to the capital cash consideration for a subsidiary as disclosed in Note 16(b). As at 31 December 2019, the capital cash contribution of S\$250,000 from non-controlling interest were settled.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL as disclosed in the accounting policy Note 3(k)(ii). The Group's exposure to credit risks, and allowance for impairment loss on trade receivables (and other receivables), are disclosed in Note 35(a).

## 20 Other Financial Assets

	Group	
	2019	2018
	S\$'000	S\$'000
Equity investment measured at fair value through other comprehensive income		
<u>-Unquoted equity share</u>		
Balance as at 1 January	-	-
Addition	900	-
Balance as at 31 December	900	-

The investment in an unquoted equity share represents a 10% equity interest in COTRUST SYSTEM Co., Ltd., a company involved in the development of the lithium ion power battery system and the energy storage system.

As per the Group's investment policy, the investment in equity instrument is not held for trading. Instead, it is held mainly for long-term strategic purposes. Accordingly, these investments are designated at FVOCI as management believes that recognising short-term fluctuations in the investments' FVPL would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In the opinion of management, the investment in an unquoted equity security approximates its fair value as at 31 December 2019. Information of the fair value measurement is disclosed in Note 35(b).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 21 Cash and Bank Balances

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Cash and bank balances	34,762	38,591	3,218	3,023
Fixed deposits	3,236	3,286	-	-
	<u>37,998</u>	<u>41,877</u>	<u>3,218</u>	<u>3,023</u>
Effective interest rate per annum	0.1% to 5.00%	0.1% to 5.00%	-	-

The fixed deposits have a maturity period of 1 to 24 months (2018: 1 to 24 months) which are not held for investment purpose but are placed to have better yield returns than cash at banks. These fixed deposits are readily convertible to cash to meet the Group's cash commitments in the short term, if required.

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

	Group	
	2019 S\$'000	2018 S\$'000
Cash and bank balances and fixed deposits	37,998	41,877
Less: restricted bank deposits	(3,724)	(1,430)
Less: fixed deposits pledged	(3,106)	(3,192)
Cash and cash equivalents	<u>31,168</u>	<u>37,255</u>

Included in the fixed deposits pledged is an amount of approximately S\$2.9 million (2018: S\$2.9 million) for banker's performance guarantee issue to the Grantor in relation to one of those service concession arrangements disclosed in Note 29.

Included in the restricted bank deposit is an amount of S\$1.4 million (2018: S\$1.4 million) related to the Alleged Loan as disclosed in Note 32.

As at 31 December 2019, cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$18,496,000 (2018: S\$16,725,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 22 Share Capital

	2019		2018	
	No. of shares	S\$'000	No. of shares	S\$'000
<b>Group and Company</b>				
Issued and fully paid:				
At 1 January	394,689,186	70,984	394,684,950	70,981
Issue of shares (i)	26,987,295	5,397	-	-
Shares issued in lieu of cash for dividend relating to FY2018 (ii)	7,896,368	1,714	-	-
Exercise of warrants (iii)	-	-	4,236	3
At 31 December	429,572,849	78,095	394,689,186	70,984

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.

- (i) Pursuant to the subscription agreement entered on 27 February 2019, the Company had issued 26,987,295 subscription shares at the subscription price of S\$0.20 per share. Considerations from these new shares amounting to approximately S\$5.4 million will be utilised for the Group's business development and as the general working capital of the Group. The newly issued shares rank *pari passu* in all respects with the previously issued shares.
- (ii) On 27 August 2019, the Company issued 7,896,368 new ordinary shares under the ISDN Holdings Limited Scrip Dividend Scheme at an issue price of S\$0.217 (for Singapore Shareholders) and HK\$1.24 (for Hong Kong Shareholders).
- (iii) During the financial year ended 31 December 2018, 4,236 warrants were exercised to acquire ordinary shares. The warrants had expired on 9 November 2018.

## 23 Reserves

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(4,346)	(2,053)	-	-
Other reserves (c)	4,920	4,820	(179)	(279)
Retained earnings	74,512	70,436	15,077	12,167
	74,650	72,767	14,898	11,888

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 23 Reserves (cont'd)

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) Other reserves comprise of statutory reserve fund and cash flow hedging reserve.
  - (i) Statutory reserve fund

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.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
At 1 January and 31 December	4,921	4,921

- (ii) Cash flow hedging reserve

The cash flow hedging reserve comprises the portion of the cumulative net change in the fair value of hedging instruments deemed effective in cash flow hedges. The cumulative gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transactions affects the profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
At 1 January	(101)	-
Gain/(Loss) recognised on interest rate cap	100	(101)
At 31 December (Note 27)	(1)	(101)

The details of the hedging arrangement are disclosed in Note 35(a) under interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Bank Borrowings

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Non-current liabilities</b>				
Secured bank loans	7,096	11,792	6,790	11,455
Unsecured bank loans	-	50	-	-
	7,096	11,842	6,790	11,455
<b>Current liabilities</b>				
Secured bank loans	7,672	2,742	4,527	2,291
Unsecured bank loans	6,950	8,812	500	-
Trust receipts	4,880	4,088	-	-
Account receivables bulk factoring	684	781	-	-
	20,186	16,423	5,027	2,291
Total interest-bearing liabilities	27,282	28,265	11,817	13,746
Repayable:				
- not later than one year	20,186	16,423	5,027	2,291
- later than one year but not later than two years	4,834	4,673	4,528	4,582
- later than two years but not later than five years	2,262	7,169	2,262	6,873
	27,282	28,265	11,817	13,746

In previous financial year, the Company obtained a USD bank loan of US\$10 million (equivalent to S\$13.6 million). The bank loan is repayable in five installments equivalent to 16.67% of the loan amount, every 6 months, commencing in December 2019 and final payment of all the outstanding in July 2022.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Bank Borrowings (cont'd)

### Terms and debt repayment schedule

Terms and conditions of the outstanding bank borrowings are as follows:

Group	Currency	Nominal interest rate	Year of maturity	Group		Company	
				2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Secured bank loan	MYR	COF + 2%	2019	-	387	-	-
Secured bank loan	RMB	COF + 2.5%	2020	2,703	401	-	-
Secured bank loan	USD	LIBOR + 3%	2022	11,317	13,746	11,317	13,746
Unsecured bank loan	RMB	PBOC Base Rate + 125%	2018	-	609	-	-
Unsecured bank loan	RMB	PBOC Base Rate + 110%/120%	2019	-	3,210	-	-
Unsecured bank loan	RMB	LPR + 0.635%	2020	772	-	-	-
Unsecured bank loan	SGD	3.50%	2020	145	459	-	-
Unsecured bank loan	USD	COF + 1.75%	2019	-	3,210	-	-
Unsecured bank loan	USD	COF + 2%	2020	2,716	1,374	-	-
Trust receipt 1	SGD	COF + 2.5%	2020	988	848	-	-
Trust receipt 2	USD	COF + 2.5%	2020	1,441	737	-	-
Trust receipt 3	SGD	COF + 1.5%	2020	386	459	-	-
Trust receipt 4	USD	COF + 1.75%	2019	-	1,558	-	-
Trust receipt 5	USD	COF + 1.50%	2019	-	224	-	-
Trust receipt 6	SGD	SIBOR + 2.2%	2020	592	262	-	-
Trust receipt 7	EURO	COF + 1.5%	2020	375	-	-	-
Trust receipt 8	JPY	COF + 1.5%	2020	1,097	-	-	-
Account receivables bulk factoring	SGD	COF + 3.25%	2020	684	781	-	-
Unsecured bank loan	RMB	0.04785%	2020	2,317	-	-	-
Secured bank loan	SGD	COF + 2.5%	2020	400	-	-	-
Secured bank loan	MYR	COF + 2%	2021	349	-	-	-
Unsecured bank loan	SGD	COF + 2.0%	2020	1,000	-	500	-
Total interest-bearing liabilities				27,282	28,265	11,817	13,746

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24 Bank Borrowings (cont'd)

Certain of the bank loans of the Group are secured over leasehold properties (Note 12), land use rights (Note 14), fixed deposits (Note 21) and corporate guarantees provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries.

The weighted average effective interest rate of the Group's bank borrowings is 6.62% (2018: 4.18%) per annum.

The reconciliation of movement of liabilities to cash flows arising from financing activities is presented below.

	Cash flows				31 December S\$'000
	1 January S\$'000	Proceeds S\$'000	Repayments S\$'000	Others charges S\$'000	
<b>Group</b>					
<u>2019</u>					
Bank borrowings	23,396	22,570	(24,345)	97	21,718
Trust receipts	4,088	19,502	(18,710)	-	4,880
Account receivables bulk financing	781	332	(429)	-	684
	<u>28,265</u>	<u>42,404</u>	<u>(43,484)</u>	<u>97</u>	<u>27,282</u>
<u>2018</u>					
Bank borrowings	11,130	23,491	(11,214)	(11)	23,396
Trust receipts	2,597	20,202	(18,711)	-	4,088
Account receivables bulk financing	734	956	(909)	-	781
	<u>14,461</u>	<u>44,649</u>	<u>(30,834)</u>	<u>(11)</u>	<u>28,265</u>

## 25 Leases Liabilities

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Non-current liabilities</b>				
- Finance lease liabilities (secured)	-	224	-	-
- Lease liabilities (secured)	189	-	-	-
- Lease liabilities (unsecured)	1,120	-	-	-
	<u>1,309</u>	<u>224</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
- Finance lease liabilities (secured)	-	81	-	-
- Lease liabilities (secured)	48	-	14	-
- Lease liabilities (unsecured)	1,611	-	-	-
	<u>1,659</u>	<u>81</u>	<u>14</u>	<u>-</u>
Total interest-bearing liabilities	<u>2,968</u>	<u>305</u>	<u>14</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 25 Leases Liabilities (cont'd)

### Group as Lessee

(a) Nature of the Group's leasing activities

The Group has lease contracts for leasehold properties, including warehouse and office premises, and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with terms of 12 months or less and leases with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

(b) Carrying amount of right-of-use assets classified within property, plant and equipment

	<b>Group</b>		
	<b>Leasehold Properties S\$'000</b>	<b>Motor Vehicles* S\$'000</b>	<b>Total S\$'000</b>
At 1 January 2019	3,295	432	3,727
Additions in the year	1,086	-	1,086
Depreciation	(1,699)	(108)	(1,807)
At 31 December 2019	<u>2,682</u>	<u>324</u>	<u>3,006</u>

\* Previously classified under finance lease

	<b>Company Leasehold Properties S\$'000</b>
At 1 January 2019	43
Depreciation	(29)
At 31 December 2019	<u>14</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 25 Leases Liabilities (cont'd)

### Group as Lessee (cont'd)

#### (c) Lease liabilities

A reconciliation of lease liabilities arising from financing activities is as follows:

	1 January 2019 S\$'000	Additions S\$'000	Cash flows S\$'000	Non-cash changes (Accretion of interest) S\$'000	31 December 2019 S\$'000
<b>Group</b>					
Lease liabilities	3,600	1,086	(1,881)	163	2,968
<b>Company</b>					
Lease liabilities	43	-	(30)	1	14

The maturity analysis of lease liabilities is disclosed in Note 35.

#### (d) Amounts recognised in profit or loss

	Group S\$'000	Company S\$'000
Depreciation of right-of-use assets	1,807	29
Short-term lease and low-value leases	162	-
Interest expense on lease liabilities	163	1
Total amount recognised in profit or loss	2,132	30

#### (e) Total cash outflow

The Group and the Company have total cash outflows for leases of S\$1,881,000 and S\$30,000 respectively in the financial year ended 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 26 Deferred Taxation

	<b>Group</b>	
	<b>2019</b> <b>S\$'000</b>	<b>2018</b> <b>S\$'000</b>
Deferred tax assets		
- to be recovered after one year	152	139
Deferred tax liabilities		
- to be settled after one year	(655)	(657)

	<b>1 January</b>	<b>Recognised in profit or loss</b>	<b>Translation adjustments</b>	<b>31 December</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Group</b>				
2019				
<u>Deferred tax assets</u>				
Provisions	139	9	4	152
	139	9	4	152
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(610)	-	-	(610)
Others	(47)	2	-	(45)
	(657)	2	-	(655)
2018				
<u>Deferred tax assets</u>				
Temporary differences property, plant and equipment	85	(85)	-	-
Unabsorbed capital allowances	104	(104)	-	-
Unutilised tax losses	127	(127)	-	-
Provisions	-	139	-	139
	316	(177)	-	139
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(266)	(344)	-	(610)
Others	-	(47)	-	(47)
	(266)	(391)	-	(657)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27 Trade and Other Payables

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Trade payables (a):				
- third parties	25,168	27,394	-	-
- associates	97	72	-	-
- related parties	9,729	6,787	-	-
- refund liabilities (b)	-	141	-	-
	34,994	34,394	-	-
Accrued operating expenses (c)	4,701	6,095	127	723
Accrued salaries and bonuses	13,186	12,794	7,139	5,567
Amount owing to an associate (d)	27	31	-	-
Amount owing to non-controlling interests (d)	2,032	1,295	-	-
Amount owing to subsidiaries (d)	-	-	205	7,193
Derivatives (e)	1	101	1	101
Other payables (f)	5,828	4,073	502	102
	60,769	58,783	7,974	13,686

- (a) Trade payables are non-interest bearing and are usually settled within 30 - 90 days term.
- (b) The refund liabilities relate to customers' right to return products during a stipulated grace period. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.
- (c) Included in accrued operating expenses of the Group was an amount of S\$390,000 (2018: S\$349,000) being interest payable on bank borrowings.
- (d) The amounts owing to an associate, non-controlling interests and subsidiaries are non-trade, unsecured, interest-free, and repayable on demand in cash.
- (e) In 2018, the Company entered into an interest rate cap to hedge against floating interest payments on a USD loan with a notional amount of US\$10 million (equivalent to S\$13.6 million) (Note 24). The fair value on the derivative is categorised as Level 2 under the fair value hierarchy disclosed in Note 35(b).
- (f) Included in other payables of the Group was an amount of S\$49,000 (2018: S\$579,000) being dividend payable to non-controlling interests.
- (g) The aging analysis of trade payables of the Group based on invoice date is as follows:

	Group	
	2019 S\$'000	2018 S\$'000
Within 30 days	22,264	22,220
31 - 90 days	11,973	9,474
Over 90 days	757	2,700
	34,994	34,394

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 28 Dividends

	Group and Company	
	2019	2018
	S\$'000	S\$'000
Tax-exempt (one-tier) final dividend of 0.7 Singapore cents (2018: 0.6 Singapore cents) per share paid in respect of the financial year ended 31 December 2018	2,971	2,289

On 28 August 2019, a final dividend of 0.7 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the “Shareholders”) was paid to the Shareholders as the final dividend in respect of FY2018.

The scrip dividend alternatives were accepted by the shareholders as follows:

	Group and Company	
	2019	2018
	S\$'000	S\$'000
Dividends:		
Cash	1,257	2,289
Scrip dividend	1,714	-
	2,971	2,289

The Board of Directors of the Company recommends the payment of a tax-exempt (one-tier) final dividend of 0.4 Singapore cents (equivalent to 2.28 Hong Kong cents) per share in respect of the financial year ended 31 December 2019 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 2020, subject to the 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 (2018: Nil).

## 29 Service Concession Arrangements

The Group has a 50% interest in Aenergy subgroup, which is primarily involved in developing mini-hydropower plants projects in Indonesia. Aenergy, through its subsidiaries, entered into two long term service concession arrangements with PT PLN (Persero) (the “Grantor”), an Indonesia government-owned corporation to build and operate 2 mini-hydropower plants, namely PLTM Anggoci and PLTM Kandibata 1 (collectively the “Power Plants”) in North Sumatra Province, Indonesia. The construction of the 2 power plants are expected to be completed and available for use in 2020.

Pursuant to the service concession arrangements, the Group has to develop (build, operate and transfer (“BOT”), including designing, planning, engineering, financing and constructing, testing and commissioning of, the Power Plants. The concession period is 25 years from the commercial operation date. The Group will be responsible for any maintenance services required during the concession period. Under the terms of the agreement, the Group agreed to distribute and sell all electricity produced by the Power Plants to the Grantor and the Grantor agreed to buy all the electricity generated by the Power Plants at the purchase prices determined in the relevant power purchase agreements. At the end of the concession period, the Power Plants become the property of the Grantor and the Group will have no further involvement in its operations or maintenance requirements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 29 Service Concession Arrangements (cont'd)

The service concession agreements do not contain a renewal option. The rights of the Grantor to terminate the agreement include failure to perform any material obligation under the arrangement by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the Grantor to make payments under the agreement, a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Group to fulfil its obligations/requirements under the agreement.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Contract cost incurred plus recognised profit less anticipated losses	34,261	30,223
Less: Progress billings	-	-
Net contract work	<u>34,261</u>	<u>30,223</u>
Representing:		
Gross amounts due from customer for contract work	<u>34,261</u>	<u>30,223</u>

The amounts for the service concession arrangements are not yet due for payment and will be settled by revenue to be generated during the operation periods of the service concession arrangements. Amounts billed will be transferred to trade receivables (Note 19). No impairment loss was recognised by the Group at 31 December 2019 and 2018 in respect of the service concession receivables.

As at 31 December 2019, the Group has performance guarantees issued to the Grantor in relation to the development of mini-hydropower plants amounting to approximately S\$2.5 million (2018: S\$5.3 million).

## 30 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(bb). 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 30 Segment Information (cont'd)

### (a) Reportable Operating Segments

	Engineering Solutions		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>												
External sales	220,358	236,281	59,315	59,121	6,331	5,596	4,981	992	-	-	290,985	301,990
Inter-segment sales	5,414	7,694	1,401	1,228	144	178	-	-	(6,959)	(9,100)	-	-
	<u>225,772</u>	<u>243,975</u>	<u>60,716</u>	<u>60,349</u>	<u>6,475</u>	<u>5,774</u>	<u>4,981</u>	<u>992</u>	<u>(6,959)</u>	<u>(9,100)</u>	<u>290,985</u>	<u>301,990</u>
<b>Results</b>												
Segment results	21,994	23,568	2,225	1,100	560	148	(2,441)	(1,182)	-	-	22,338	23,634
Share of (loss)/profit of associates	(138)	701	-	-	-	-	-	(333)	-	-	(138)	368
Corporate expenses											(672)	(98)
Rental income											490	575
Interest income											311	252
Finance costs											(2,107)	(1,035)
Profit before income tax											20,222	23,696
Income tax											(6,030)	(7,118)
Profit for the year ended 31 December											<u>14,192</u>	<u>16,578</u>
<b>Assets (Restated)</b>												
Segment assets	131,209	133,491	33,960	38,760	3,472	2,476	83,030	64,591	(6,259)	(11,344)	245,412	227,974
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	4,241	5,266	-	-	-	-	1,405	870	-	-	5,646	6,136
Investment properties											479	497
Cash and bank balances											37,998	41,877
Consolidated total assets as at 31 December											<u>301,762</u>	<u>288,711</u>
<b>Liabilities</b>												
Segment liabilities	43,547	55,274	13,168	14,163	912	305	13,209	3,007	(6,259)	(11,344)	64,577	61,405
Bank borrowings and lease liabilities											30,250	28,570
Income tax liabilities											2,605	2,286
Others unallocated corporate liabilities											5,760	8,632
Consolidated total liabilities as at 31 December											<u>103,192</u>	<u>100,893</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 30 Segment Information (cont'd)

### (a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000

#### Other information

Capital expenditure on

- Property, plant and equipment

967 1,612 845 971 7 2 3,198 47 - - 5,017 2,632

- Addition to investment properties

- 12 - - - - - - - - - - 12

Other non-cash expenses:

- depreciation of property, plant and equipment

2,354 1,489 1,358 611 27 39 45 23 - - 3,784 2,162

- depreciation of investment properties

18 19 - - - - - - - - - 18 19

- amortisation of land use rights

32 33 - - - - - - - - - 32 33

- trade and other receivables written off

48 116 106 19 - - - - - - - 154 135

- allowance for inventory obsolescence

52 747 152 281 - - - - - - - 204 1,028

- allowance for impairment loss on trade and other receivables

307 1,882 55 67 3 - 465 572 - - 830 2,521

- property, plant and equipment written off

1 1 1 14 - - - - - - - 2 15

- inventories written off

210 135 67 285 - - - - - - - 277 420

- write back of allowance for impairment loss on trade receivables

(36) (13) (348) - - - - (5) - - (384) (18)

- write back of allowance for inventory obsolescence

(194) - - (232) - - - - - - (194) (232)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 30 Segment Information (cont'd)

### (b) Geographical Information

The Group operates in four principal geographical areas - Singapore (country of domicile), the PRC, Hong Kong 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	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Singapore	44,830	43,009	28,127	18,538
PRC	194,803	210,837	23,616	22,439
Hong Kong	6,653	12,880	1,074	993
Malaysia	10,204	8,652	937	890
Others	34,495	26,612	45,075	46,956
	<u>290,985</u>	<u>301,990</u>	<u>98,829</u>	<u>89,816</u>

### (c) Information about Major Customers

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

## 31 Commitments

### (a) 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	
	2019 S\$'000	2018 S\$'000
Future minimum lease payment receivable:		
- not later than one year	530	608
- later than one year and not later than five years	754	234
	<u>1,284</u>	<u>842</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2018: 1 to 4 years).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 31 Commitments (cont'd)

### (a) Operating Lease Commitments (cont'd)

#### *Where the Group is a lessee*

As at 31 December 2018, the Group leased various property premises and office equipment under non-cancellable operating leases.

At the statement of financial position date, commitments in respect of non-cancellable operating leases as lessee are as follows:

	<b>Group</b>
	<b>2018</b>
	<b>S\$'000</b>
Future minimum lease payment payable:	
- not later than one year	1,574
- later than one year but not later than five years	1,892
- later than five years	51
	<u>3,517</u>

The remaining tenure period of the aforesaid operating leases were within 1 to 10 years.

### (b) Finance Lease Commitments

#### *Where the Group is a lessee*

As at 31 December 2018, the Group leases its motor vehicles under finance leases.

The future minimum lease payments under finance leases and their present values are as follows:

	<b>Group</b>
	<b>2018</b>
	<b>S\$'000</b>
Minimum lease payments payable:	
- due not later than one year	86
- due later than one year and not later than five years	269
	355
Finance charges allocated to future years	(50)
Present value of minimum lease payments	<u>305</u>

The finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16 (Note 2 and Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 31 Commitments (cont'd)

### (c) Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group	
	2019 S\$'000	2018 S\$'000
Commitment in respect of acquisition of plant and equipment*	40,553	44,279

\* Capital expenditures mainly in relation to construction of mini hydropower plants.

## 32 Contingent Liabilities

In October 2019, an indirect wholly owned subsidiary of the Group, Beijing Junyizhicheng Technology Developing Co., Ltd ("**SD Beijing**"), was served with a writ of summons filed by Mr Wang Yu (the "**Plaintiff**") in the Beijing Dongcheng People's Court (the "**BJ Court**") which the Plaintiff alleged, among other things, that the Plaintiff had extended a loan of RMB9.5 million to Mr Duan Hong Xing, an ex-employee of SD Beijing (the "**Alleged Loan**") and SD Beijing stood as a guarantor for the Loan (the "**Alleged Guarantee**").

The Group is not involved in the Alleged Loan and did not provide the Alleged Guarantee. SD Beijing has appointed its legal counsel in the PRC and has filed certain applications to the BJ Court in dispute of the allegations made by the Plaintiff. The matter is still under the proceedings of the BJ Court.

The Company carried out an investigation into transactions undertaken by SD Beijing during the year and the findings from the said investigation had indicated there may have been, among others, misconduct or misappropriation of funds on the part of Mr Duan Hong Xing during his employment with SD Beijing. The amount involved was approximately RMB7.6 million.

As at the date of these financial statements, the foregoing matters are still ongoing. With respect to the writ of summons filed against SD Beijing, SD Beijing will vigorously defend itself against the said allegations and based on the advice of the PRC legal counsel, the directors of the Company are of the view that no provision for liabilities is required to be recognised in the financial statements. With respect to the amount of RMB7.6 million (equivalent to S\$1.5 million) that may have been misappropriated by Mr Duan Hong Xing, the Group had fully recognised an allowance for impairment loss for the said amount (Note 35) in the financial statements in previous financial year ended 31 December 2018. The bank balances of RMB9.5 million (equivalent to S\$1.4 million) (2018: S\$1.4 million) was classified as restricted bank deposit (Note 21).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 33 Corporate Guarantees

	Group		Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	-	-	63,429	30,185

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.

## 34 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	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Sales to associates	(1,196)	(1,754)	-	-
Sales to related parties	(157)	(198)	(6,285)	(5,665)
Purchases from associates	115	708	-	-
Purchases from related parties	2,471	2,186	48,718	38,934
Administrative income charged to associates	(89)	(44)	-	-
Rental charged to a related party	(117)	(363)	-	-
Rental charged to associates	(5)	(1)	-	-
Interest charged to associates	(111)	(102)	-	-
Interest charged by a related party	-	-	-	25
Management fee charged to related party	(255)	(55)	-	-
Other expenses charged by related parties	-	-	8,104	553
Other income charged to a related party	(26)	(89)	(164)	(178)
Other income charged to a associates	(172)	(85)	-	-

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 9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 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 RMB, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 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:

	<b>RMB</b> <b>S\$'000</b>	<b>USD</b> <b>S\$'000</b>	<b>CHF</b> <b>S\$'000</b>	<b>Euro</b> <b>S\$'000</b>
<b>Group</b>				
<u>2019</u>				
<b>Financial assets</b>				
Trade and other receivables	53,888	53,688	922	1,739
Cash and bank balances	18,496	6,870	465	696
	<u>72,384</u>	<u>60,558</u>	<u>1,387</u>	<u>2,435</u>
<b>Financial liabilities</b>				
Bank borrowings	5,792	15,475	-	375
Trade and other payables	22,581	12,238	8,659	1,633
	<u>28,373</u>	<u>27,713</u>	<u>8,659</u>	<u>2,008</u>
<b>Net financial assets/(liabilities)</b>	44,011	32,845	(7,272)	427
Less: Net financial assets denominated in the respective entities' functional currencies	(42,699)	-	-	-
<b>Currency exposure</b>	<u>1,312</u>	<u>32,845</u>	<u>(7,272)</u>	<u>427</u>
<u>2018</u>				
<b>Financial assets</b>				
Trade and other receivables	53,926	40,474	1,668	1,873
Cash and bank balances	16,725	6,165	761	1,224
	<u>70,651</u>	<u>46,639</u>	<u>2,429</u>	<u>3,097</u>
<b>Financial liabilities</b>				
Bank borrowings	4,220	20,848	-	-
Trade and other payables	26,608	5,299	6,117	2,679
	<u>30,828</u>	<u>26,147</u>	<u>6,117</u>	<u>2,679</u>
<b>Net financial assets/(liabilities)</b>	39,823	20,492	(3,688)	418
Less: Net financial assets denominated in the respective entities' functional currencies	(39,823)	-	-	-
<b>Currency exposure</b>	<u>-</u>	<u>20,492</u>	<u>(3,688)</u>	<u>418</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 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% (2018: 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:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
RMB	66	-
USD	1,642	1,025
CHF	(364)	(184)
EURO	21	21

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

The Group's bank borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD, Renminbi ("RMB") and USD. If the SGD, RMB and USD interest rates increase/decrease by 0.5% (2018: 0.5%) with all other variables being held constant, the Group's profit before tax will be approximately lower/higher by S\$21,000, S\$29,000 and S\$77,000 respectively (2018: S\$13,000, S\$21,000 and S\$36,000) as a result of higher/lower interest expenses on these bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Interest rate risk

##### *Interest rate cap arrangement*

The Group/Company entered into an interest rate cap arrangement to hedge floating interest payments on a USD bank loan obtained in 2018.

The USD bank loan bears floating interest rate based on USD LIBOR plus 3% per annum. The interest cap rate is 3% per annum. In the event the USD LIBOR rate exceeds the interest cap rate, the Group/Company will receive the difference in monies from the bank, to be settled on a net basis on a half yearly basis.

The interest rate cap arrangement is for exchanging floating rate interest amount for fixed rate interest amount and is designated as a cash flow hedge in order to reduce the Group's cash flow exposure resulting from the variable interest rate on the said bank loan. The interest rate cap amounts and the interest rate payments on the bank loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on the bank loan affect profit or loss. No sensitivity analysis has been disclosed as the effect is considered not to be material.

#### 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 other receivables as disclosed in Note 19. 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 for those other receivables disclosed in Note 19, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

##### *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 30.

The Group has established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information and sale limits are established for each customer, which represents the maximum open amount. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determined the expected credit losses on trade receivables by using a provision matrix, estimated based on the Group's past two years historical credit loss experience, including their credit characteristics, geographical location, and adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### Exposure to credit risk

The exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<u>By geographical areas</u>		
Singapore	14,760	9,728
China	52,258	53,815
Hong Kong	2,612	1,864
Malaysia	1,019	1,224
Others	3,138	6,379
	<u>73,787</u>	<u>73,010</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables (cont'd)*

#### Exposure to credit risk (cont'd)

The Group measures its credit risk on customers based on the Group's internal credit ratings. The internal credit ratings for customers are segmented by geographical region, age of customer relationship and past credit loss experience with the customers and also defined using qualitative and quantitative factors that are indicative of the risk of default. The Group's provision for loss allowance is based on the Group's past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customers' credit rating by geographic region as shown in the table below.

#### **Customer internal credit rating**

- A These customers are good pay masters with timely payment within the credit terms. Management is of the opinion that credit risk to these customers are relatively low/minimal, therefore no provision is required.
- B Payment usually takes 1 to 3 months after credit terms. Payment is certain and with low risk of default.
- C Payment usually takes more than 3 months after credit terms. Payment is certain and risk of default are fair.
- D Customers that falls within this category are smaller establishments and with not and has a longer payment process. Risk of default is substandard.
- E Default is possible. Risk of credit impaired is high.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables (cont'd)*

#### Exposure to credit risk (cont'd)

The Group's credit risk exposure in relation to trade receivables from contracts with customers under SFRS(I) 9 as at 31 December are set out in the provision matrix as presented below.

Customer internal credit ratings	China			Singapore and others			
	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Weighted average loss rate (%)	Gross carrying amount S\$'000	Loss allowance S\$'000	Total loss allowance S\$'000
<b>Group</b>							
<u>2019</u>							
A	0%	31,693	-	0%	8,875	-	-
B	0.06%	9,998	(6)	0.24%	10,158	(24)	(30)
C	0.63%	7,633	(48)	0.78%	1,285	(10)	(58)
D	0.86%	3,014	(26)	1.03%	1,258	(13)	(39)
E	100%	453	(453)	100%	184	(184)	(637)
		<u>52,791</u>			<u>21,760</u>		
			<u>(533)</u>			<u>(231)</u>	<u>(764)</u>
<u>2018</u>							
A	0%	37,774	-	0%	15,500	-	-
B	0.38%	3,146	(12)	0.23%	1,097	(3)	(15)
C	1.08%	5,662	(61)	0.93%	682	(6)	(67)
D	1.26%	7,400	(94)	1.11%	1,946	(21)	(115)
E	100%	574	(574)	100%	389	(389)	(963)
		<u>54,556</u>			<u>19,614</u>		
			<u>(741)</u>			<u>(419)</u>	<u>(1,160)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Trade receivables* (cont'd)

#### Exposure to credit risk (cont'd)

The movements in relation to credit loss allowance for impairment of trade receivables during the year are as follows:

	Lifetime ECL	
	2019 S\$'000	2018 S\$'000
<b>Group</b>		
As at 1 January per SFRS(I) 39	1,160	685
Adjustment on initial application of SFRS(I) 9	-	350
As at 1 January per SFRS(I) 9	1,160	1,035
Allowance for impairment on trade receivables	205	230
Write back of allowance for impairment loss on trade receivables	(384)	(18)
Written off	(332)	-
Translation adjustment	115	(87)
	(396)	125
As at 31 December per SFRS(I) 9	764	1,160

#### *Service concession receivables*

As disclosed in Notes 19 and 29, the Group has service concession receivables from service concession arrangements in relation to mini-hydropower plants in Indonesia. Management estimates the loss allowance on service concession receivables equal to lifetime ECL, taking into account credit quality of the Grantor and the future prospects of the relevant industry. There has been no change in estimation technique or significant assumptions made as at the reporting date in assessing the loss allowance for these service concession receivables. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

#### *Other receivables*

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition (other than those disclosed below). Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Other receivables* (cont'd)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in measuring the loss allowance using 12-month ECL (other than those disclosed below) and the Group has determined the ECL is insignificant.

The following table shows the movement in relation to credit loss allowance for impairment of other receivables during the year:

	<b>12-month ECL</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Group</b>		
Balance as at 1 January	2,291	-
Impairment loss recognised in profit or loss*	625	2,291
Balance as at 31 December	<u>2,916</u>	<u>2,291</u>

\*The impairment loss recognised relates to the estimated credit losses on certain other receivables as disclosed in Note 19(c), Note 19(f) and Note 32 as there has been a significant increase in credit risk since initial recognition (considered Under-performing under the Group's credit risk grading guidelines described below) as the Group are currently negotiating for a repayment plan with the relevant parties. The loss allowance for these receivables have been accordingly measured using lifetime ECL.

#### *Cash and bank balances*

Bank deposits are with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECL for cash and cash equivalents those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

##### *Amounts owing by subsidiaries and financial guarantees to subsidiaries*

As at 31 December 2019, the Company has amounts owing by subsidiaries as disclosed in Note 16. The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry and country in which the counterparties operate in, and concluded that there has been no significant increase in credit risk since the initial recognition of the amounts owing by subsidiaries. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries (Note 33). These guarantees are subject to the impairment requirement under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligation in the near future and hence, does not expect significant credit losses arising from these guarantee.

##### *Credit risk grading guideline*

The Group's dedicated risk management team management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

<b>Categories</b>	<b>Description</b>	<b>Basis of recognition of expected credit loss</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
Non-performing	There is evidence indicating that the asset is credit impaired.	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Credit risk exposure and significant credit risk concentration*

The credit quality of the Group and the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades are presented as follows:

	<b>Internal rating/ external rating</b>	<b>ECL</b>	<b>Gross amount S\$'000</b>	<b>Loss allowance S\$'000</b>	<b>Net carrying amount S\$'000</b>
<b>Group</b>					
<u>31 December 2019</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	34,261	-	34,261
Trade receivables	Note 1	Lifetime ECL (simplified)	74,551	(764)	73,787
Other receivables*	Performing	12-month ECL	17,890	-	17,890
Other receivables	Under-performing	Lifetime ECL (not credit impaired)	8,142	(1,196)	6,946
Other receivables^	Non-performing	Lifetime ECL (credit impaired)	1,720	(1,720)^	-
Cash and bank balances#	AA to BAA	12-month ECL	37,998	-	37,998
<u>31 December 2018</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	30,233	-	30,233
Trade receivables	Note 1	Lifetime ECL (simplified)	74,170	(1,160)	73,010
Other receivables*	Performing	12-month ECL	13,860	-	13,860
Other receivables	Under-performing	Lifetime ECL (not credit impaired)	5,638	(571)	5,067
Other receivables^	Non-performing	Lifetime ECL (credit impaired)	1,720	(1,720)^	-
Cash and bank balances#	AA to BAA	12-month ECL	41,877	-	41,877

^Included the amount of approximately S\$1.52 million which has been fully recognised as impairment as disclosed in Note 32.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Credit risk (cont'd)

#### *Credit risk exposure and significant credit risk concentration (cont'd)*

	Internal rating/ external rating	ECL	Gross amount S\$'000	Loss allowance S\$'000	Net carrying amount S\$'000
<b>Company</b>					
<u>31 December 2019</u>					
Amounts owing by subsidiaries	Note 2	12-month ECL	51,235	-	51,235
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	2,630	-	2,630
Cash and bank balances #	AA	12-month ECL	<u>3,218</u>	-	<u>3,218</u>
<u>31 December 2018</u>					
Amounts owing by subsidiaries	Note 2	12-month ECL	46,436	-	46,436
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	83	-	83
Cash and bank balances #	AA	12-month ECL	<u>3,023</u>	-	<u>3,023</u>

Note 1: The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL.

Note 2: The Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

\* Excluded prepayments and advances to suppliers.

# Most of the balances are with the banks/financial institutions with international credit rating of AA to A. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 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 2019, the Group maintains the following lines of credit:

- (i) S\$0.50 million of overdraft facilities;
- (ii) S\$2.04 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\$19.54 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\$35.75 million of term loan facilities;
- (v) S\$25.78 million of term loan under IE Singapore's Internationalisation Finance Scheme (IFS-TL).

The bank facilities set out above that are unutilised as at 31 December 2019 amounted to approximately S\$56.33 million (2018: S\$45.10 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Liquidity risk (cont'd)

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

	Carrying amount S\$'000	Cash flows		
		Contractual cash flows S\$'000	Within one year S\$'000	Within two to five years S\$'000
<b>Group</b>				
<u>31 December 2019</u>				
Bank borrowings	27,282	27,659	20,186	7,473
Lease liabilities (Note 25)	2,968	3,746	1,663	2,083
Trade and other payables*	60,769	60,769	60,769	-
	<u>91,019</u>	<u>92,174</u>	<u>82,618</u>	<u>9,556</u>
<u>31 December 2018</u>				
Bank borrowings	28,265	29,460	15,905	13,555
Finance lease liabilities	305	355	86	269
Trade and other payables*	58,642	58,642	58,642	-
	<u>87,212</u>	<u>88,457</u>	<u>74,633</u>	<u>13,824</u>
<b>Company</b>				
<u>31 December 2019</u>				
Bank borrowings	11,817	12,197	5,027	7,170
Lease liabilities (Note 25)	14	14	14	-
Other payables	7,974	7,974	7,974	-
	<u>19,805</u>	<u>20,185</u>	<u>13,015</u>	<u>7,170</u>
<u>31 December 2018</u>				
Bank borrowings	13,746	15,390	2,970	12,420
Other payables	13,686	13,686	13,686	-
	<u>27,432</u>	<u>29,076</u>	<u>16,656</u>	<u>12,420</u>

\*Exclude advances from customers.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

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

#### Liquidity risk (cont'd)

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.

	<b>Within one year S\$'000</b>	<b>Within two to five years S\$'000</b>	<b>Total S\$'000</b>
<b>Company</b>			
<u>31 December 2019</u>			
Financial guarantee contracts	16,697	7,096	23,793
<u>31 December 2018</u>			
Financial guarantee contracts	14,819	11,841	26,660

### (b) Fair Value

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

### (b) Fair Value

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 amounts S\$'000
<u>31 December 2019</u>					
<b>Assets</b>					
<i>Investment properties</i>					
Commercial property units located in Singapore (Note 13)	-	744	-	744	417
Commercial property unit located in Malaysia (Note 13)	-	106	-	106	62
	-	850	-	850	479
<u>31 December 2018</u>					
<b>Assets</b>					
<i>Investment properties</i>					
Commercial property units located in Singapore (Note 13)	-	798	-	798	434
Commercial property unit located in Malaysia (Note 13)	-	105	-	105	63
	-	903	-	903	497

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

#### Non-current financial assets and financial liabilities

The fair values of long-term bank borrowings approximate their 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 values of service concession receivables approximate their carrying amounts as the effective interest rates used approximate market interest rates.

The fair value of finance leases approximate the present value of payments as disclosed in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35 Financial Instruments (cont'd)

### (b) Fair Value (cont'd)

#### 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.

#### Other financial assets- equity investment measured at fair value through other comprehensive income

The investment in equity securities (Note 20) represents ordinary share subscribed in a private limited company that is not quoted on any market and does not have any comparable industry peer that is listed. The fair value of the equity investment is approximately its carrying amount based on management's assessment using the unobservable input (Level 3), i.e. the net assets of the investee entity. Management does not foresee any significant change in fair value of this equity investment as the investee entity remains inactive since its incorporation.

## 36 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 2019 and 2018.

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 2019 and 2018.

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 leases liabilities, trade and other payables and contract liabilities, less cash and bank balances. Total equity includes equity attributable to the owners of the Company.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net debt	61,934	56,073
Total equity	152,745	143,751
Net debt-to-equity ratio	41%	39%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 37 Subsequent Events

On 2 January 2020, the Company and Dirak Holding GmbH, a private limited company incorporated under the laws of Germany, together with its subsidiary (collectively the “**Dirak Group**”) entered into the Master Supply Agreement, in relation to the sale of Product A from the Group to the Dirak Group and the sale of Product B from the Dirak Group to the Group. The term of the Master Supply Agreement is three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive), for details please refer to the announcement of the Company dated 3 January 2020.

On 8 January 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to purchase a property in Singapore for a purchase consideration of S\$5,000,000.

## 38 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.



# SHAREHOLDERS' INFORMATION

AS AT 28 FEBRUARY 2020

Issued and fully paid-up capital	:	78,095,000
Number of shares issued	:	429,572,849
Stock categories	:	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 <sup>(1)</sup>	136,287,480	31.73	-	-
Teo Cher Koon <sup>(1)</sup>	-	-	136,287,480	31.73
Thang Yee Chin <sup>(1)</sup>	-	-	136,287,480	31.73
NTCP SPV VI <sup>(2)</sup>	38,323,401	8.92	-	-
Toh Hsiang-Wen Keith <sup>(2)</sup>	-	-	38,323,401	8.92
Novo Tellus PE Fund 2, L.P. <sup>(2)</sup>	-	-	38,323,401	8.92
New Earth Group 2 Ltd <sup>(2)</sup>	-	-	38,323,401	8.92
Loke Wai San <sup>(2)</sup>	-	-	38,323,401	8.92
Toh Ban Leng James <sup>(2)</sup>	-	-	38,323,401	8.92
A.C.T. Holdings Pte Ltd <sup>(2)</sup>	-	-	38,323,401	8.92
Khoo Lay Kee <sup>(2)</sup>	-	-	38,323,401	8.92
Serene Toh Soo Ling <sup>(2)</sup>	-	-	38,323,401	8.92
Toh Soo Chin Merlene <sup>(2)</sup>	-	-	38,323,401	8.92

### Notes:

<sup>(1)</sup> 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 136,287,480 shares held by Assetraise Holdings Limited.

<sup>(2)</sup> NTCP SPV VI ("**NTCP**") holds 38,323,401 shares.

Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") holds 100% of shares in the capital of NTCP and therefore is deemed to have an interest in 38,323,401 shares held by NTCP.

New Earth Group 2 Ltd ("**NEG 2**") is the general partner of NT Fund 2 and therefore is deemed to have an interest in 38,323,401 shares held by NTCP.

Mr. Loke Wai San and Mr. Toh Hsiang-Wen Keith are each entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in NEG 2, and therefore is deemed to have an interest in 38,323,401 shares held by NTCP.

Mr. Toh Ban Leng James and A.C.T. Holdings Pte Ltd ("**ACT**") are each limited partners of NT Fund 2 with an investment amount of not less than 20% each, and therefore are each deemed to have an interest in 38,323,401 shares held by NTCP.

Khoo Lay Kee, Mdm., Dr. Serene Toh Soo Ling, Mdm Toh Soo Chin Merlene and Mr. Toh Ban Leng James are each entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in ACT, and therefore are each deemed as having an interest in 38,323,401 shares held by NTCP.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 28 February 2020, approximately 41.12% 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 28 FEBRUARY 2020

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	276	14.55	2,059	0.00
100 - 1,000	77	4.06	55,735	0.01
1,001 - 10,000	417	21.98	2,798,476	0.65
10,001 - 1,000,000	1,096	57.78	87,091,718	20.28
1,000,001 AND ABOVE	31	1.63	339,624,861	79.06
<b>TOTAL</b>	<b>1,897</b>	<b>100.00</b>	<b>429,572,849</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	147,260,392	34.28
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	39,877,754	9.28
3	CITIBANK NOMINEES SINGAPORE PTE LTD	22,302,558	5.19
4	DBS NOMINEES (PRIVATE) LIMITED	21,248,222	4.95
5	PHILLIP SECURITIES PTE LTD	10,511,754	2.45
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	10,201,612	2.37
7	OCBC SECURITIES PRIVATE LIMITED	9,292,844	2.16
8	TAN THIAM CHYE	9,200,445	2.14
9	WONG KOON CHUE @ WONG KOON CHUA	8,093,800	1.88
10	RAFFLES NOMINEES (PTE.) LIMITED	6,745,678	1.57
11	UOB KAY HIAN PRIVATE LIMITED	6,091,601	1.42
12	LEE ENG TEIK	5,000,038	1.16
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,404,708	1.03
14	ASSETRAISE HOLDINGS LIMITED	4,264,900	0.99
15	LEE YAN GWAN	4,251,000	0.99
16	PEK CHOON HENG	3,619,612	0.84
17	KHOO WOUI CHEE	2,770,580	0.64
18	TEO CHIN YEE (ZHANG JINYI)	2,650,000	0.62
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,407,815	0.56
20	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,134,516	0.50
	<b>TOTAL</b>	<b>322,329,829</b>	<b>75.02</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of ISDN Holdings Limited (the “**Company**”) shall be held at 4 Robinson Road, #04-01 House of Eden Singapore 048543 on Wednesday, 29 April 2020 at 9:30 a.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 and its subsidiaries for the financial year ended 31 December 2019, together with the external auditor’s report thereon.

**[Ordinary Resolution 1]**

2. To declare a first and final tax-exempt (one-tier) dividend of 0.4 Singapore cents per ordinary share for the financial year ended 31 December 2019.

**[Ordinary Resolution 2]**

*Note: The scrip dividend scheme of the Company will be applicable to the first and final tax-exempt (one-tier) dividend (the “**Final Dividend**”), giving shareholders of the Company the option to receive the Final Dividend in the form of shares in the capital of the Company instead of cash.*

3. To approve the payment of Directors’ fees of S\$26,984 for the appointment of a Non-Executive Director for the financial year ended 31 December 2019.

**[Ordinary Resolution 3]**

*Note: Subject to and contingent upon the passing of the Ordinary Resolution 3 proposed in item 3 above, the total Directors’ fees for the financial year ended 31 December 2019 will be S\$163,484 (2018: S\$136,500), which includes the amount of S\$136,500 approved at the annual general meeting of the Company held on 30 April 2019.*

4. To approve the payment of Directors’ fees of S\$178,500 for the financial year ending 31 December 2020 (2019: S\$163,484).

**[Ordinary Resolution 4]**

5. To re-elect Mr. Toh Hsiang-Wen Keith who cease to hold office pursuant to Regulation 88 of the Constitution of the Company and who, being eligible, offer himself for re-election.

**[Ordinary Resolution 5]**

6. 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. Soh Beng Keng

**[Ordinary Resolution 6(a)]**

*Note: Mr. Soh Beng Keng will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Nominating Committee, and a member of the Audit Committee, Remuneration Committee and the Risk Management 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.*

# NOTICE OF ANNUAL GENERAL MEETING

(b) Mr. Tan Soon Liang

**[Ordinary Resolution 6(b)]**

*Note: Mr. Tan Soon Liang will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Risk Management Committee. Mr. Tan Soon Liang is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

7. To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2020 and to authorise Directors of the Company to fix their remuneration.

**[Ordinary Resolution 7]**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to passing with or without modifications, the following ordinary resolutions:

### 8. GENERAL MANDATE TO ISSUE NEW 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) (i) allot and issue new shares in the capital of the Company (“**Shares**”), whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively “**Instruments**” 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 new 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);

# NOTICE OF ANNUAL GENERAL MEETING

- (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 the Instruments or any convertible securities,
  - (II) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST and the Hong Kong Listing Rules; and
  - (III) any subsequent bonus issue, consolidation or subdivision of Shares;
- Any adjustments made in accordance with sub-paragraph (B)(I) and (B)(II) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution.
- (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 8]**

## **9. ANNUAL MANDATE TO ISSUE NEW SHARES UNDER THE ISDN PSP**

That subject to and conditional upon the passing of Ordinary Resolution 8 contained in this Notice of Annual General Meeting (the “**General Share Issue Mandate**”) and 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 the 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;

# NOTICE OF ANNUAL GENERAL MEETING

- (b) authority be and is hereby given to the 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.

For the avoidance of doubt, the aggregate number of new Shares issued under the General Share Issue Mandate and this Resolution shall not exceed 50% of the total number of issued Shares as at the date of the passing of the resolutions relating to the General Share Issue Mandate and this Resolution, of which the aggregate number of Shares to be allotted and issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20% of the total number of issued Shares as at the date of the passing of the resolutions relating to the General Share Issue Mandate and this Resolution."

## [Ordinary Resolution 9]

- 10. To transact any other business which may be properly transacted at the Annual General Meeting.

By Order of the Board  
**ISDN HOLDINGS LIMITED**  
**Ms. Gn Jong Yuh Gwendolyn**  
**Ms. Tung Wing Yee Winnie**  
*Joint Company Secretaries*

Singapore, 24 March 2020

# NOTICE OF ANNUAL GENERAL MEETING

## 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 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 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 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 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 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 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 (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

# NOTICE OF ANNUAL GENERAL MEETING

## **Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus (“Covid-19”):**

In view of the evolving Covid-19 situation, the Company reserves the right to take such precautionary measures as may be appropriate at the Annual General Meeting, including any precautionary measures as may be required or recommended by government agencies, in order to minimise the risk of community spread of Covid-19.

Such measures may include the following:

- (1) All persons attending the Annual General Meeting will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing, if required).
- (2) Any person who has a fever or is exhibiting flu-like symptoms will be declined entry to the Annual General Meeting.
- (3) To minimise contact between persons, we will not be providing coffee, tea or food after the Annual General Meeting.

Shareholders and other attendees who are feeling unwell on the date of the Annual General Meeting are advised not to attend the Annual General Meeting. Shareholders and other attendees are also advised to arrive at the Annual General Meeting venue early given that the above-mentioned measures may cause delay in the registration process.

The Company seeks the understanding and cooperation of all shareholders and other attendees to minimise the risk of community spread of Covid-19.



# ISDN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore -  
Company Registration No. 200416788Z)  
(Singapore Stock Code: I07.SI)  
(Hong Kong Stock Code: 1656)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### 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.

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 of the Company to be held at 4 Robinson Road, #04-01 House of Eden, Singapore 048543 on Wednesday, 29th April 2020 at 9.30 a.m. and at any adjournment thereof.

I/We\* direct my/our\* proxy/proxies\* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies\* will vote or abstain from voting at his/her\* discretion. The authority herein includes the right.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	To receive and adopt the Directors' statement and the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2019, together with the external auditor's report thereon.		
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.4 Singapore cents per ordinary share for the financial year ended 31 December 2019.		
3.	To approve the payment of Directors' fees of S\$26,984 for the appointment of a Non-Executive Director for the financial year ended 31 December 2019.		
4.	To approve the payment of Directors' fees of S\$178,500 for the financial year ending 31 December 2020 (2019: S\$163,484).		
5.	To re-elect Mr. Toh Hsiang-Wen Keith who will cease to hold office by rotation pursuant to Regulation 88 of the constitution of the Company.		
6(a).	To re-elect Mr. Soh Beng Keng who will retire by rotation pursuant to Regulation 89 of the constitution of the Company.		
6(b).	To re-elect Mr. Tan Soon Liang who will retire by rotation pursuant to Regulation 89 of the constitution of the Company.		
7.	To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2020 and to authorise Directors of the Company to fix their remuneration.		
8.	To approve the general mandate to issue Shares.		
9.	To approve the annual mandate to issue Shares under the ISDN PSP.		

\*Delete as appropriate

Dated this ..... day of ..... 2020

Total Number of Shares Held

--

.....  
Signature of Member(s)  
or, Common Seal of Corporate Member

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 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 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 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 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 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:**

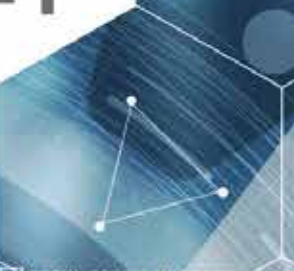
The Company shall be entitled to reject the form of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the form of proxy. In addition, in the case of shares entered in the Depository 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, 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 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.

**PERSONAL DATA PRIVACY:**

By attending the Annual General Meeting 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 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 (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.





BRAIN STORM NETWORK

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BRAIN DOWNLOAD

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**ISDN Holdings**  
LIMITED

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

Company registration No. 200416788Z

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