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

ISDN Holdings LIMITED

AUTOMATING ASIA'S FUTURE

ANNUAL REPORT 2022

TABLE OF CONTENTS

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

OUR VISION

We're building Asia's smart industrial future.

Our solutions help customers unlock new industrial capability, productivity, and sustainability to support the next generation of Asia's industrial growth.

We partner closely with customers to deliver clear business value, while growing our business sustainably for all ISDN shareholders and stakeholders.

OUR BUSINESS

ISDN Holdings Limited ("**ISDN**" or the "**Company**"), and together with its subsidiaries, the "**Group**" offers a full range of advanced automation solutions and services ranging from precision components and engineering services to full machine and cloud solutions.

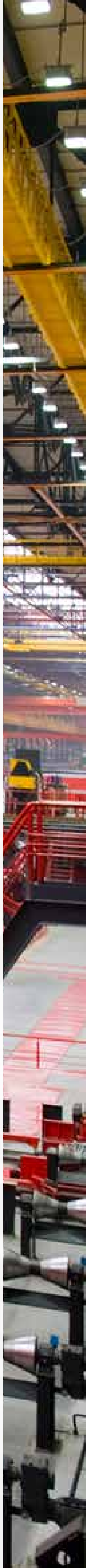
ISDN is committed to sustainable industrial growth, and is helping to build Asia's sustainable future through its dedicated clean industry solutions and its clean energy portfolio.

ISDN was founded in 1987 and was listed on the Mainboard of The Singapore Exchange Securities Trading Limited (the "**SGX-ST**", Singapore Stock code : I07.SI) on 24 November 2005, and subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**", Hong Kong Stock code : 1656) on 12 January 2017. ISDN employs over 1,124 employees in over 50 locations throughout Asia-Pacific.

OUR VALUES

Our values reflect a comprehensive stakeholder approach to building our vision. We seek:

- To be a recognised leader in all the markets we serve.
- To build lasting relationships with customers and partners.
- To be an employer of choice that inspires and rewards excellence.
- To build value for shareholders through business, financial and earnings growth.
- To grow sustainably for all business and community stakeholders.



ISDN AT A GLANCE

OUR SCALE

S$370.8m
FY2022 revenue

S$27.9m*
FY2022 adjusted profit after tax

S$62bn+
addressable market for Industrial Automation in Asia

OUR GROWTH

165%+
FY2022 growth in cash generated from operating activities

33%+
5-year growth in profit to shareholders

125%+
3-year share return from 1 Jan 2020 to 31 Dec 2022

OUR REACH

10,000+
enterprise customers throughout Asia

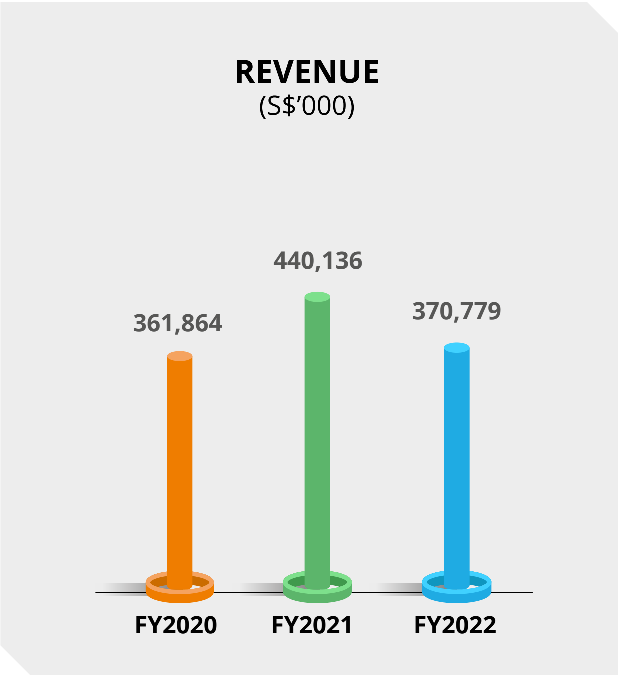
65+
locations throughout Asia

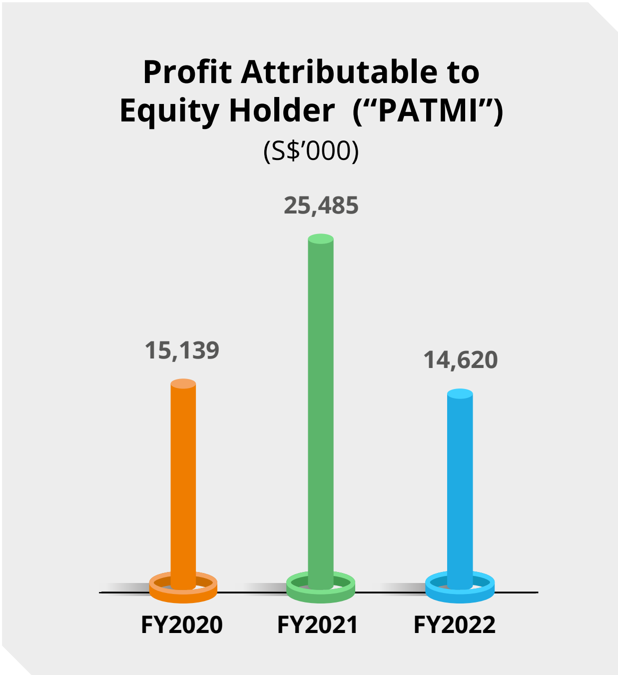
1,120+
employees, of whom over 33% are engineers

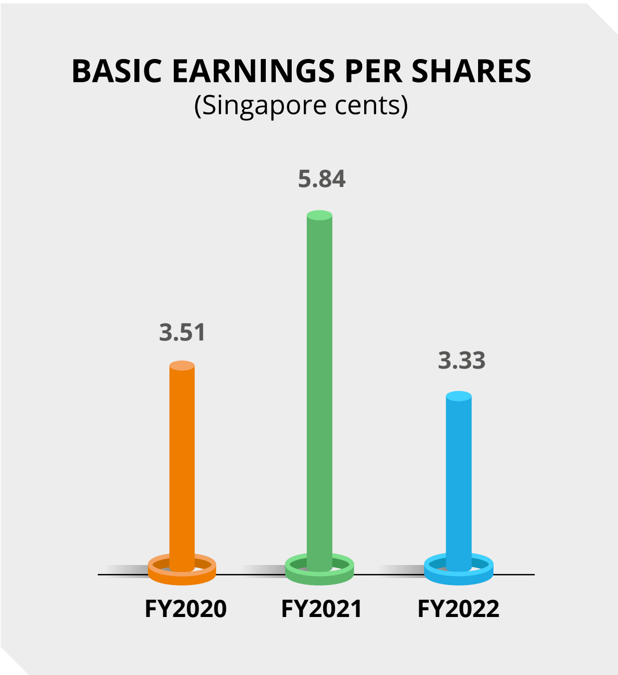
*Adjusted profit after tax excluding unrealised foreign exchange loss.

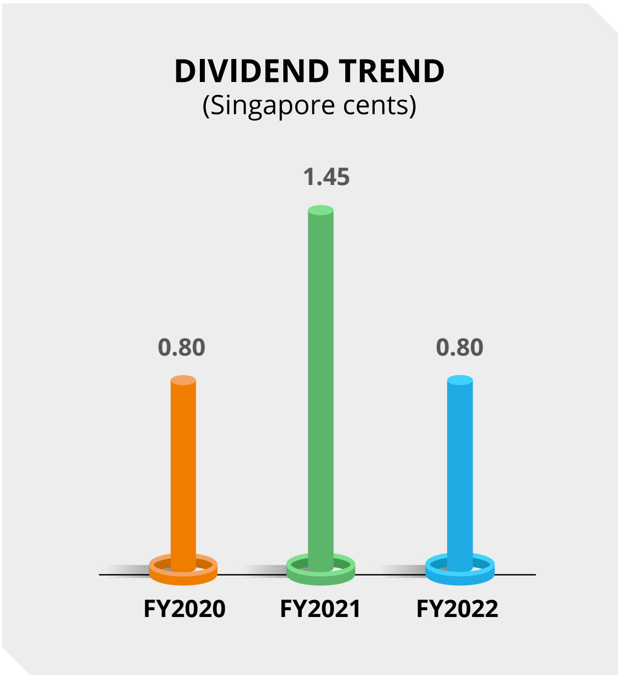
2022: CYCLICAL HEADWIND, LONG-TERM STRENGTH

Our business was impacted in 2022 by COVID-19 disruptions and cyclical industry downturn in the PRC, but long-term fundamentals strengthened with the commercialisation of our hydropower plants and a clear groundswell of government and industry support for advanced automation in the PRC.









5-YEAR FINANCIAL SUMMARY

	2022 S$'000	2021 S$'000	2020 S$'000	2019 S$'000	2018 S$'000
Revenue	**370,779**	440,136	361,864	290,985	301,990
Gross profit	**105,888**	120,384	95,573	77,425	80,549
Profit before income tax	**32,027**	52,473	31,992	20,222	23,696
PATMI	**14,620**	25,485	15,139	7,047	10,946
Equity attributable to owners of the Company	**197,829**	197,136	170,020	152,745	143,751
Non current assets	**161,519**	157,546	140,970	98,829	89,816
Current assets	**238,851**	257,719	217,015	202,933	198,895
Current liabilities	**142,168**	150,180	129,068	94,132	88,170
Non current liabilities	**15,602**	18,110	11,293	9,060	12,723
Cash and cash equivalents	**54,128**	59,021	51,440	31,168	37,255
Financial Ratios					
Net Assets per Share (Singapore cents)	**45.10**	44.94	39.05	35.56	36.42
Basic Earnings per Share (Singapore cents)	**3.33**	5.84	3.51	1.68	2.77

A SUSTAINABLE FUTURE

We're committed to building Asia's sustainable future

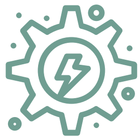
ISDN SUSTAINABLE TECHNOLOGIES

We're helping customers build the next generation of cleaner and more productive industrial output

Sustainable energy
Solar generation, energy storage, electric vehicle charging

Sustainable agriculture
Industry 4.0 agri-automation, high-yield / low waste production

Sustainable spaces
Certified biodegradable disinfectants



Sustainable machines
ISDN solutions for automated waste and maintenance reduction; and machine upgrade and re-use vs replacement

ISDN CLEAN HYDROPOWER PORTFOLIO

A carbon-offsetting portfolio of clean mini-hydropower plants readying for profitable commercial operations

Sisira 4.6MW
operating since 3Q 2021.
commercialisation soon.

Angocci 10MW
operating since 3Q 2021.
commercialisation soon.

Lau Biang 10MW
began commercial operations on 31 December 2022.

PRESIDENT'S MESSAGE

> 2023 is a historic year for ISDN as our hydropower plants begin delivering earnings and equity returns to investors.

Dear Shareholders,

On behalf of the Board of Directors of ISDN, I am pleased to present to you our annual report for the financial year ended 31 December 2022 ("**FY2022**").

Cyclical Headwinds

Since our founding 35 years ago, ISDN has always had a long-term view of building our business and the markets we operate in.

Our core business has grown over 30 years, and we have patiently built our capabilities over time, from industrial components in the past to full automation solutions today. Our investments in hydropower have taken long years of patience to develop, but have now yielded excellent returns in the form of cash earnings and return on capital.

2022 was a year that tested our resolve in the long-term view. We have the analytical insight to know — customer by customer, and country by country — that the pressures ISDN faced are cyclical and episodic rather than long-term in nature. We know the causes of the 2022 headwinds in our business:

- Over 100% of revenue impact on ISDN was concentrated in the PRC (23.1% of our revenue), with our non-PRC regions posting growth for the year;
- COVID-19 protocols in the PRC disruptive industry at large, including ISDN;
- 99% of revenue impact on ISDN was in cyclical industries including semiconductors, machine tools, discretionary research and development, and industrial robotics.

We also know that in the face of these headwinds, the employees of ISDN rose to the occasion by maintaining strong discipline on operating costs and growing gross margins despite the cyclical revenue impact and a difficult inflationary cost environment.

Long-term Strength

Despite the cyclical turbulence in 2022, we've kept our long-term focus. Indeed, we see a gathering strength in our markets for long-term growth at ISDN. We note that:

- The market prospects for Industrial Automation have strengthened in the PRC and throughout Asia.
  - In the PRC, Xi Jinping has underscored the importance of "promoting industrial transformation" as part of the PRC's future[1]; rising wages are prompting businesses to automate more; and the central government has earmarked large funding for industrial advancement.

[1] *Xi Jinping (translated), National People's Congress, 13 January 2023*

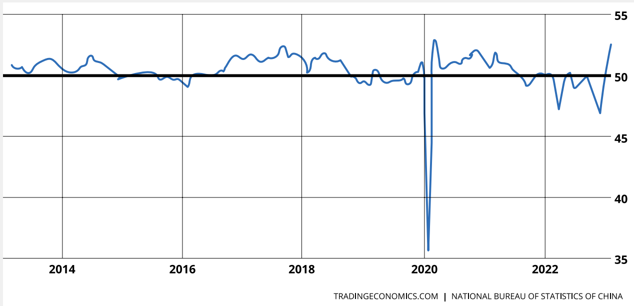
- In Southeast Asia, industry is seeing clear growth in advanced manufacturing as US-China tensions prompt companies to shift production into the region, driving up demand for industrial automation.

- ISDN has demonstrated clear commercial and equity value in its hydro-power investments:
  - ISDN's Lau Biang 1 plant was commercialized in December 2022, providing cash-rich, recurring and long-term earnings for the Group.
  - Lau Biang 1 is estimated to generate approximately 27.0% return on investment for ISDN, and provides an estimated +13.4% increase[2] in net profit to shareholders and +19.7% increase in cash profits to shareholders.
  - ISDN is close to commercializing an additional two hydro-power plants in Sisira and Angocci, providing additional earnings uplift.

Looking forward to cyclical recovery

We have confidence in our long-term view of ISDN's prospects, and we know that the cyclical headwinds will eventually abate as the economy in the PRC returns to health.

The PRC NBS Manufacturing Purchasing Managers' Index ("PMI") saw an unprecedent year-long downturn in 2022



As the PRC's economy recovers, for the first time in ISDN's history we see the prospect of both our energy business and our automation business working together to power the Group's growth in the coming years.

Stronger outlook for industrial automation

We believe structural shifts in the PRC market over the past year have strengthened long-term growth fundamentals for ISDN's industrial automation business.

The PRC's economic activities are steadily reviving following its border reopening towards the end of 2022. The PRC's industrial activity was at 75.7% in Q42022 and with both labour and industrial activities have been expanding at the beginning of 2023.

We continue to see long-term growth in the PRC as both public and private sector continue to show strong commitments to advancing industrial automation as a critical strategy to support economic growth in the PRC.

Heightened US-China trade tensions have also strengthened the PRC's determination to advance domestic manufacturing and industrial automation. The PRC government has shown strong financial and policy support for the adoption of industrial automation solutions nationwide.

ISDN's well diversified product portfolio and growing technology capabilities place the Group in a good position to benefit from this long-term demand for industrial automation in the PRC.

Outside of the PRC, our automation business in Southeast Asia has seen long-term growth as the region continues to advance its industrial capabilities. While Southeast Asia saw impact from cyclical industries in 2022, the region nevertheless posted growth for the Group.

In the past few years, Southeast Asia has strengthened its position as a vital node in the global supply chain, and we believe the growing production of advanced products in the region — from electric vehicles to optical communications devices and semiconductors — will generate multi-year demand for our automation solutions.

Building shareholder value through clean energy

ISDN was an early visionary in Asia's clean energy future, as we began our commitment to this vision years ago.

2022 was an historical year for ISDN's clean energy journey as the Group announced the commencement of commercial operations for the first of three hydropower plants in Indonesia in December 2022.

The Lau Biang 1 plant began commercial operations on 31 December 2022 and is expected to contribute S$2.0 million of annual recurring net profit to shareholders and S$2.9 million of annual recurring cash net profit to ISDN for the next 25 years. Furthermore, the Group also anticipates that the two additional plants, Sisira and Anggoci, will commence commercial operations this year.

We note that there is strong market interest and value attributed to hydro-power businesses in Asia.

While we remain focused on completing the commercialization of the Angocci and Sisira plants this year, we have noted for shareholders that we have a range of positive possibilities for unlocking equity value and returns for the commercial hydro-power business.

Our stakeholders make us successful

We're immensely grateful to our longstanding shareholders for continuing to support our business and our vision, even as we emerge from cyclical headwind into long-term growth.

Our growth prospects are powered by the same, powerful forces that have helped us grow for the last 30 years:

- The many customers who trust us to help realise the industrial future for their businesses and have grown alongside us;
- Our talented employees who have worked tirelessly to grow our capabilities and deliver technology through the challenges of COVID-19 and a difficult cycle; and
- Clear growth in the large growth markets we operate in: industrial automation and clean energy.

We do not see any change in these fundamental drivers for our business or our market. Indeed, we see gathering strength in our prospects as Asia moves up the value chain towards Industry 4.0; and commitments to sustainable energy strengthens in Indonesia and around the world.

We thank all of our stakeholders for their support and commitment, and look forward to reporting our growth developments in 2023.

Teo Cher Koon
Managing Director and President
ISDN Holdings Limited

[2] *FY2022 net profit to shareholders*

OUR FIVE PILLARS OF EXCELLENCE

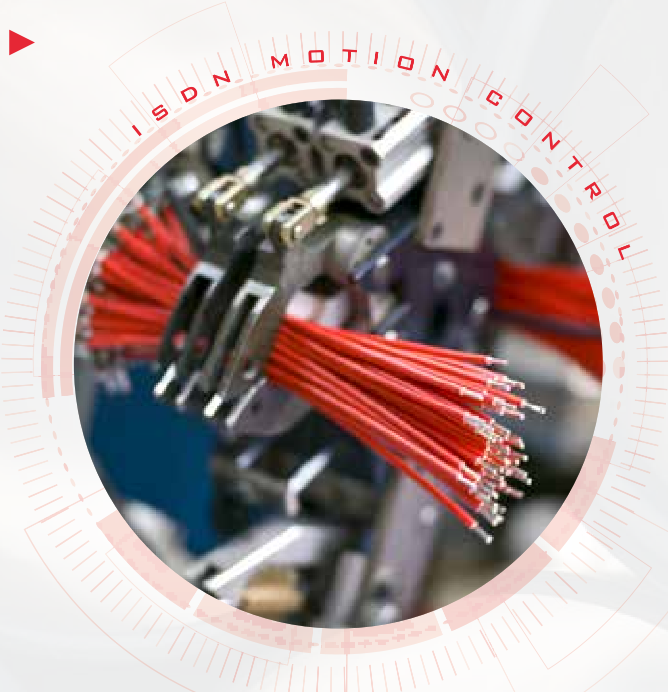
Our five pillars of excellence represent over 30 years of accumulated experience for ISDN. Each pillar represents a powerful platform consolidating ISDN's best capabilities and talent to build thought leadership, drive innovation, and unlock economies of scale as we deliver our solutions to customers.

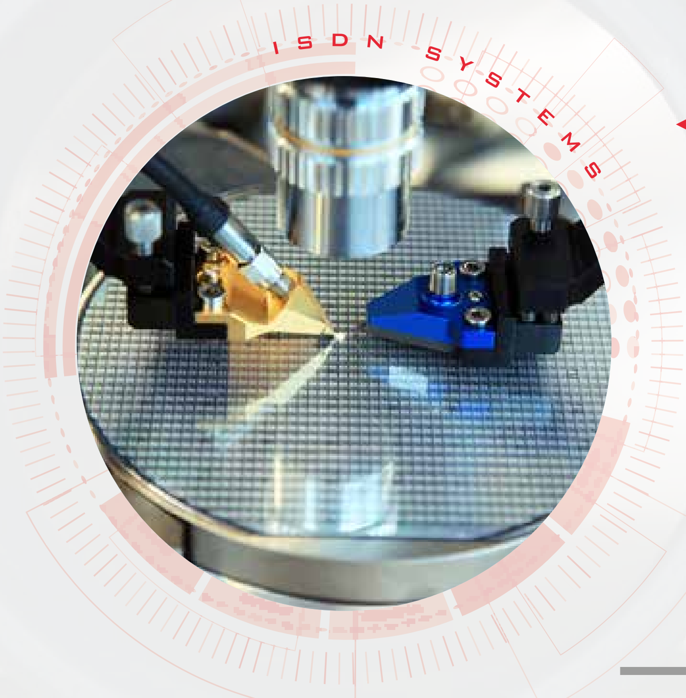
Our pillars drive the reliable execution of our vision. By concentrating our best experience into these global centres of excellence, we're able to translate the strategic promises of Industry 4.0 and Asia's sustainable industrial future into concrete technologies, solutions, and services that help customers to build their industrial future.

ISDN Motion Control

Motion control is a foundation technology for virtually all forms of industrial automation. Industries rely on motion control technologies to manufacture and move products with ever greater precision, quality, and production scale over time. ISDN offers the full gamut of motion control solutions from the conceptualisation, design and prototyping to production, installation, testing, and after-sales service. Our global supply, service and engineering network provides engineering and commercial support for our solutions throughout their lifecycle.

Our customers typically approach us with their expectations on design, functionality, technical specifications, compatibility and/or budget, and rely on ISDN to recommend and procure the necessary combinations of engineering parts, systems and components to deliver a solution tailored for each customer's specific industrial application.





ISDN Systems

As our customer needs have grown over time, we have expanded our capabilities to include full systems engineering and production. ISDN is able to provide design, engineering, production, integration and lifecycle services for complete systems that integrate hardware, software, networking and intelligence.

Today, ISDN has delivered systems across diverse industries from manufacturing to advanced agriculture, renewable energy, and civil transportation.

ISDN Software

As industrial automation advances towards Industry 4.0, ISDN has seen growing demand for software to provide connectivity, intelligence, and analysis to support industrial processes. Examples of software applications include machine connectivity, supervisory control and data acquisition (SCADA) systems, manufacturing execution systems (MES), and advanced industrial analytics and cloud-based intelligent systems.

ISDN's Software pillar of excellence utilises proven industrial software platforms to provide a full range of automation, intelligence, analytics, and control software offerings that can be tailored to the specific needs of industrial customers. Our capabilities include full edge-to-cloud integration, advanced visualisation tools, wide area industrial connectivity, and machine analytics and intelligence.

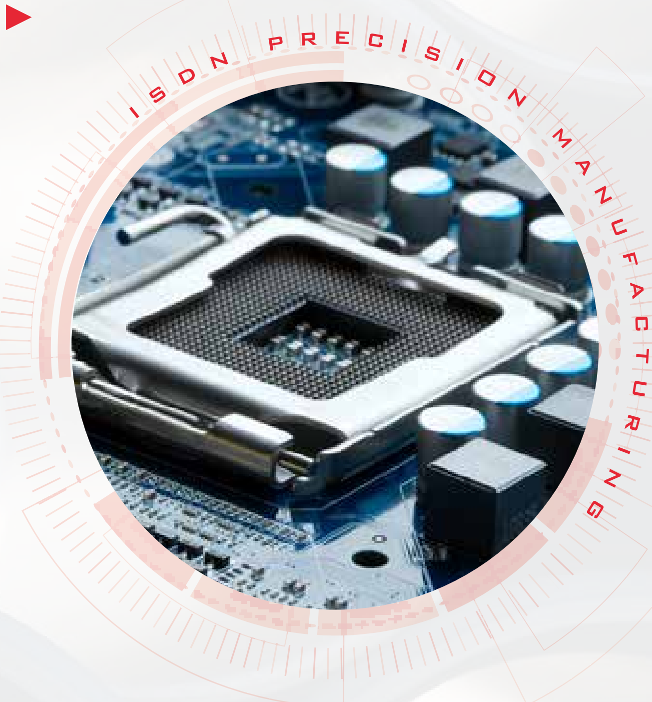
ISDN Precision Manufacturing

ISDN's precision manufacturing capabilities provide attractive vertical integration capabilities for the Group. Today, ISDN manufactures a range of in-house products for its Motion Control business including linear motors, positioning stages, precision gearboxes, and transmission elements.

Additionally, ISDN produces high-specification hinge and lock products under the Dirak brand, used for mission-critical applications including data centres, telecommunications, transportation, and the global 3C market.

ISDN also provides specialised metal injection moulding manufacturing capabilities for industrial customers in the computing, telecommunications and electronics industries.

Our manufacturing capabilities are concentrated in our industrial campuses in Suzhou and Huzhou Zhejiang, allowing ISDN to share manufacturing resources to improve economies of scale. ISDN's manufacturing platforms include in-house precision machining, metal injection, stamping, die casting, and product assembly.



ISDN Renewable Energy

ISDN seeks to build Asia's clean industrial future, and has developed a portfolio of renewable energy solutions to help customers shift or grow sustainable industrial practices.

ISDN offers engineering and technology solutions for solar energy, energy storage, advanced agriculture, industrial disinfectants, building energy management, and energy smart grids.

In addition to its growing solutions portfolio, ISDN has invested in 3 mini hydropower plants in Southeast Asia to embody a corporate commitment to a sustainable future for Asia's industry. Today, ISDN provides renewable hydro energy, jobs, and infrastructure in collaboration with the Anggoci, Sisira and Lau Biang communities of Indonesia.

BOARD OF DIRECTORS

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1. Mr. Lim Siang Kai（林汕鍇）
Chairman and Independent Director
Mr. Lim Siang Kai（林汕鍇）, aged 66, is the Chairman and an independent non-executive Director. Mr. Lim is also the Chairman of the Audit Committee and the Risk Management Committee of the Company to the Board of ISDN. Mr. Lim was appointed to the Board of ISDN on 26 September 2005. 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 also the chairman and independent non-executive director of Samurai 2K Aerosol Limited (a company listed in Singapore) since 16 January 2017. Mr. Lim ceased to be an independent non-executive director of Joyas International Holdings Ltd (a company listed in Singapore) and Beijing Gas Blue Sky Power Holdings Ltd (a company listed in Hong Kong) in March and December 2021 respectively as well as the Chairman and non-independent non-executive director of D'nounce Technology BHD (a company listed in Malaysia) in December 2021.

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 64, is the President, Managing Director and Controlling Shareholder of the Company, and was appointed to the Board of ISDN on 28 December 2004. 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 87 subsidiaries and 65 sales offices all over Singapore, the PRC, Hong Kong, Malaysia and a few other Asian countries including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2022. 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 the 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 62, is an executive Director of the Company, and was appointed to the Board of ISDN on 26 September 2005. 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 48, is a non-executive Director of the Company, and was appointed to the Board of ISDN 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 also serve as a chairman of SP Manufacturing Pte Ltd in January 2023. Mr. Toh was formerly a principal at Francisco Partners L.P., a leading global technology-focused private equity fund. Throughout his career at Novo Tellus and Francisco Partners, Mr. Toh has focused on investments in global technology sectors including industrial automation, 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 directorships at Novo Tellus Alpha Acquisition, an SGX-listed acquisition company; AEM Holdings Ltd ("**AEM**"), an SGX-listed semiconductor capital equipment company; Procurri Corporation, an SGX-listed data centre services company; Source Photonics Inc, an optical components manufacturer; and Aconex Ltd., a company formally listed on the Australian Stock Exchange and acquired by Oracle Corporation in 2017; Numonyx BV, a semiconductor memory manufacturer; and Mincom Pty Ltd, a global enterprise software company. Previously, Mr. Toh was a product lead at Trilogy Enterprise Inc, an enterprise software company, and held engineering 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 69, is an independent non-executive Director of the Company and was appointed to the Board of ISDN on 26 September 2005. Mr. Soh has more than 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 Mainboard 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

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as the financial controller of Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in the marine and oil related industries, from July 2005 to August 2006, and the financial controller of Miclyn Offshore Pte. Ltd., a Singapore company involved in the business of owning and chartering of ships, from August 2006 to February 2007. From March 2007 to April 2009, Mr. Soh was the chief financial controller of 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 (delisted from SGX-ST on 12 November 2020), 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; (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; and (iv) China Haida Ltd., a PRC leading manufacturer of aluminum panels listed on the Mainboard of the SGX-ST (delisted from SGX-ST since 14 April 2022), from April 2007 to June 2020.

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 50, is an independent non-executive Director of the Company, and was appointed to the Board of ISDN 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, M&A 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 managing director of Omnibridge Capital Pte. Ltd., a company which focuses on early stage angel and venture capital investments in startups and fast-growing companies and involved in corporate development and advisory services, since December 2014.

Mr. Tan serves as an independent director in Catalist-listed 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 Catalist-listed Choo Chiang Holdings Limited (42E), a leading retailer and distributor of electrical products and accessories in Singapore, since August 2018 and Mr. Tan serves as an independent director in Catalist-listed GDS Global Limited (5VP), a leading specialist provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region since March 2020. Mr. Tan also serves as an independent director in Catalist-listed Colex Holdings Limited (567), an investment holding company, provides waste management services in Singapore, since April 2021. Mr. Tan also serves as an independent director in ValueMax Group Limited, a company listed on the Mainboard of the SGX-ST under stock code T6I, which provides pawnbroking and secured moneylending services and retailing and trading of pre-owned jewellery and gold since January 2022. Mr. Tan served as an independent director in Catalist-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions from June 2016 to April 2019.

Mr. Tan is also a director of Spectra Secondary School since January 2022 and he also serve as a Vice President (Corporate Engagement and Careers) of Nanyang Technological University, Nanyang Business School Alumni Association Executive Committee, since October 2021.

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. Tung Wing Yee Winnie are the joint company secretaries of our Company during the year.

Ms. Gn Jong Yuh Gwendolyn（鄞鐘毓）, aged 51, 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. 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
Samurai 2K Aerosol Limited

Teo Cher Koon
Group companies
ISDN Holdings Limited
Agri Source Farms Sdn Bhd
Agri Source Pte Ltd
AR Biotech Pte. Ltd.
AR Robotics and Automation Pte. Ltd. *(formerly known as AR Technologies Pte. Ltd.)*
Cotrust System Co., Ltd
DBASIX Malaysia Sdn Bhd
DBASIX Singapore Pte Ltd
Dietionary Farm Holding Pte Ltd
Dietionary Farms Sdn Bhd
Dirak (Tianjin) Group Co., Ltd
Dirak Asia Pte Ltd
Dirak Taiwan Co., Ltd.
Eisele Asia Co., Ltd
Elementary Optomation (S) Pte Ltd *(formerly known as C True Vision Pte Ltd)*
ERST Asia Pacific Pte. Ltd.
Excel Best Industries (Suzhou) Co., Ltd
Gateway Motion (Shanghai) Co., Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
ISDN (Zhejiang) Precision Technology Co., Ltd.
ISDN Advanced Manufacturing Pte. Ltd. *(formerly known as ISDN Road & Belt Energy Pte. Ltd.)*
ISDN Bantaeng Pte Ltd
ISDN Energy (Cambodia) Co., Ltd.
ISDN Energy Pte. Ltd.
ISDN Enterprise Management (Wu Jiang) Co., Ltd.
ISDN Investments Pte Ltd
ISDN Software Business Pte. Ltd.
ISDN-NJ Software Business Co., Ltd.
Jin Zhao Yu Pte Ltd
JM Vision Technologies Co., Ltd
JM Vistec System Pte Ltd
Leaptron Engineering Pte Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor International Trading (Shanghai) Co., Ltd.
Maxon Motor SEA Pte. Ltd.
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
NovaPeak Pte. Ltd.
Performance Leadership Pte Ltd
Precision Motion Control Phils. Inc.
Prestech Industrial Automation Pte Ltd
Prima Infrastructure Sdn Bhd
PT Abantes Energi Indonesia
PT Alabama Energy
PT Charma Paluta Energy
PT Galang Hidro Energi
PT Karo Bumi Energi
PT Munte Bumi Energi
PT SDM Bahagia Sejahtera
PT Senina Hidro Energi
PT Simalem Bumi Energi
PT TDS Technology
Servo Dynamics (H.K.) Limited
Servo Dynamics (Thailand) Co., Limited
Servo Dynamics Philippines, Inc.
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Shanghai DBASIX M&E Equipment Co.,Ltd
Su Zhou Servo Dynamics Co., Ltd.
Suzhou Dirak Co., Ltd
Suzhou PDC Co., Ltd
TDS Technology (Thailand) Company Limited
Zhuzhou Dirak Technology Co., 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
Excel Best Industries (Suzhou) 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
Su Zhou Servo Dynamics Co., Ltd.
Shenzhen Servo Dynamics Co., Ltd
Shanghai DBASIX M&E Equipment Co.,Ltd
Suzhou PDC Co., Ltd
Weiyi M&E Equipment (Shanghai) Co., Ltd

Soh Beng Keng
Group companies
ISDN Holdings Limited

Tan Soon Liang
Group companies
ISDN Holdings Limited

Other companies
Clearbridge Health Limited
Choo Chiang Holdings Limited
GDS Global Limited
Colex Holdings Limited
ValueMax Group Limited

Toh Hsiang-Wen Keith
Group companies
ISDN Holdings Limited

Partner
Novo Tellus Capital Partners

Other companies
Novo Tellus Alpha Acquisition
SP Manufacturing Pte Ltd *(Appointed on 19 January 2023)*
Procurri Corporation Limited *(Alternate to Loke Wai San) (Resigned w.e.f 15 June 2022)*

KEY MANAGEMENT*

Mr. Lau Choon Guan (劉俊源), *aged 58, 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. Tay Geok Kee (鄭業基), *aged 60, Chief Technology Officer of our Group*

Mr. Tay joined our Group as a General Manager of ISDN Software Business Pte. Ltd. in May 2019 and subsequently promoted as a Chief Technology Officer of our Group, since January 2022. He is responsible on growing opportunities to grow ISDN's thought leadership and capability in Industry 4.0 technologies; deepen integration of ISDN's many technology offerings throughout Asia; and extend ISDN's market presence in software, cloud, and systems as the Group continues to expand its core business. From 2009 to 2019, Mr. Tay was the Technical Director of Aveva Software Singapore Pte. Ltd., lead a team of domain experts, who are based across the region responsible for working with regional sales leadership to support and contribute during the sales process through domain knowledge and expertise. In 2000, he joined Wonderware Singapore as a Technical Manager in charge of all pre and post sales technical activities. Mr. Tay obtained a Master of Science in Electrical Engineering from the National University of Singapore in April 1994 and a Bachelor of Science in Electrical Engineering from Ohio Northern University in March 1990.

Mr. Cheng Hock Kiang (鍾福強), *aged 54, 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 55, 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.

Ms. Ho Ting Wai Christine (何霆蔚), *aged 48, 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 since. She was also involved in the coordination, preparation of financial information and investors relations activities such as attending road shows and conference in the preparation of listing of the Company's shares on the Main Board of SEHK in January 2017. Ms. Ho has been promoted to Chief Financial Officer of the Group and will be responsible for the Group's accounting, finance, compliance, internal control, taxation and other related matters. She has more than 15 years of experience in auditing, accounting and corporate finance in private and listed companies in Singapore. Prior to joining the Group, she was formerly 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. She is a member of Institute of Singapore Chartered Accountants since 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

“The Group’s cash and bank balances remains robust at S$56.6 million as at 31 December 2022.”

BUSINESS REVIEW

In FY2022, the Group reported a decrease of 15.8% YoY in revenue to S$370.8 million, from S$440.1 in FY2021. The revenue decline can mainly be attributed to our industrial automation solutions segment, which decreased by 15.7% YoY in FY2022. It was impacted by COVID-19 lockdown measures in the PRC, headwinds in cyclical industries in the PRC (such as electronics, automotive) and the weaker RMB.

Consequently, the Group’s gross profit also decreased by 12% YoY to S$105.9 million, compared to S$120.4 million in FY2021. However, the gross profit margin increased by 1.2 percentage points to reach 28.6% in FY2022.

The Group’s core industrial automation solutions segment continued to contribute the majority of revenues, accounting for 97.9% of the Group’s total revenue. Geographically, the PRC continued to contribute the largest share of the Group’s total revenue by country, standing at 65.6%.

In FY2022, other operating expenses increased by S$4.8 million to S$7.4 million, primarily due to the net foreign exchange loss of S$5.9 million. Furthermore, finance costs also increased by S$2.0 million mainly arising from project financing from the engineering, procurement and construction (“**EPC**”) contractor for our mini-hydropower plant project in Indonesia. These factors resulted in a 40.9% YoY decline in net profit after tax as it dipped to S$23.1 million in FY2022, compared to S$39.1 million in FY2021.

While 2022 was a year characterised by short term headwinds and softness in our PRC market, we continued to increase our presence in other regional markets, such as Singapore. The Group is cognizant of the near-term headwinds but remains cautiously optimistic of the long-term growth prospects due to the two strong growth pillars from the industrial automation in Asia and clean energy business going forward.

The PRC government recently announced the easing of border and movement restrictions and moved away from its zero COVID-19 policy to revive industrial activities once again. The Group believes that this will contribute to a revival in economic activities in the economy and further augment business momentum. The current softness in the Chinese economy will be addressed through increased government investments and hence, push for adoption of next generation technologies to boost productivity. This increased momentum will drive the need for industrial automation solutions, providing a growth opportunity for ISDN in its largest geographical market.

The Group also announced that its first mini-hydropower plant received commercial operation date as of 31 December 2022. This is the first of many to come and the Group’s long-term vision of capturing the shift to clean energy has started gaining increasing traction. The Group is positive that the commercialisation of the other two mini-hydropower plants will also happen in 2023 and therefore, make meaningful contributions to the Group’s earnings in FY2023.

The Group’s cash and bank balances remains robust at S$56.6 million as at 31 December 2022. The Board has also proposed a final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per share for FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

As highlighted in the Business Review section, the Group has been impacted by weakness in cyclical sectors in 2022, with pullbacks in the electronics, semiconductors, and machine tools sectors all consistent with the overall industrial cycle in Asia.

The Group has analysed customer performance closely over the last year to separate structural changes in its market from cyclical effects. The Group believes over 90% of the revenue decline in FY2022 over FY2021 was driven by cyclical end-industries: electronics & semiconductors, machine tools, and research equipment. Structural changes in the PRC market should favour ISDN for long-term growth.

The Group believes the impact it experienced in FY2022 is consistent with the broad industry cycle across the PRC and Asia, noting that:

- Broad indicators of industrial production (such as the PRC's manufacturing PMI and industrial output) have demonstrated similar cyclical weakness through 2022; and
- ISDN has observed headwinds in the PRC's industrial growth stemming from rolling COVID-19 regional shutdowns, the global downcycle in consumer electronics, and weakness in industrial capex as manufacturing companies adopt a more cautious outlook on the global economy.
- Despite the cyclical impact in 2022, the Group believes that structural shifts in the PRC market over the past year have strengthened longer-term growth fundamentals for ISDN:
- The PRC has eased COVID-19 restrictions successfully, easing conditions for consumers and businesses to resume economic activity.
- The continuation of US-China trade tensions has strengthened the determination of the PRC's policymakers to advance domestic manufacturing and industrial automation.
- The PRC's industrial utilisation was already at 75.7% in Q42022 and is expected to rise further this year as economic activity resumes after COVID-19 easing and an early Lunar New Year in 2023, increasing prospects for capacity expansion.

As a result, the Group continues to see solid prospects for long-term growth in the PRC as both the public and private sectors continue to support industrial automation as a critical strategy to support economic growth for the PRC.

The Group was pleased to announce the commencement of commercial operations for the first of three hydropower plants in Indonesia. The Lau Biang 1 plant began commercial operations on 31 December 2022, and is expected to contribute S$2.0 million of annual recurring net profit to shareholders and S$2.9 million of annual recurring cash net profit to ISDN for the next 25 years.

The Group believes 2023 is a historic year for its clean energies business as it has transitioned into providing significant, recurring profits for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

	FY2022 S$'000	FY2021 S$'000	% change +/(-)
Industrial Automation Solutions			
Revenue	363,137	430,658	-15.7%
Gross profit	105,322	119,682	-12.0%
Gross profit margin	29.0%	27.8%	1.2 ppt
Construction Revenue			
Revenue	7,642	9,478	-19.4%
Gross profit	566	702	-19.4%
Gross profit margin	7.4%	7.4%	0 ppt
Total			
Revenue	370,779	440,136	-15.8%
Gross profit	105,888	120,384	-12.0%
Gross profit margin	28.6%	27.4%	1.2 ppt

The Group's revenue for FY2022 decreased by approximately S$69.4 million or 15.8% from S$440.1 million in FY2021 to S$370.8 million in FY2022.

Revenue from our industrial automation solutions segment decreased by S$67.5 million or 15.7% in FY2022, which was impacted by COVID-19 lockdown measures in the PRC coupled with weaker RMB currency and headwinds in cyclical industries in the PRC (such as electronics, automotive). Furthermore, the revenue from mini-hydropower plants in Indonesia was lower by S$1.8 million in FY2022.

Gross profit for FY2022 decreased by S$14.5 million or 12.0% as compared to corresponding period last year. However, for FY2022, the gross profit margin of the Group inched up by 1.2 percentage point from 27.4% to 28.6%.

Other operating income

For FY2022, other operating income decreased by S$5.5 million, or 61.6% to S$3.4 million. The decrease was mainly due to a one-time gain from the sale of office space in Singapore for S$2.2 million in FY2021, absence of net foreign exchange gain of S$2.2 million, decrease in technical services income of S$0.6 million, decrease in miscellaneous income of S$0.2 million, decrease in commission income of S$0.1 million, decrease in government grant of S$0.1 million and decrease in property management income of S$0.1 million.

Distribution costs

For FY2022, distribution costs decreased by $1.3 million, or 4.4% to S$28.7 million. The decrease was mainly due to decrease in staff and related costs and sales and marketing expenses of S$1.3 million arising from lower staff commission to sales personnel which is in line with the decrease in revenue and no accrued share-based payment. Furthermore, there was decrease in travelling expenses of S$0.1 million which is in line with the decrease in business activities; partially offset by the increase in office and other expenses of S$0.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to see solid prospects for long-term growth in the PRC as both the public and private sectors continue to support industrial automation as a critical strategy to support economic growth for the PRC.

Administrative expenses

For FY2022, administrative expenses decreased by S$3.2 million, or 7.6% to S$39.1 million was mainly arising from decrease in salary and related cost of S$3.2 million due to lower performance bonuses for executive Directors which is in line with the decrease of the Group's business performance and no accrued share-based payment.

Net impairment gains/(losses) on financial assets

Net impairment gains on financial assets of S$0.3 million in FY2022 was mainly due to reversal of impairment loss which following expected credit loss assessment and recovery of debts. Net impairment losses on financial assets of S$1.5 million in FY2021 was mainly due to impairment loss made for funding to investee companies.

Other operating expenses

In FY2022, other operating expenses increased by S$4.8 million to S$7.4 million. The increase was mainly due to net foreign exchange loss of S$5.9 million of which S$4.9 million was unrealised foreign exchange loss. The unrealised foreign currency losses were attributed to the unfavorable foreign currency fluctuations against financial assets and liabilities as well as the investments in subsidiaries by way of debts resulting from the depreciation of RMB against United States Dollar ("**USD**") and Singapore Dollar ("**S$**") and Indonesian Rupiah ("**IDR**") against USD. In addition, there was an increase in allowance for inventories obsolescence of S$0.2 million. This was partially offset by the absence of allowance for impairment loss on investment in an associate of S$0.6 million and loss on disposal of interest in an associate of S$0.1 million in FY2021. In addition, there was also decrease in other operating expenses of S$0.2 million, decrease in trade receivables written off of S$0.2 million, decrease in property, plant and equipment written off of S$0.1 million and inventories written off of S$0.1 million.

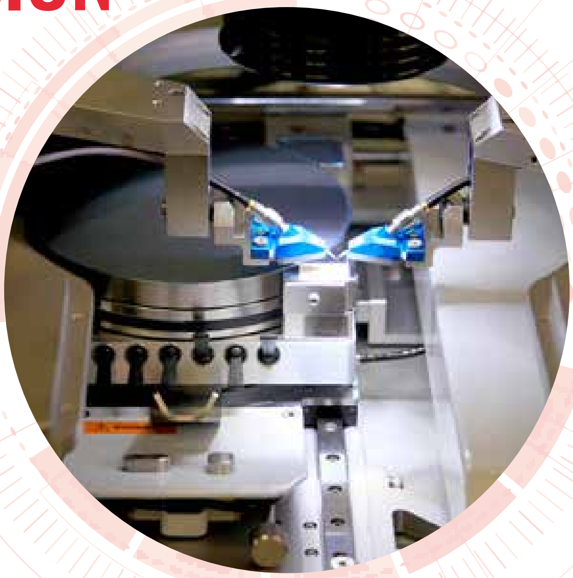
Finance costs

Finance costs increased by S$2.0 million for FY2022, as a result of project financing from the EPC contractor for our mini-hydropower plant project in Indonesia and higher bank interest rate.

Income tax expense

Income tax expense decreased by S$4.5 million, or 33.3% to S$8.9 million for FY2022. The decrease was mainly due to lower taxable profits.

MANAGEMENT DISCUSSION AND ANALYSIS



Property, plant and equipment

Property, plant and equipment decreased by S$4.5 million, or 6.6% as at 31 December 2022. The decrease was mainly due to depreciation charge of S$4.8 million and translation loss of S$3.7 million arising from the weakening of RMB against S$ in FY2022. This was partially offset by recognition of right-of-use assets of S$1.8 million, purchase of plant and machinery of S$0.8 million, purchase of furniture and fitting of S$0.6 million, renovation of leasehold properties of S$0.4 million, recognition of construction costs incurred of S$0.2 million for the construction of mini-hydropower plant in Indonesia and purchase of motor vehicles of S$0.2 million.

Associates

Interests in associates increased by S$0.9 million, or 17.5% as at 31 December 2022 mainly due to share of profit of associates of S$1.1 million; partially offset by declaration of dividend from associates of S$0.2 million.

Service concession receivables

Service concession receivables increased by S$7.6 million, or 11.0% to S$77.0 million as at 31 December 2022. This was mainly due to recognition of construction revenue of S$7.6 million from the construction of mini-hydropower plants under the service concession arrangement. 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.

Inventories

Inventories increased by S$3.6 million or 4.7% to S$81.2 million as at 31 December 2022 primarily due to the fulfilment of customer orders for the financial year ending 31 December 2023.

Trade and other receivables

Trade and other receivables decreased by S$17.4 million or 14.7% to S$101.1 million as at 31 December 2022 mainly due to decrease in trade receivables of S$16.2 million, decrease in sundry receivables of S$1.2 million, decrease in deposit of S$0.1 million and decrease in amount owing from non-controlling Interests ("**NCI**") of S$0.1 million; partially offset by increase in advances to trade suppliers of S$0.2 million.

Subsequent receipt of about S$22.0 million was received from customers as at 31 January 2023. The collection represented approximately 25.4% of trade receivables as at 31 December 2022.

Trade and other payables

Trade and other payables decreased by S$1.8 million or 1.8% to S$95.1 million as at 31 December 2022, which was mainly due to decrease in accrued operating expenses of S$1.4 million, decrease in other payables of S$1.1 million, decrease in accrual of construction cost relating to construction of mini-hydropower plants of S$1.1 million, decrease in trade payables and accrued salaries and bonuses of S$0.2 million and S$0.1 million, respectively. This was partially offset by loan from NCI of S$2.2 million for construction of mini-hydropower plants.

Contract liabilities

The decrease in contract liabilities of S$1.5 million or 7.6% to S$18.0 million was mainly due to decrease in advances received from customers for sales of goods largely from our PRC subsidiaries. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Bank borrowings (current and non-current)

Bank borrowings decreased by S$6.2 million or 15.6% to S$33.9 million as at 31 December 2022. The decrease was primarily due to repayment of bank borrowings (inclusive of trust receipts) of S$27.1 million and translation loss of S$1.2 million arising from the weakening of RMB against S$ in FY2022 offset by proceeds from bank borrowings of S$22.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

On 14 January 2022, the Company's indirect wholly-owned subsidiary, AR Technologies Pte. Ltd. ("**AR Technologies**") acquired 1 ordinary share representing 100% of the issued and paid-up share capital of ISDN NBA Resources Pte. Ltd. ("**ISDN NBA Resources**") from ISDN Resource Pte. Ltd. ("**ISDN Resource**"). ISDN Resource and AR Technologies are indirect wholly-owned subsidiaries of the Company. Following the completion of the acquisition, AR Technologies hold 1 ordinary share in the share capital of ISDN NBA Resources, which representing 100% of the issued and paid-up share capital of ISDN NBA Resources. The name of the ISDN NBA Resources had changed to AR Biotech Pte. Ltd. subsequently.

On 19 April 2022, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd ("**ISDN Investments**") acquired the remaining 49 ordinary shares in ISDN Road & Belt Energy Pte. Ltd. ("**ISDN Road & Belt**") from a minority shareholder at a consideration of S$1.00. Following the completion of the acquisition, the Company's effective interest in ISDN Road & Belt increased from 51% to 100%. The name of the ISDN Road & Belt had changed to ISDN Advance Manufacturing Pte. Ltd. subsequently.

On 30 May 2022, the Company's wholly-owned subsidiary, ISDN Investments acquired a total of 67,000 shares, representing 67% of the total share capital of PT TDS Technology ("**PT TDS**"), a company incorporated in Indonesia, from TDS Technoloy (S) Pte Ltd. Following the completion of the acquisition, the Group's effective interest in PT TDS increased from 36.7% to 67.0%.

On 1 July 2022, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") capitalised a sum of US$2,000,000 being part of the existing loan owned by Excel Best Industries (Suzhou) Co., Ltd ("**Excel Best**") to be applied towards MCG's additional capital injection ("**Capitalisation of Loan**") in Excel Best. The increase of share capital has been completed on 18 July 2022. Following the completion of the capitalisation of loan, the registered share capital of Excel Best increased from US$4,000,000 to US$6,000,000, representing 100% of the total registered capital of Excel Best.

On 11 July 2022, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") incorporated a 70% owned subsidiary in the PRC to be known as ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") with a registered capital of RMB10,000,000. ISDN Nanjing is principally engaged in the business of wholesale of computer hardware, software and auxiliary equipment, retail of computer software, hardware, auxiliary equipment, and information system.

On 18 July 2022, the Company's indirect wholly-owned subsidiary, AR Technologies changed its company name to AR Robotics and Automation Pte. Ltd..

On 24 August 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") had made a capital injection of RMB1,700,000 (equivalent to S$348,000) in a wholly-owned subsidiary, Bei Cheng Information Technology (Tianjin) Co., Ltd. ("**Bei Cheng Tianjin**") for working capital purpose (the "**BC First Capital Injection**").

On 30 August 2022, the Company's indirect wholly-owned subsidiary ISDN Software, had made a capital injection of RMB1,450,000 (equivalent to S$297,000) in a 70%-owned subsidiary, ISDN Nanjing for working capital purpose (the "**Nanjing First Capital Injection**").

On 5 September 2022, the Company's indirect wholly-owned subsidiary, ISDN Advance Manufacturing Pte. Ltd. changed its company name to ISDN Advanced Manufacturing Pte. Ltd..

On 19 September 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng had made a capital injection of RMB1,500,000 (equivalent to S$307,000) in a wholly-owned subsidiary, Bei Cheng Tianjin for working capital purpose (the "**BC Second Capital Injection**").

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 September 2022, the Company's indirect wholly-owned subsidiary ISDN Software, had made a capital injection of RMB1,000,000 (equivalent to S$202,000) in a 70%-owned subsidiary, ISDN Nanjing for working capital purpose (the "**Nanjing Second Capital Injection**"). Upon the completion of the Nanjing Second Capital Injection, the total paid-up share capital of ISDN Nanjing will be RMB2,450,000 (equivalent to approximately S$499,000).

On 22 November 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng had made a capital injection of RMB1,500,000 (equivalent to S$287,000) in a wholly-owned subsidiary, Bei Cheng Tianjin for working capital purpose (the "**BC Third Capital Injection**").

On 30 December 2022, the Company's wholly-owned subsidiary, MCG incorporated a 87% owned subsidiary in Singapore to be known as NovaPeak Pte. Ltd. ("**NovaPeak**") with a registered capital of S$200,000. NovaPeak is principally engaged in the business of Industrial automation, drone service, big data analytic, consultancy and training services.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2022, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2022, cash and bank balances amounted to approximately S$56.6 million decreased by approximately 8.3% as compared from S$61.7 million as at 31 December 2021. The quick ratio of the Group was approximately 1.1 times (31 December 2021: 1.2 times).

As at 31 December 2022, the Group has long and short-term bank borrowings of approximately S$33.9 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S$23.8 million (31 December 2021: S$27.4 million) while the bank borrowings due after one year amounted to approximately S$10.1 million (31 December 2021: S$12.8 million).

The first of three hydropower plants of the Group in Indonesia, Lau Biang 1 plant began commercial operations on 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, the weighted average effective interest rate on bank borrowings is 4.5% (31 December 2021: 3.1%) per annum. The Group obtained the Temporary Bridge Loan (the "**TBL**") of S$5.0 million in financial year ended 2021 which was initiated by the Singapore government to help local companies' working capital needs. The term of the TBL is 5 years with fixed interest rate at 2.65% per annum. Other than the above, the Group does not have fixed rate bank borrowings as at 31 December 2022 and 31 December 2021. Together with the obligation under finance leases of approximately S$0.2 million (31 December 2021: S$0.4 million), the Group's total borrowings amounted to S$34.1 million (31 December 2021: S$40.5 million).

GEARING RATIO

During FY2022, the gearing ratio of the Group was about 17.2% (31 December 2021: 20.5%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total Shareholders' equity (excluding NCI).

The decrease in gearing ratio was mainly due to the decrease in bank borrowings.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the FY2022. 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, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the FY2022, the Group 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 USD. The Group has currency exposure as certain sourced parts and components incurred in the PRC were denominated in RMB. Certain of the 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 FY2022, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During FY2022, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S$2,282,000 (2021: S$6,842,000).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, there were 1,124 (2021: 1,052) 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.

On 2 November 2022, the ISDN ESOS 2016 was terminated with immediate effect as certain terms of the ISDN ESOS 2016 would be inconsistent with the SEHK Listing Rules with effect from 1 January 2023.

The ISDN PSP 2012 had expired and lapsed on 16 February 2022. On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022. There are no outstanding share awards issued under the ISDN PSP 2022.

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares were granted under the ISDN PSP 2022 to selected employees of the Group who are not related to any director, chief executive and substantial shareholder (and each of their associates), based on their past performance in 2021 and who has served the Group for over 10 years. The share awards to the grantees is for the purpose of recognising and rewarding their contribution to the Group in FY2021 under such difficult economic environment and fostering a culture of ownership within the Group so as to incentivise the grantees to remain in the Group for the Group's future development. The total number of shares available for future grant under the ISDN Performance Share Plan 2022 would be 41,033,853.

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 FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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 FY2022.

Charge on the Group's Assets

As at 31 December 2022, the Group's bank deposits, service concession receivable, net book value of property, plant and equipment and land use rights of approximately S$2.4 million, S$77.0 million, S$19.6 million and S$1.1 million, respectively (31 December 2021: S$2.7 million, S$69.4 million, S$21.7 million and S$1.2 million) were pledged to banks to secure banking facilities granted to the Group.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per ordinary share for FY2022.

The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting ("**AGM**") to be held on Friday, 28 April 2023 at 9:30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on or about Friday, 25 August 2023 to the Shareholders whose names shall appear on the register of members of the Company on Friday, 7 July 2023.

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 Stock Exchange 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 Tuesday, 18 July 2023. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Friday, 25 August 2023.

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200416788Z

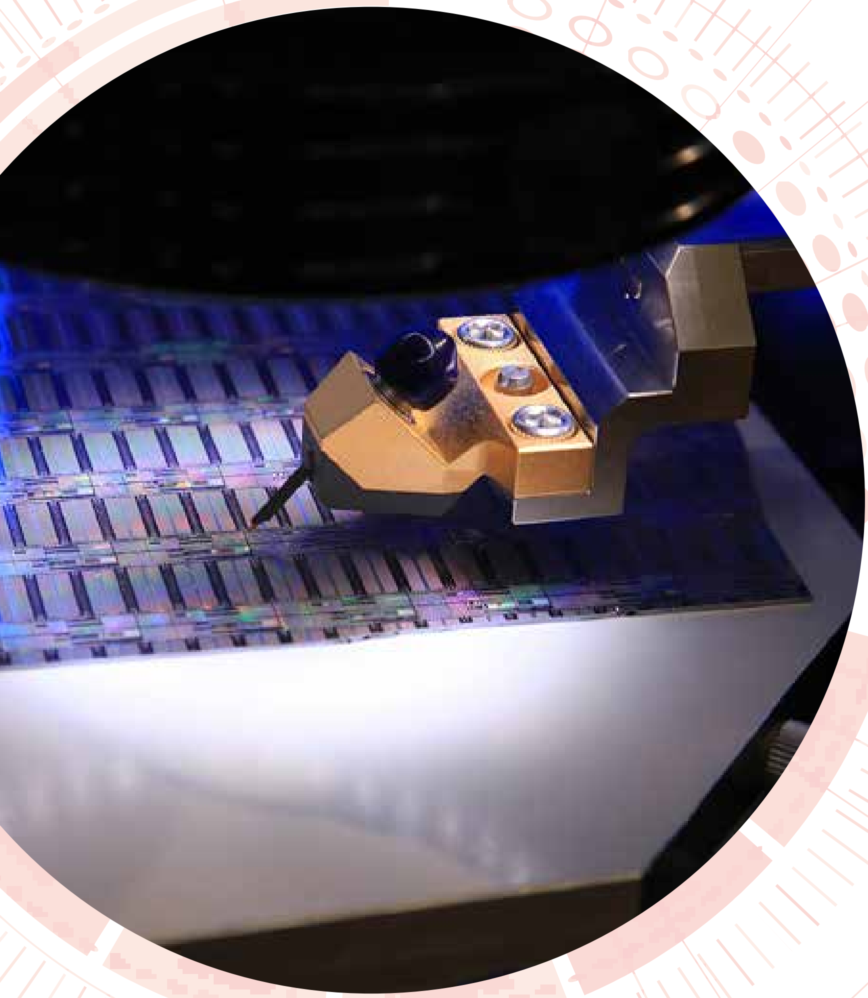
BOARD OF DIRECTORS
Lim Siang Kai *(Chairman)*
Teo Cher Koon
Kong Deyang
Soh Beng Keng
Tan Soon Liang
Toh Hsiang-Wen Keith

REGISTERED OFFICE
101 Defu Lane 10
Singapore 539222

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

Tung Wing Yee Winnie
(FCPA, CPA (Aust.))
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
1 Harbourfront Avenue
Keppel Bay Tower, #14-07
Singapore 098632

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
Appointment since the financial year ended 31 December 2019
Number of Years in-charge: 4

CORPORATE GOVERNANCE REPORT

The Board is committed to ensure that the highest standards of corporate governance are practiced throughout the Company and the Group as a fundamental part of its responsibilities to protect and enhance Shareholders' 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 and last amended on 11 January 2023 (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 FY2022 with specific references made to each of the principles and the accompanying provisions to each principle 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.

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 FY2022.

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 the 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, to establish and promulgate the Group's values and standards, and to enhance and protect long-term returns and value for Shareholders. In addition to 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 performance of the management of the Group (the "**Management**"), oversees the management of the Group's business affairs, conducts periodic reviews of the Group's financial performance, and implements policies relating to financial matters, which include risk management, internal controls, sustainability issues and compliance.

In accordance with D.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. As of the date of the independent auditor's report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

All Directors must objectively make decisions in the interests of the Group as fiduciaries, and hold the Management accountable for performance. The Board has established a code of conduct and ethics, expressed appropriate tone-from-the-top and desired organisational culture, and ensured proper accountability within the Company. Directors facing a conflict of interest must recuse themselves from discussions and decisions involving the issue of conflict.

The Directors of the Company are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Teo Cher Koon	64	28/12/2004	29/04/2022	Executive Director, Managing Director and President
Kong Deyang	62	26/09/2005	30/04/2021	Executive Director
Toh Hsiang-Wen Keith	48	10/05/2019	29/06/2020	Non-executive Director
Lim Siang Kai	66	26/09/2005	30/04/2021	Independent Non-executive Director and Chairman
Soh Beng Keng	69	26/09/2005	29/06/2020	Independent Non-executive Director
Tan Soon Liang	50	18/08/2016	29/04/2022	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 seeks to appoint Directors with accounting, legal, or industry-specific skills required to work effectively with the Management and advance the interests of Shareholders. The Board makes training courses and seminars available to all Directors, both upon appointment and as a matter of continuing education. Upon appointment, Directors are 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 them 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 and by the Company's advisers. 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 FY2022, the Directors were provided information and updates on the 2018 Code and the Practice Guidance.

CORPORATE GOVERNANCE REPORT

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 C.1.4 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 FY2022. In FY2022, all the Directors have completed the mandated sustainability training courses organised by the Singapore Institute of Directors as required by the enhanced SGX sustainability reporting rules. All the Directors have provided their training records for FY2022 to the Company.

According to the records maintained by the Company, the Directors received the following training regarding roles, functions 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 FY2022:

Executive Directors	
Teo Cher Koon	Sustainability training and reading materials
Kong Deyang	Sustainability training and reading materials
Non-executive Director	
Toh Hsiang-Wen Keith	Sustainability training and reading materials
Independent Non-executive Directors	
Lim Siang Kai (Chairman)	Sustainability training and reading materials
Soh Beng Keng	Sustainability training and reading materials
Tan Soon Liang	Sustainability training and reading materials

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 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.

CORPORATE GOVERNANCE REPORT

The details of the Board Committees are set out below:

(i) Nominating Committee (Principle 4);

(ii) Remuneration Committee (Principle 6);

(iii) Audit Committee (Principle 10); and

(iv) Risk Management Committee (Principle 9).

The attendance of the Directors at the formal Board and Board Committees meetings held during FY2022 are as follows:

			Board Committees							
	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee	
Name of Director	**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	5	5	4	4	1	1	2	2	1	1
Kong Deyang	5	4	4	4	1	1	2	1	1	1
Lim Siang Kai	5	5	4	4	1	1	2	2	1	1
Soh Beng Keng	5	5	4	4	1	1	2	2	1	1
Tan Soon Liang	5	5	4	4	1	1	2	2	1	1
Toh Hsiang-Wen Keith	5	5	4	4	1	1	2	2	1	1

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 Committees meetings. The NC conducts an annual review on whether a Director with multiple Board representations adequately carried out his duties as a Director of the Company, based on internal guidelines. Further 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 notice and 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.

During the year under review, the Company held five regular Board meetings as required under the code provision C.5.1 of the HK CG Code. Board meetings were held to consider and approve, among other things, the annual results and interim results of the Group.

CORPORATE GOVERNANCE REPORT

The draft agenda of each Board meeting is provided in advance to all Directors, together with the notice of each Board meeting. The Directors may then contribute any additional agenda items for discussion at each upcoming 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.

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 secretaries is a matter for the Board to decide as a whole. The joint company secretaries or her representative administers, attends and prepares minutes of the Board and Board Committees 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 Board comprises 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	29/04/2022	-	Member	-	-
Kong Deyang	Executive Director	26/09/2005	30/04/2021	-	-	-	-
Toh Hsiang-Wen Keith	Non-executive Director	10/05/2019	29/06/2020	-	-	-	-
Lim Siang Kai	Independent Non-executive Director	26/09/2005	30/04/2021	Chairman	Member	Member	Chairman
Soh Beng Keng	Independent Non-executive Director	26/09/2005	29/06/2020	Member	Chairman	Member	Member
Tan Soon Liang	Independent Non-executive Director	18/08/2016	29/04/2022	Member	-	Chairman	Member

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

CORPORATE GOVERNANCE REPORT

1. Independence

The independence of each Director is reviewed annually by the NC, in accordance with Rule 210(5)(d) of the SGX-ST Listing Manual (where applicable), Provision 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules. Pursuant to Provision 2.1 of the 2018 Code, 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 corporations, its substantial Shareholders (a shareholder who has an interest in one or more voting shares (excluding treasury shares) in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the Company, in line with the definition set out in section 2 of the Securities and Futures Act 2001 of Singapore) 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. No individual or small group of individuals is allowed to dominate the Board's decision-making.

Pursuant to Rules 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual, the Board and the NC consider that a director is not independent under any of the following circumstances:

(i) if he/she is employed or has been 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/she 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.

Rule 210(5)(d)(iv) of the SGX-ST Listing Manual provides that a Director will not be independent if he/she has been a director of the Company for an aggregate period of more than nine (9) years (whether before or after listing), such Director may continue to be considered independent until the conclusion of the next AGM of the Company. Rule 210(5)(d)(iv) takes effect for a Company's AGM for the financial year ending or after 31 December 2023.

Pursuant to B.2.3 of the HK CG Code, if an Independent Non-executive Director has served more than nine (9) years, such Director's further appointment should be subject to a separate resolution to be approved by Shareholders. The papers to Shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the Director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.

Mr. Lim Siang Kai and Mr. Soh Beng Keng were appointed as Independent Non-executive Directors on 26 September 2005 and have served as Independent Non-executive Directors for more than 15 years. Mr. Lim Siang Kai's and Mr. Soh Beng Keng's appointment as Independent Directors were subject to re-election pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which were duly approved at the AGM of the Company held on 30 April 2021. As there are amendments to the SGX-ST Listing Rules (Mainboard) to prescribe a nine (9-year) limit for independent directors, Rule 210(5)(d)(iii) is abolished with immediate effect. During this Transitional Period[1] so long Mr. Lim Siang Kai meets the requirements in Rule 210(5)(d)(i) and Rule 210(5)(d)(ii), he can continue to be an Independent Director but he will be required to step down from the Board or be designated as Non-Independent Director no later than at the AGM held in April 2024. The same applies to Mr. Soh Beng Keng provided that he is re-elected at the AGM 2023.

[1] The Transitional Period refers to the transitional arrangements for the application of Rule 210(5)(d)(iv) between 11 January 2023 and the date of the issuer's AGM for the financial year ending on or after 31 December 2023 as illustrated in the SGX Transitional Practice Note 4.

CORPORATE GOVERNANCE REPORT

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 B.2.3 of the HK CG Code. The Board, in consultation with the NC considers 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 Board notes that Mr. Lim Siang Kai and Mr. Soh Beng Keng have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Non-executive Directors with the utmost commitment in upholding the interest of the non-controlling Shareholders. Mr. Lim Siang Kai and Mr. Soh Beng Keng have expressed individual viewpoints, debated issues, and objectively scrutinised and challenged the Management. Mr. Lim Siang Kai and Mr. Soh Beng Keng have sought clarification as and when they deemed necessary, and have direct access to the Management. As such, the Board believes that the continued appointment of Mr. Lim Siang Kai and Mr. Soh Beng Keng as Independent Non-executive Directors will contribute to the stability and diversity of the Board, notwithstanding their tenure on the Board.

Accordingly, the NC has reviewed and determined that Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang are independent in accordance with the SGX-ST Listing Manual, the 2018 Code and the SEHK Listing Rules and are able to exercise independent judgement.

Pursuant to Code Provision B.1.4 of the HK CG Code to the SEHK Listing Rules, the Board is required to establish mechanism(s) to ensure independent views and input are available to the Board. The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing objective and effective decision-making.

The following mechanisms are reviewed annually by the Board, through its NC, to ensure its effectiveness:

1. The Board must have at least two Non-executive Directors who are independent and free of any material business or financial connection with the Company. The Board shall ensure that at least one-third of its members being Independent Non-executive Directors.

2. The NC will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-executive Director before appointment and also the continued independence of existing Independent Non-executive Directors. On an annual basis, all Independent Non-executive Directors are required to complete a Director's independence checklist to confirm his independence, in accordance with Rule 210(5)(d) of the SGX-ST Listing Manual (where applicable), Provision 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules, and disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. The NC will conduct the performance evaluation of the Independent Non-executive Directors annually to assess their contributions.

4. All Directors are encouraged to express freely their independent views and constructive challenges during the Board meetings.

CORPORATE GOVERNANCE REPORT

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 the SGX-ST Listing Manual, Provision 2.1 of the 2018 Code and Rule 3.13 of the SEHK Listing Rules. The Company considers all Independent Non-executive Directors 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 FY2022. 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 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.

In addition, pursuant to the new requirements of Rule 210(5)(c) of the SGX-ST Listing Manual which came into effect on 1 January 2022, the Board must have at least two Non-executive Directors who are independent and free of any material business or financial connection with the Company. Independent Directors must comprise at least one-third of the Board. In the event of any retirement or resignation which renders the issuer unable to meet any of the foregoing requirements, the Company should endeavour to fill the vacancy within two months, but in any case not later than three months.

As at the date of the independent auditor's 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.

As at the date of the independent auditor's 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.

2. Diversity

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 comprises 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.

CORPORATE GOVERNANCE REPORT

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.

In general, male talents with industrial automation and engineering solutions as well as renewable energy industries are outnumbered females. However, the Company still managed to attract female talents and maintained an approximately workforce gender ratio of 2:1 (male : female) in FY2022. Details of employees' diversity is disclosed in the section headed B.1 Employment - Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**"). To achieve Board gender diversity, the Company is contemplating to appoint at least one female director on the Board no later than the financial year ending 31 December 2024.

The Independent Non-executive Directors and the 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, the Independent Non-executive Directors and the Non-Executive Director have met once without the presence of the Management during FY2022. The chairperson of such meetings provides feedback to the Board and/or Chairman as appropriate.

The Company complied with Code Provision C.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 the 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 Director and 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 Director and Chairman) and Mr. Teo Cher Koon (the Managing Director and President).

Mr. Lim Siang Kai, the Independent Non-executive Director and 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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2022, the NC held one (1) meeting and 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) recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM.

Nomination 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.

CORPORATE GOVERNANCE REPORT

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/her duties as a Director of the Company, taking into consideration the number of listed company board representations he/she 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.

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 accordance with Regulation 89 of the Company's Constitution, Mr. Toh Hsiang-Wen Keith and Mr. Soh Beng Keng (collectively, the "**Retiring Directors**"), shall retire at the forthcoming AGM.

The NC recommended that the Retiring Directors be nominated for re-election at the forthcoming AGM. In reviewing the nomination of the Retiring Directors, the NC evaluated each of their performance and contributions during FY2022, having considered their attendance and participation at Board and Board Committees meetings as well as time and effort devoted to the Group's business and affairs.

The Board has accepted the NC's recommendation; and the Retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

For good corporate governance, the Retiring Directors have abstained from voting at the relevant Board meeting on the respective resolutions in relation to their re-election as Directors.

Please refer to pages 58 to 66 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 and received the annual confirmation of independence of Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang for FY2022 and has confirmed that these Independent Non-executive 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 FY2022.

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 entitled "*Directorship*" of this annual report for a list of the listed company directorships and principal commitments of each Director of the Company.

The NC ensures that new Directors are aware of their duties and obligations. The NC also determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his 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. Tung Wing Yee Winnie ("**Ms. Tung**") during FY2022. 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. Ms. Tung, 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 with effect from 28 February 2020.

CORPORATE GOVERNANCE REPORT

For FY2022, Ms. Tung and Ms. Gn have 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, chief financial officer of the Company.

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

According to the 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 established 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 each 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 Committees meetings;

(iii) Participation at Board/Board Committees meetings;

(iv) Commitment to Board activities;

(v) Board performance in discharging principle functions including enhancing long-term Shareholder value;

(vi) Board Committees 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.

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 are reviewed and discussed 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, to appoint new Director(s) to the Board or to seek the resignation of existing 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 FY2022. 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.

The role of the RC is to review and recommend remuneration policies and packages for Directors and key management personnel 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 management personnel;

(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 management personnel whilst linking rewards to the Group or corporate and individual performance;

CORPORATE GOVERNANCE REPORT

(iv) ensure adequate disclosure on Directors' remuneration;

(v) review and administer the ISDN ESOS and employee performance share plan (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;

(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 E.1.5 of the HK CG Code, the remuneration of the executive officers/senior management by band for the FY2022 is set out below:

	2022	**2021**
	Number of Individuals	
S$0 to S$100,000	-	1
S$100,001 to S$200,000	1	1
S$200,001 to S$300,000	1	1
S$300,001 to S$400,000	2	1
S$400,001 to S$500,000	-	1
S$500,001 to S$600,000	1	-
S$700,001 to S$800,000	-	1
	5	**6**

Details of the remuneration of each Director and the five (5) individuals with the highest emoluments in the Group for FY2022 are set out in Note 9 of the consolidated financial statements.

The RC comprises three (3) Independent Non-executive Directors, one (1) 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 FY2022, the RC held two (2) meetings and has reviewed 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.

CORPORATE GOVERNANCE REPORT

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 FY2022.

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 FY2022 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, performance and value creation.

Policy and criteria for setting remuneration

The Company's compensation structure for its Directors and key management personnel 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 key 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).

CORPORATE GOVERNANCE REPORT

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 FY2022 relating to their remuneration packages.

Details of the level and mix of the remuneration and fees paid to the Directors for FY2022 are set out below:

	Basic Salary	Director Fees	Bonus	Benefits-in-kind	Retirement benefit scheme contribution	Fair value share of options granted	Total
	%	%	%	%	%	%	%
Executive Directors							
S$4,000,001 to S$4,500,000							
Teo Cher Koon	33	-	66	1	-	-	100
S$700,001 to S$750,000							
Kong Deyang	8	-	86	6	-	-	100
Non-executive Director							
Below S$100,000							
Toh Hsiang-Wen Keith(1)	-	100	-	-	-	-	100
Independent Non-executive Directors							
Below S$100,000							
Lim Siang Kai	-	100	-	-	-	-	100
Soh Beng Keng	-	100	-	-	-	-	100
Tan Soon Liang	-	100	-	-	-	-	100

Note:

(1) FY2022 Director’s fee was paid to Novo Tellus Capital Partners Pte Ltd.

Please refer to Note 9 of the consolidated financial statements for further details on the remuneration and fees paid to the Directors.

CORPORATE GOVERNANCE REPORT

For FY2022, the Company identified five (5) key management personnel (who are not Directors or the President of the Company). The details of remuneration paid to the five (5) key management personnel (who are not Directors or the President of the Company) for FY2022 is disclosed below:

	Salary	Bonus	Director Fees[(1)]	Other Benefits	Total
	%	%	%	%	%
S$550,001 to S$600,000					
Lau Choon Guan[(1)]	92	2	4	2	100
S$350,001 - S$400,000					
Cheng Hock Kiang[(1)]	54	2	41	3	100
S$300,001 - S$350,000					
Ho Ting Wai Christine	70	30	-	-	100
S$200,001 - S$250,000					
Tay Geok Kee	91	5	-	4	100
S$100,001 - S$150,000					
Wong Kwok Whye Peter	90	-	-	10	100

Note:

(1) Mr. Lau Choon Guan and Mr. Cheng Hock Kiang received Directors' fees in his capacity as a Director of a subsidiary of the Company.

The aggregate amount of the total remuneration paid to the top five (5) key management personnel (who are not Directors) of the Company was S$1,648,000 in FY2022. As far as the Company is aware, the remuneration of the key management personnel is in line with industry practices.

The Board has considered Provision 8.1 of the 2018 Code, and after careful deliberation, has decided that disclosure of details in excess of the above may be detrimental to its business interests, given the highly competitive industry conditions, where poaching has become commonplace. The Group, with its main operations currently in Singapore and the PRC, sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure of each Director's and key management personnel's remuneration above best preserves the business interests of the Group, and is sufficient to address the concerns of stakeholders in this area.

Details of the remuneration of the Directors and the five (5) highest paid employees as required to be disclosed pursuant to Appendix 16.25 to the SEHK Listing Rules are set out in Note 9 of the consolidated financial statements.

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 FY2022.

CORPORATE GOVERNANCE REPORT

The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a Director whose remuneration exceeds S$100,000 for FY2022:

	Salary	Bonus	Director Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin[(1)]	79	16	-	5	100

Note:

(1) Ms. Thang Yee Chin is a Director of twenty-six (26) 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 between S$350,001 to S$400,000 for FY2022.

Save for the above, there are no other employees who are substantial Shareholders of the Company, or who are immediate family members of a Director or a substantial Shareholder of the Company, and whose remuneration exceeded S$100,000 in FY2022.

ISDN Performance Share Plan

The Company has implemented the ISDN PSP on 17 February 2012, which shall be valid and effective for a period of 10 years from the date of adoption until 16 February 2022. The amendments to the ISDN PSP were approved by Shareholders on 16 December 2016.

Since the implementation of the ISDN PSP, no awards have been granted to the Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee of the Group has received 5% or more of the total number of awards available under the ISDN PSP. There are no outstanding share awards issued under the ISDN PSP.

The ISDN PSP has expired and lapsed on 16 February 2022.

ISDN Employee Share Option Scheme 2016

The Company has implemented the ISDN ESOS on 22 April 2016, which shall be valid and effective for a period of 10 years from the date of adoption until 22 April 2026.

Since the implementation of the ISDN ESOS, no share options have been granted to the Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee of the Group has received 5% or more of the total number of share options available under the ISDN ESOS.

The ISDN ESOS was terminated on 2 November 2022.

CORPORATE GOVERNANCE REPORT

ISDN Performance Share Plan 2022

The Company has implemented the ISDN PSP 2022 on 31 January 2023, which shall be valid and effective for a period of ten (10) years from the date of adoption until 30 January 2033.

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares were granted and vested under the ISDN PSP 2022 to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six (6) months.

No awards have been granted to the Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee of the Group has received 5% or more of the total number of awards available under the ISDN PSP 2022.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls (including those relating to the Group's Environmental, Social and Governance risk, performance and reporting), 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;

CORPORATE GOVERNANCE REPORT

(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.

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, the AC and the RMC will be responsible for (a) monitoring the Group's risk of becoming subject to, or violating, any sanctions-related law or regulation; and (b) ensuring timely and accurate disclosures to SGX-ST and other relevant authorities.

The Board will, in line with the Regulator's Column released by the SGX-ST on 7 March 2022 titled "*What SGX expects of issuers in respect of sanctions-related risks, subject or activity*" in reviewing the adequacy and effectiveness of the internal controls and risk management systems, ensure that there are adequate safeguards to address and mitigate any financial, operating and compliance risks, including sanctions-related risks.

CORPORATE GOVERNANCE REPORT

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 who are responsible, that the Group's risk management systems and internal control systems are effective and adequate.

During FY2022, the RMC held one (1) 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.

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.

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 and the AC are satisfied 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 2022.

Principle 10: Audit Committee

The Board has an AC 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 Group'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.

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) reviewing 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) reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems at least annually;

(iii) reviewing the assurance from the President and CFO on the financial records and financial statements;

CORPORATE GOVERNANCE REPORT

(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) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

(vi) reviewing 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.

In addition to the above, the AC and the RMC will assess whether there is a need to obtain independent legal advice or appoint a compliance adviser in relation to the sanctions-related risks applicable to the Company and continuously monitor the validity of the information provided to Shareholders and the SGX-ST.

The Company has set out its whistle-blowing policy on its intranet. The Company has designated an independent function to investigate whistleblowing reports made in good faith. Depending on the nature of the concern raised, an investigation may be conducted involving one or more the following persons – the AC, internal auditors, external auditors or the forensic professionals and if necessary, reports will be made to the police or the Commercial Affairs Department.

The Company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC. During FY2022 till the date of this annual report, there were no reports received through the whistleblowing mechanism.

CORPORATE GOVERNANCE REPORT

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 reporting or other matters. The AC will ensure that the whistleblower is protected against detrimental or unfair treatment.

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.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for FY2022 is disclosed under Note 8 of the consolidated financial statements. There were no non-audit fees paid or payable to the Company's auditors during FY2022. The AC has reviewed the audit services rendered by the external auditors for FY2022 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired.

The Company confirms compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of auditing firms for the Group. Moore Stephens is registered with the Accounting and Corporate Regulatory Authority of Singapore and has been appointed as the external auditors of the Company and its Singapore-incorporated subsidiaries and significant associated companies. Member firms of Moore Global Network Limited have been engaged for the audit of the Group's significant foreign-incorporated subsidiaries.

During FY2022, the AC held four (4) meetings, *inter alia*, to approve the results announcements and the financial statements of the Group, the AC discussed with the external auditors on the identified key audit matters and reviewed 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 the Management in relation to those identified key audit matters.

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.

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

The AC 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 the independent auditor's 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 recent and relevant accounting or related financial management expertise or experience.

CORPORATE GOVERNANCE REPORT

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.

None of the AC members was a former partner or Director of the Company's existing auditing firm or auditing corporation (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or Director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

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 FY2022, the Company outsourced its internal audit function to Wensen Consulting Asia (S) Pte. Ltd. ("**WCA**"). WCA is headed by the Managing Director Mr. Edward Yap, who is a member of Malaysian Institute of Accountants (MIA), member of Institute of Singapore Chartered Accountants (ISCA), Fellow Member of the Association of Certified Chartered Accountants (FCCA) and Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). Further, assisted by engagement Director who has more than ten (10) years of experience in risk management and risk-based internal audit services. The internal audit function and its activities are carried out in accordance with the Internal Auditing Standards set forth in the International Professional Practices Framework issued by the Institute of Internal Auditors. The appointed internal auditor reports directly to the AC with an independent assessment on the adequacy and effectiveness of the Group's internal control system. WCA conducted an internal audit in FY2022 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 FY2022, 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 2023.

The AC will meet with the external auditors without the presence of the Management at least once a year 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND ENGAGEMENT

Principle 11: Shareholders' 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.

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 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 Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of Shareholders, amongst other factors.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The 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.

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.

CORPORATE GOVERNANCE REPORT

The Directors' attendance at the general meetings of the Company held in FY2022 are set out in the table below:

	AGM	
Name of Director	**No. of Meetings Held**	**No. of Meetings Attended**
Teo Cher Koon	1	1
Kong Deyang	1	1
Toh Hsiang-Wen Keith	1	1
Lim Siang Kai	1	1
Soh Beng Keng	1	1
Tan Soon Liang	1	1

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 the 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 the 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.

For the forthcoming AGM, minutes of the AGM, which will include substantial comments or queries from Shareholders and responses from the Board and the Management, will be published on SGXNET, the Company's corporate website and the website of the SEHK within one month after the AGM.

CORPORATE GOVERNANCE REPORT

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. For FY2022, the Company has declared a first and final tax-exempt (one-tier) dividend of 0.80 Singapore cents (equivalent to approximately 4.70 Hong Kong cents) per ordinary share.

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.

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

(i) 21 clear days' 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 (http://www.isdnholdings.com/) where Shareholders and the public may access information on the Group.

CORPORATE GOVERNANCE REPORT

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 published on the Company's corporate website as soon as practicable.

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/investor-relations 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 101 Defu Lane 10, Singapore 539222. 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 101 Defu Lane 10, Singapore 539222. 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.

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 half-yearly results and an analysts' briefing of its full year results. The half-yearly 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.

CORPORATE GOVERNANCE REPORT

The detailed investor relation calendar for the 2022 fiscal year is set out in the table below:

Period	Event
1st Quarter 2022 (January – March 22)	• 2021 Full Year Financial Results Announcement, and Press Release • Conference calls, meetings with analysts and investors
2nd Quarter 2022 (April – June 22)	• Business and earnings update for 1Q2022 • AGM • Environmental, Social and Governance Report 2021 • Conference calls, meetings with analysts and investors
3rd Quarter 2022 (July – September 22)	• 1H2022 Financial Results Announcement, and Press Release • Payment of 2021 Final Dividend by cash and scrip dividend • Conference calls, meetings with analysts and investors
4th Quarter 2022 (October – December 22)	• Business and earnings update for 3Q2022 • Conference calls, meetings with analysts and investors

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 FY2022 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 consolidated 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.

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 two (2) times a year 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 FY2022, 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 FY2022.

CORPORATE GOVERNANCE REPORT

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

Dealing in Company's Securities

In compliance with the best practices on dealings in securities set out in 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.

The Company has adopted 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**") as its own code of conduct governing the securities transactions by the Directors. 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 FY2022.

Directors, officers 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. Officers are advised not to deal in the Company's securities on short-term considerations.

Directors, officers and employees are also prohibited from dealing in the Company's securities during the period commencing 30 days before the announcement of the Company's half-yearly financial statements and 60 days before the announcement of the Company's full-year financial statements or, if shorter, the period from the end of the relevant financial period/year up to the publication date of the 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.

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 Group's utilisation of net proceeds of approximately S$10,415,000 (after deducting expenses of approximately S$263,500) from the Placement is set out below:

Prospects/Future Plans	Amount of net proceeds allocated	Amount utilised from 08/05/2013 to 31/12/2022	Amount utilised during FY2022	Amount unutilised as at 31/12/2022	Expected timeline of full utilisation of unutilised proceeds
	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 2026
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	-	6,100	December 2026
Exploration of power plant opportunities	2,000	2,000	-	-	N/A
Total	**10,415**	**3,700**	**-**	**6,715**	

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

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

Use of net proceeds from the issue of 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 ("**NTSP**") on 27 February 2019 (the "**Subscription**").

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 is set out below:

Prospects/Future Plans	Amount of net proceeds allocated	Amount utilised from 27/02/2019 to 31/12/2022	Amount utilised during FY2022	Amount unutilised as at 31/12/2022	Expected timeline of full utilisation of unutilised proceeds
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Business development	4,770	289	-	4,481	December 2026
General working capital[1]	530	530	-	-	N/A
Total	**5,300**	**819**	**-**	**4,481**	

CORPORATE GOVERNANCE REPORT

Note:

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

Corporate Governance Functions

The Board has been and is performing the corporate governance duties set out in Code Provision A.2.1 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 this annual 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.

CORPORATE GOVERNANCE REPORT

Changes in the Company's Constitutional Documents

During FY2022, there were no changes in the Company's Constitutional Documents.

However, the Company's Constitution was amended by special resolution at an extraordinary general meeting held on 31 January 2023. The amendments to the Constitution are set out in the circular of the Company dated 22 December 2022.

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

Additional Information on Directors Seeking Re-election

	Name of Director	
Details	**Toh Hsiang-Wen Keith**	**Soh Beng Keng**
Date of Appointment	10/05/2019	26/09/2005
Date of last re-appointment (if applicable)	29/06/2020	29/06/2020
Age	48	69
Country of principal residence	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. 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.	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.
Whether appointment is executive, and if so, the area of responsibility	Appointment: Non-executive Director	Appointment: Independent Non-executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive Director	Independent Non-executive Director, member of the AC, RC, and RMC, and chairman of the NC.
Professional qualifications	Bachelor of Science in Electrical Engineering from Stanford University	Bachelor of Commerce (Accountancy) from Nanyang University Fellow of the Institute of Singapore Chartered Accountants

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Toh Hsiang-Wen Keith	**Soh Beng Keng**
Working experience and occupation(s) during the past 10 years	SP Manufacturing Pte Ltd Chairman (2023 – Present) ISDN Holdings Limited Non-executive Director (2019 – Present) Novo Tellus Capital Partners Partner (2018 – Present) Novo Tellus Alpha Acquisition President and Director (2021 – Present) Procurri Corporation Limited Alternate Director (2021 – 2022) AEM Holdings Ltd Director (2015 – 2018) Francisco Partners L.P. Principal (2001 – 2012) Source Photonics Inc Director (2010 – 2017) Aconex Ltd Director (2008 – 2017)	ISDN Holdings Limited Independent Non-executive Director September 2005 – Present BM Mobility Ltd (delisted from SGX-ST since 12 November 2020) Lead Independent Director August 2009 – August 2019 Sino Grandness Food Industry Group Limited Lead Independent Director November 2009 – December 2019 China Haida Ltd (delisted from SGX-ST since 14 April 2022) Lead Independent Director April 2007 – June 2020 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 Yamada Green Resources Limited Lead Independent Director September 2010 – October 2013

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Toh Hsiang-Wen Keith	**Soh Beng Keng**
Shareholding interest in the listed issuer and its subsidiaries	NTCP SPV VI ("**NTSP**") holds 37,556,134 ordinary shares (the "**ISDN Shares**") in the capital of the Company. Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") holds 100% of shares in the capital of NTSP and therefore is deemed to have an interest in ISDN Shares. New Earth Group 2 Ltd ("**NEG 2**") is the general partner of NT Fund 2 and therefore is deemed to have an interest in ISDN Shares. 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.	No
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
Conflict of interest (including any competing business)	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

CORPORATE GOVERNANCE REPORT

<table>
<tr><th rowspan="2">Details</th><th colspan="2">Name of Director</th></tr>
<tr><th>Toh Hsiang-Wen Keith</th><th>Soh Beng Keng</th></tr>
<tr><td>Other Principal Commitments Including Directorships</td><td><u>Past (for the last 5 years)</u>

Procurri Corporation Limited
Alternate Director
(2021 – 2022)

Source Photonics Inc
Director
(2010 – 2017)

Aconex Ltd
Director
(2008 – 2017)

AEM Holdings Ltd
Director
(2015 – 2018)

<u>Present</u>

SP Manufacturing Pte Ltd
Chairman
(2023 – Present)

Novo Tellus Alpha Acquisition
President and Director
(2021 – Present)

ISDN Holdings Limited
Non-executive Director
(2019 – Present)

Novo Tellus Capital Partners
Partner
(2018 – Present)</td><td><u>Past (for the last 5 years)</u>

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
April 2007 – June 2020

<u>Present</u>

ISDN Holdings Limited
Independent Non-executive Director
(September 2005 – Present)</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Toh Hsiang-Wen Keith	**Soh Beng Keng**
a.	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?	No	No
b.	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?	No	No
c.	Whether there is any unsatisfied judgment against him?	No	No

CORPORATE GOVERNANCE REPORT

Details		Name of Directors	
		Toh Hsiang-Wen Keith	**Soh Beng Keng**
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
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
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

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Toh Hsiang-Wen Keith	Soh Beng Keng
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
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
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
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
	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

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Toh Hsiang-Wen Keith	Soh Beng Keng
	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
	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,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
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?	Yes Mr Toh Hsiang-Wen Keith was in breach of Section 133 of the Securities and Futures Act 2001 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.	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Toh Hsiang-Wen Keith	Soh Beng Keng
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	Mr. Toh Hsiang-Wen Keith was a Director of AEM Holdings, an Exchange listed company, from 2015 to 2018; an Alternate Director of Procurri Corporation Limited, an Exchange listed company, from 2021 to 2022; and a Director of Novo Tellus Alpha Acquisition, an Exchange listed company, since 2022.	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 April 2007 – June 2020 Heeton Holdings Limited Director September 2003 – 2004 Yamada Green Resources Limited Lead Independent Director September 2010 – October 2013
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. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.	Not applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS **PAGE**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LIST OF TABLES

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

The COVID-19 Pandemic (the "**Pandemic**") had undoubtedly imposed impacts on the global economy and the order of social lives in the past 2 years. With the world starts to enter the post-Pandemic era and recover from the devastating disaster, the robust development of digitalisation during the Pandemic is going to play an important role in the coming years. The trend of digitalisation is now a vital element in pushing forward the transition towards a sustainable future, which creates a dynamic environment where connectivity and innovation become crucial in the era of Industry 4.0. The Group will pursue with the continuous acceleration of the world's progression towards digitalisation and to create enormous benefits simultaneously in this new era.

With the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (the "**COP27**") summit successfully held in November 2022, the increasingly serious energy crisis, record-breaking greenhouse gas concentration and rising frequency of extreme weather events have once again entered the public's attention. In response to the climate emergency, various climate actions including reduce greenhouse gas emissions and adapt to the inevitable impacts of climate change, are urgently needed. Amongst various stakeholders, the power of enterprises and the business community is considered to be an indispensable element to promote changes in the world. As one of the leaders in the automation industry, the Group understands and is willing to uptake its responsibility and significance of its role.

The Group recognises the new era of Industry 4.0 serves as a great opportunity which technology-driven shifts in various aspects equip us with better solutions to address sustainability challenges. Sustainability has always been grounded as the core of the Group's management philosophy, and the Group has integrated diverse attributes in terms of economic, environmental and social into its business development and operations. The Group has been upholding the principle of managing resources efficiently and contributing to sustainable development, where endless efforts have been placed in optimising its business model and investing in renewable energy development.

Being a leading integrated engineering solution provider with its core business on Industrial Automation ("**IA**") and innovation, the Group embraces smart manufacturing solutions through automation and aims to leverage advanced technological innovations and analytic techniques to promote a further leap forward into a digitalised world. The Group will continue to strive for advancing its automation and artificial intelligence ("**AI**") technologies in the search for the most suitable solution in tackling the global climate-related issues, which no other people could be exempted from experiencing the growing impacts. By leveraging its advantages in technological innovations, the Group always keeps its core value and vision in shaping a responsible enterprise and embracing sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE (cont'd)

ISDN's business commitment: "We are committed to sustainable industrial growth, and is helping to build Asia's sustainable future through its dedicated clean industry solutions and its clean energy portfolio.

ISDN's vision: "We're building Asia's smart industrial future".

Our solutions help customers unlock new industrial capability, productivity, and sustainability to support the next generation of Asia's industrial growth.

We partner closely with customers to deliver clear business value, while growing our business sustainably for all ISDN shareholders and stakeholders.

ISDN's values: Our values reflect a comprehensive stakeholder approach to building our vision.

We seek:

- **To be a recognised leader in all the markets we serve.**
- **To build lasting relationships with customers and partners.**
- **To be an employer of choice that inspires and rewards excellence.**
- **To build value for shareholders through business, financial and earnings growth.**
- **To grow sustainably for all business and community stakeholders.**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. ABOUT THIS REPORT

The Group is pleased to present its ESG Report for the FY2022 to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development.

This report was prepared in compliance with the requirements under Appendix 27 - Environmental, Social and Governance Reporting Guide as set out in the Listing Rules of the SEHK and Practice Note 7.6 – Sustainability Reporting Guide under the SGX-ST under the "Comply or Explain" Provision. As an alignment with the international reporting framework, the report was also prepared with reference to the Global Reporting Initiatives ("**GRI**") Standards and Task Force on Climate-related Financial Disclosures ("**TCFD**") in disclosing the Group's sustainability performance. Some information recommended to be stated by the latest GRI 2: General Disclosures can be found in either the Group's Annual Report 2022 or the ESG Report. A complete content index with GRI linkage tables are available at the end of the ESG report for readers' convenience to check its integrity.

Reporting Scope

The Group use operational control approach to determine the major operations of its subsidiaries to be included in the reporting scope. This ESG Report covers the environmental and social performance within the operational boundaries of the Group, namely (i) business operation, which comprises sales and administration offices in Singapore, Hong Kong, the PRC, Malaysia, Vietnam, Taiwan, Indonesia, Philippines, Thailand and Cambodia, and (ii) manufacturing operation, which comprises manufacturing plants and warehouses in Wujiang, Suzhou, the PRC.

The reporting period of this ESG Report is FY2022, from 1 January 2022 to 31 December 2022, unless specifically stated otherwise. The Group's corporate governance is set out in the section headed "Corporate Governance Report" of this annual report.

Reporting Principles

The preparation of the ESG Report strictly conforms to the Reporting Principles set out in the ESG Reporting Guide issued by the SEHK, namely Materiality, Quantitative, Balance and Consistency. Below is a description of where the principles have been applied throughout the ESG Report.

Materiality:

Recognising the significance of evaluating and prioritising its ESG impacts, the Group conducts an annual materiality assessment to collect feedbacks from various stakeholders on their concerns and expectations in terms of the Group's sustainable development. More information can be found in the section of **Stakeholder Engagement** and **Materiality Assessment**.

Quantitative:

Calculations and numeric presentation of the Group's environmental and social Key Performance Indicators ("**KPI**") reflect the application of the reporting principle of Quantitative. Footnote of each performance table specifies the corresponding calculation methods, assumptions and conversion factors used.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. ABOUT THIS REPORT (cont'd)

Balance:

To delineate a complete picture of the Group's sustainability performance, the Group is fully transparent on its outstanding achievements as well as rooms for improvement.

Consistency:

The Group believes that the adoption of a set of consistent methodology and framework for reporting on its ESG performance is of paramount important to its stakeholders. Reporting techniques, including the calculation of Greenhouse Gas ("**GHG**") emissions, are aligned with the Group's previous ESG Reports to allow meaningful comparisons. In case of any significant differences from the previous reporting framework, corresponding explanation will be made.

Information disclosure

The information in the ESG Report was gathered from official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative data through questionnaires based on the reporting framework, and sustainability practices provided by different subsidiaries of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. SUSTAINABILITY GOVERNANCE

The Group has always been modifying and maintaining a sound corporate governance system in compliance with well-accepted corporate governance principles as well as by benchmarking globally acknowledged practices.

The Board oversees and has the ultimate responsibility towards the Group's ESG matters. The Group is currently reviewing its policy on board diversity, and will appoint at least one director of different gender on the Board no later than year 2024.

Following the Integrated Approach, the Board has established a RMC that is responsible for overseeing its ESG risk management activities, monitoring relevant material sustainability risks, and managing issues within each business division that are key to the Group's capabilities of creating value to all. A dedicated and professional team of staff have been designated with duties to enforce and supervise the implementation of relevant ESG policies on a daily basis, including but not limited to ESG data collection and training arrangement.

The Group has been undertaking a two-way approach in its governance framework to facilitate the timely identification and effective allocation of resources to addressing the underlying risks accordingly. Such approach favours the Group to maximise the value of a clear communication of the regulatory requirements throughout the entire organisation and enhance the awareness of the Group's sustainability initiatives and efforts among all.

As an effective policy and operational response to sustainability risks and opportunities requires performance measurement and its linkage to performance incentives, the Group has adopted the phased approach of the SGX, keep on evaluating the feasibility, effectiveness and appropriate ways for setting objectives that are linked to the Group's ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. SUSTAINABILITY GOVERNANCE (cont'd)

Following the online ESG training organised on the Board Meeting Agenda in FY2021, the Group continues to offer ESG training opportunities during the year under review. In FY2022, the Board of Directors have completed appropriate training to stay informed about sustainability requirements and ensure compliance. Through the training programme, the Board has been equipped with better knowledge of the growth in ESG trends and future opportunities, which favours them in incorporating sustainability-related elements during operation and management planning processes.

IV. MESSAGE FROM THE BOARD

Dear Valued Stakeholders:

On behalf of the Board, I am pleased to introduce you the ESG Report, demonstrating the Group's approach, performance and commitment to sustainable development for the financial year ended 31 December 2022.

<u>Our Approach to ESG Management</u>

The definition of sustainability may differ widely in various interpretation, but we always hold a fundamental thought, which is to contribute to the improvement of people's living quality through our business activities. As such, we meticulously ensure that our management and business activities are developing in step with the society, in a transparent, fair and just manner.

Aiming to articulate the purpose and mission of our business activities and our existence, we ensure that the members of the Board oversee the Group's ESG issues and address the most crucial challenges that material ESG-related issues may brought according to the identification and prioritisation results from the annual materiality assessment. We ensure we conduct dialogues with our wide range of stakeholders on various aspects on our operations, and incorporate the opinions we receive into our consideration when developing strategy.

Meanwhile, to guarantee the competence of the Board in knowing the latest ESG developments regarding regulatory updates and other industry practices, external professionals were invited to provide in-depth training on ESG to the Board in the general meeting. The training provided an opportunity for Board members to study the latest ESG reporting rules and sustainability trends in Asia, thus placing "ESG" on the Board's Agenda and well equipped them to better lead the corporation towards a more sustainable future.

Reckoning that one of core elements of ESG practices is to identify and manage risks in early stage, we pay attention to the identification and evaluation of the existing and potential risks with a simple and efficient process. Regarding our ESG-related risks management, we usually first classify the risks in terms of nature and relevance by our risk management strategies. Also, the Management is responsible for identifying and reporting the risks to the Board as depicted in the materiality assessment which pinpoints the most significant ESG-related issues faced by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. MESSAGE FROM THE BOARD (cont'd)

Our ESG Goals

We believe that setting clear metrics and targets helps promote our sustainability enhancement. Hence, we have set a series of environmental and social targets based on the review of our business nature, our current and past performances as well as benchmarking other peers. To ensure that we are on track in achieving our ESG goals, the Management and the Board will review and monitor the progress regularly. For more information regarding our ESG goals and how are they related to our business, please refer to the corresponding sections in this report.

Advancement of our ESG Management

In FY2022, ISDN transitioned the management of its ESG-related data and information from traditional handling methods to an online system in order to improve the data quality and strengthen the effectiveness of the corresponding management. We engaged a third-party consultant to build the system for us, which will be able to facilitate us to make ESG data collection and management more quickly and more flexibly. We believe that this advancement is going to help us better track our ESG performance and thus lead to more informed decision making when planning for future targets and strategies.

Climate Resilience

Climate change is continuously gaining more attention from various sectors, and the COP27 summit has once again raised global interest in accelerating actions in mitigating climate change and achieving the goals of the Paris Agreement. We will continue our commitment to identifying the potential climate-related risks effectively, thus its effort in transitioning into a low-carbon economy. With reference to the TCFD framework, we have reviewed our operations in order to identify significant climate-related risks and opportunities which may impact the Group's products and services, supply chain and/or value chain, investment in research and development, and operating costs and revenues.

Last but not least, I would like to take this opportunity to express my sincere gratitude to our employees, management team, Board members as well as our business partners and clients, for their unswerving support for and dedication to our products and services.

Lim Siang Kai
Chairman and Independent Non-executive Director

15 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT

The Group has always been maintaining a good relationship with both its internal and external stakeholders, including employees, business partners and clients. The sound management of stakeholder relationship enables the Group to understand the concerns and expectations of its stakeholders clearly, and to formulate corresponding plans for action. The Group highly values the feedback from its stakeholders and takes the initiative to develop a trustful and supporting relationship with them through multiple platforms as listed in the table below.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders	- Return on investments and achievement of targets - Corporate governance and communication - Policy review and performance report - Law and regulation compliance	- Regular reports and announcements - Regular general meetings - Official website
Employees	- Employees' compensation and benefits - Career development - Health and safety in the working environment - Implementation of ESG strategies - Arrangement of more around ESG topics through which company-wide actions can be proposed to be taken towards relevant goals	- Performance reviews - Regular meetings and training - Emails, notice boards, hotline, activities with management
Government and regulatory authorities	- Compliance with laws and regulations - Support economic development	- Supervision on compliance with local laws and regulations - Routine reports
Customers	- High-quality and reliable products and services - Protect customers' rights - Qualified products in compliance with good environmental indicators	- Customer satisfaction survey - Face-to-face meetings and on-site visits - Customer service hotline and email
Suppliers	- Fair and open procurement - Win-win cooperation - Business ethics - Environmental impacts	- Open tendering - Suppliers' satisfactory assessment - Face-to-face meetings and on-site visits - Industry seminars

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Stakeholders	Expectations and Concerns	Communication Channels
Professional bodies	- Climate change awareness and inputs - Law and regulation compliance - Implementation of ESG strategies - Environmentally friendly operating model - Timely and transparent disclosure towards the alignment with financial reporting	- Routine reports - Emails and phone calls
General public	- Community involvement - Law and regulation compliance - Environmental protection awareness	- Media conferences and responses to enquiries - Company's website and announcements

Materiality Assessment

Given that ESG risks and opportunities for companies vary across industries and depend on different corporate backgrounds, perspectives and business models, the Group undertook an annual materiality assessment based on internal impact analysis, dialogues with external stakeholders and endorsement of the Board that reviews and approves the results that reflected the key issues on which the Group should place great emphasis.

In order to enhance the accuracy and objectivity of evaluation, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in FY2022. Key internal and external stakeholder representatives were selected based on their influence and dependence on the Group. Through a science-based materiality assessment, the selected stakeholders were invited to prioritise 28 ESG issues from a broad universe as listed below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Materiality Assessment (cont'd)

List of Materiality Issues

1	GHG Emissions	15	Product/Service Quality and Safety
2	Energy Management	16	Customer Privacy and Data Security
3	Water and Wastewater Management	17	Marketing and Promotion
4	Solid Waste Stewardship	18	Intellectual Property Rights
5	Climate Change Mitigation and Adaptation	19	Labelling Relating to Products/Services
6	Renewable and Clean Energy	20	Business Ethics and Anti-corruption
7	Labour Practices	21	Internal Grievance Mechanism
8	Employee Remuneration and Benefits	22	Participation in Philanthropy
9	Occupational Health and Safety	23	Cultivation of Local Employment
10	Employee Development and Training	24	Support of Local Economic Development
11	Green Procurement	25	Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities
12	Engagement with Suppliers	26	Management of the Legal and Regulatory Environment (regulation-compliance management)
13	Environmental and Social Risk Management of Supply Chain	27	Critical Incident Risk Responsiveness
14	Supply Chain Resilience	28	Systemic Risk Management (e.g. Financial Crisis)

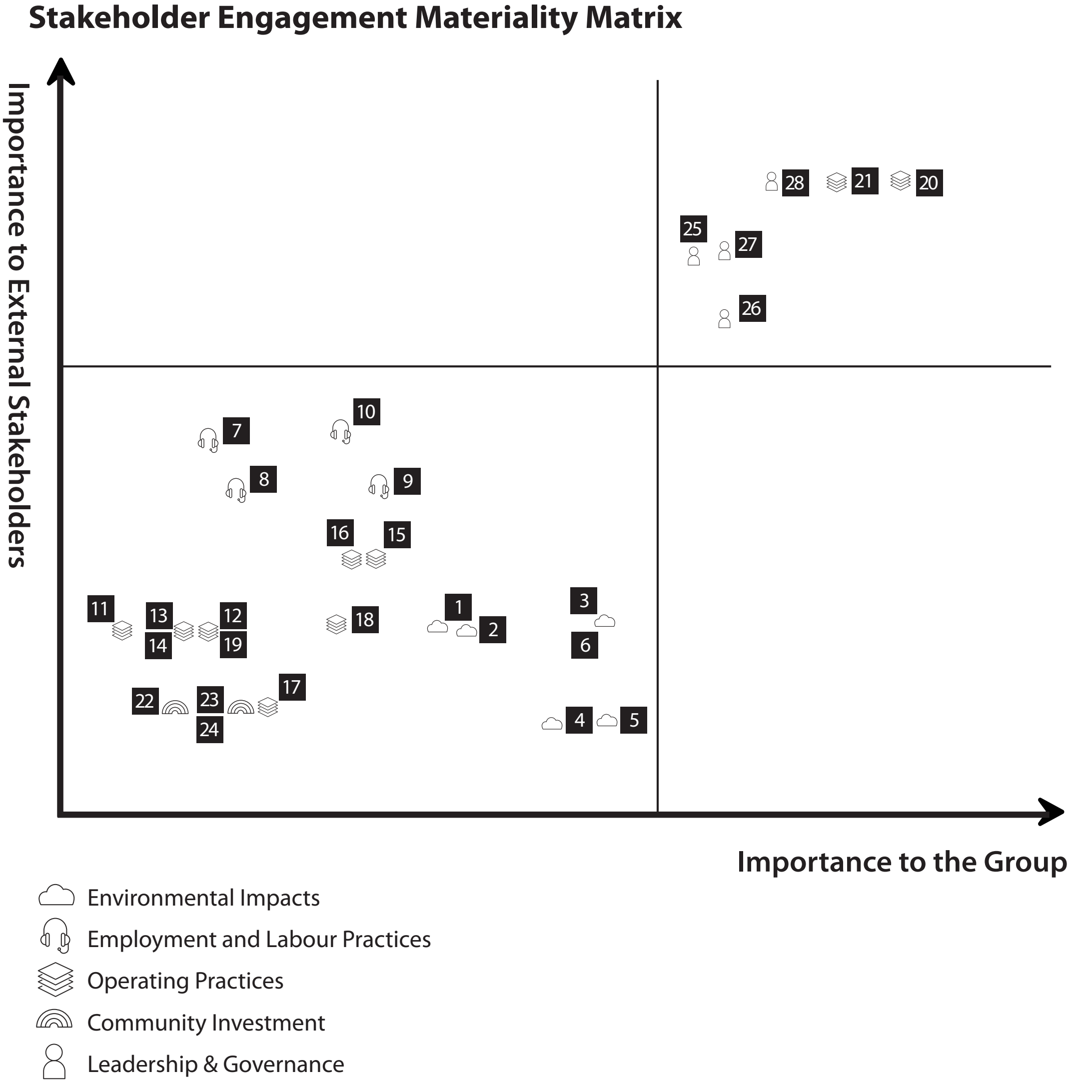
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Materiality Assessment (cont'd)

Materiality Matrix

After integrating all the inputs gathered from the assessment process, a materiality matrix was generated as shown below.



According to the matrix, ESG issues namely Business Ethics and Anti-corruption, Internal Grievance Mechanism, Systemic Risk Management (e.g. Financial Crisis), Critical Incident Risk Responsiveness, Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities, and Management of the Legal and Regulatory Environment (regulation-compliance management) were identified as the ESG issues that were of greatest significance to both the Group and its stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Commitment towards SDGs

The Group also engaged its stakeholders to express their views on the United Nations Sustainable Development Goals ("**SDGs**") to inform the Group's decision-making process. It aims to strengthen corporate sustainability management while enhancing stakeholders' awareness of corporate ESG development and global sustainability issues. The Group's prioritised SDGs list consists of Goal 3 (Good Health and Well-Being), Goal 4 (Quality Education), Goal 6 (Clean Water and Sanitation), Goal 7 (Affordable and Clean Energy) and Goal 9 (Industry, Innovation and Infrastructure). In response to the stakeholders' concerns on sustainable development goals, the Group has paid more attention on these aspects and set targets for its contribution to accomplishing the goals from within the Group.

Corporate applications of the UN Sustainable Development Goals ("SDGs")

SDG 3: SAFE KEEPING

Policy & Actions

- ➢ Offering medical coverage to the Group's employees and providing company programs regarding health and well-being improvement to support access to health care;
- ➢ Minimising employees' exposure to and limiting its emissions of pollutants, chemicals and harmful substances in the environment that may aggravate the seriousness of non-communicable diseases in the workplace, etc.

Target: Zero work-related injuries or incidence of occupational hazard in next five years

SDG 4: NURTURING

Policy & Actions

- ➢ Offering internship programmes, funding or grants for projects related to business strategy and aligned with development directions in order to support vocational education and training;
- ➢ Implementing coordinated corporate policies of the management and guidance on vocational training programmes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Commitment towards SDGs (cont'd)

SDG 4: NURTURING (cont'd)

Target: Maintain 5% increase in the average hours each employee spends on training every year and introduce post-training feedback system in the coming years

SDG 6: WATER

Policy & Actions

- ➢ Establishing relevant policies to promote sustainable water and wastewater management in operations;
- ➢ Monitoring the progress through well-defined metrics and objects to review the effectiveness of the implementation of relevant policies.

Target: Lower the consumption of freshwater and look for opportunities that bring rainwater harvesting systems and other innovative water recycling facilities into practice

SDG 7: GREEN ENERGY

Policy & Actions

- ➢ Promoting green energy by investing in sustainable energy solutions, including mini hydropower plants in Indonesia with the power capacity of 168 MW;
- ➢ Monitoring and transparently reporting on the amount of energy consumed, including the use of fossil fuels and electricity.

Target: Continuously invest in the construction and commercialisation of hydropower plants and achieve a double increase of electricity generation capacity by 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Commitment towards SDGs (cont'd)

SDG 9: TECHNOLOGY AND INNOVATIONS

Policy & Actions

- Facilitating the creation of industrial products through cost saving processes to minimise the negative environmental impacts, and investing in technological innovations in robotics for precisely performing routine tasks;
- Increasing public awareness of industrial robotics by introducing robot courses to primary schools and adult learning hubs.

Target: Explore more possibilities of the application of industrial robotics through research and development

Stakeholders' Feedback

Stakeholders' feedback especially on material issues is always welcomed as the Group strives for excellence. Readers are also welcomed to share their views with the Group at info@isdnholdings.com.

VI. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to protecting the environment while creating new values sustainably as an obligation to future generations and act of common business sense. During the year under review, the Group strictly abided by relevant applicable environmental laws and regulations in the regions where it operated, including but not limited to:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法); and
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法).

This section primarily discloses the Group's policies, practices and quantitative data on emissions, use of resources, the environment and natural resources as well as climate change in FY2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions

In FY2022, the Group complied with relevant applicable environmental laws regarding emissions during its daily operations. The Group was not in violation of any laws and regulations in relation to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. In response to the target of achieving carbon neutrality by 2060, the Group has implemented various measures to mitigate its environmental impacts.

During the year under review, the Group's major emissions included air and GHG emissions, non-hazardous solid waste and wastewater, and food waste. The air pollutants from the Group including sulphur oxides ("**SO_x**"), nitrogen oxides ("**NO_x**") and particulate matter ("**PM**") were mainly generated from vehicles for business affairs. The Group's GHG emissions profile in FY2022 is similar to that of FY2021, with Scope 2 (Energy Indirect Emissions) dominating 78% of the annual total GHG emissions of the Group. The following table summarises the Group's total emissions in FY2022:

Table 2 Total Emissions by the Group in FY2022[9]

Emission Category	KPI	Unit	Amount in FY2022	Intensity[1] (Unit/S$ million) in FY2022	Amount in FY2021	Intensity[1] (Unit/S$ million) In FY2021)
Air Emissions[2]	SO_x	kg	3.8	-	3.3	-
	NO_x	kg	313.8	-	146.8	-
	PM	kg	26.7	-	10.8	-
GHG Emissions	Scope 1[3] (Direct Emissions)	Tonnes of CO_2e	830.4	-	545.9	-
	Scope 2[4] (Energy Indirect Emissions)	Tonnes of CO_2e	3,364.5	-	2,094.5	-
	Scope 3[5] (Other Indirect Emissions)	Tonnes of CO_2e	106.2	-	103.9	-
	Total (Scope 1 & 2 & 3)[6]	Tonnes of CO_2e	4,298.8	11.6	2,744.5	6.2
Non-hazardous Waste	Solid Waste[7]	Tonnes	0.8	2.2×10^3	62.9	0.14
	Wastewater[8]	m^3	30,389	82.0	105,111	238.8
Hazardous Waste	Hazardous Waste	Tonnes	-	-	0.5	0.001

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

1. Intensity was calculated by dividing the amount of air, GHG and other emissions by revenue of the Group in FY2022 and FY2021, which was S$370.8 million and S$440.1 million respectively;
2. Air emissions included the air pollutants in the exhaust gas from vehicles for transportation and the stationary combustion of gaseous fuel;
3. The Group's Scope 1 (Direct Emissions) included the emissions arose from the consumption of diesel and petrol in motor vehicles and the factories, as well as the consumption of LPG in the factories;
4. The Group's Scope 2 (Energy Indirect Emissions) included only the emissions arose from electricity consumption;
5. The Group's Scope 3 (Other Indirect Emissions) included only the emissions arose from paper waste disposed at landfills, electricity used for processing fresh water and sewage by government departments and business air travel;
6. The total amount of GHG emissions included the carbon offset by the 97 trees planted by the Group;
7. The solid waste of the Group covered waste from the factories and property buildings where the Group's employees worked and paper consumption occurred; In FY2022, the scope of solid waste has been revised and only includes commercial solid waste and food waste;
8. The total amount of wastewater discharged from the Group was based on the assumption that 100% of the consumed fresh water entered the municipal drainage system;
9. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by SEHK and the IPCC Emission Factor Database. A comparison of the data in FY2021 is provided to display changes and progress made by the Group.

Business Operation

The principal emissions from the Group's business operations were GHG emissions from the purchase and consumption of electricity for office operations, as well as commercial solid waste and sewage. The Group has been monitoring the status of its equipment and retrofitting them when necessary to maintain their efficiency, while repairing them instead of replacing them also helps the Group to promote the sense of circular economy and reduce unnecessary waste.

The Group has implemented an Eco-Office initiative to create a pleasant working environment for its employees while maintaining high efficiency of energy consumption in the offices. It aims to promote activities which demonstrate a high level of environmental consciousness and produce notable results in resource conservation:

1. Upgrade:

- o Upgrading office equipment and systems, including the redesign of heating systems, upkeep of air-conditioning and instalment of automated lighting controls;
- o Adopting high-efficiency lighting through the replacement of electricity-intensive lighting fixtures; and
- o Investing in and exploring the opportunity to utilise renewable energy use, such as solar energy.

2. Training:

- o Raising energy saving awareness and promote emission reduction through internal seminars, educational courses and meaningful activities. Employees and experts can communicate on the techniques and motivation in emission control and the conservation of natural resources; and
- o Holding and encouraging engagement in green activities (e.g., tree planting).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Business Operation (cont'd)

Following the company-wide guideline in waste management, the Group's waste is all properly sorted, classified and handed over to professional parties. To better manage its commercial solid waste, the Group has adopted various measures, such as placing a centralised garbage bin in the office to collect waste. The sorted municipal solid waste from offices is handled by the property management of the building and disposed of at landfills by the government. Moving towards Sustainable Waste Management, the Group has taken more actions as highlighted below:

- Recycling as much solid waste as possible through the classification approach;
- Advocating the reuse of office stationeries; and
- Promoting the concept of paperless office and cut down on printing frequencies.

In FY2022, the wastewater generated from offices of the Group was directly discharged into the municipal sewage network and handled by the building property management. Since the amount of wastewater highly depends on the amount of freshwater used, the Group has taken specific measures to reduce its water consumption in offices, and will be further described in later section.

Manufacturing Operation

In FY2022, the major emissions from the manufacturing operation of the Group included air and GHG emissions, wastewater, solid waste and noise. The Group has implemented effective policies and adopted various advanced methods to control emissions efficiently.

Air and GHG Emissions

Air emissions from this business segment majorly included volatile organic compound ("**VOC**") during the production process and air pollutants of exhaust gas from vehicles. In FY2022, the Group utilised collection ducts to collect the VOC. Before releasing the VOC to the atmosphere, it will be purified by the external air purification unit in the ventilation system.

The main source of GHG in the Manufacturing Operation segment of the Group came from the consumption of electricity and fossil fuels. The Group has established internal policies to control its air emissions, manage energy consumption, and optimise the operational process in order to comply with the Integrated Emission Standard for Air Pollutants (《大氣污染物綜合排放標準》), thereby to a large extent minimising the detrimental impacts of air and GHG emissions on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Wastewater

Wastewater produced in the Manufacturing Operation segment included commercial wastewater and industrial wastewater. Commercial wastewater was directly discharged into the local drainage system, while the industrial wastewater was collected, transported and treated by the qualified professional third parties. The Group ensures that its discharge strictly complies with the Integrated Emission Standard for Wastewater (《污水綜合排放標準》) and other regulations in regions where it operates.

As the amount of wastewater discharged highly depended on the amount of water used, details on the measures on water conservation will be discussed in later sections.

Solid Waste

Commercial solid waste and food waste are the types of solid waste produced by the Group in FY2022. The commercial waste was well-sorted, recycled and handled by the certified municipal department. With the concept of "lifecycle thinking" continues to grow on a global scale, the Group aspires to reduce its environmental impacts by closely overseeing the entire product lifecycle, from designing, manufacturing and disposal of end-of-life products, thereby working on the development of a closed-loop recycling business model through the building of a manufacturing process and solution that is oriented to resource efficiency, material reuse and recycling of end-of-life products.

In addition, the Group is actively engaged in waste recycling. In FY2022, more than 50 tonnes of waste metal have been recycled.

Noise

The primary source of noise generated by the Group was the machinery operations in manufacturing processes. In compliance with national and local regulations regarding noise emissions such as Emission standards for industrial enterprises noise at boundary (GB12348-2008) (工業企業廠界環境噪聲排放標準), the Group has adopted various noise-reducing facilities and measures to mitigate the impact of noise on the surroundings, including but not limited to:

- Placing noisy machinery or facilities to the areas in the absence of workers;
- Minimising the employees' exposure to occupational health risks stemming from noises with the implementation of policies regulating the time limit of employees in noisy areas and job rotations; and
- Taking into consideration the factor of noise in the procurement and maintenance of machinery in factories, and prioritise the equipment with better performance in noise control.

In FY2022, the Group did not receive any substantial complaint from nearby residents regarding its noise impacts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.2. Use of Resources

In FY2022, the major resources consumed by the Group were electricity, gasoline, diesel, liquefied petroleum gas ("**LPG**"), water, paper and various types of raw materials and packaging materials. Table 3 illustrates the amount of different resources used by the Group during the year under review.

Table 3 Total Use of Resources by the Group in FY2022

Use of Resources	KPI	Unit	Amount in FY2022	Intensity[1] (Unit/S$ million) in FY2022	Amount in FY2021	Intensity[1] (Unit/S$ million) in FY2021
Energy	Electricity	MWh	5,845.1	15.8	3,495.7	7.9
	Gasoline	L (MWh)	300,470.8 (2,912.0)	810.3 (7.9)	210,091.0 (2,036.1)	477.4 (4.6)
	Diesel	L (MWh)	40,608.8 (434.6)	109.5 (1.2)	16,584.0 (177.5)	37.7 (0.4)
	LPG	kg (MWh)	4,220.0 (58.7)	11.4 (0.2)	4,800.0 (66.8)	10.9 (0.2)
	TOTAL	MWh	9,250.5	24.9	5,709.2	13.0
Water	Water	m3	30,388.9	82.0	105,111.0	238.8
Paper	Paper	Tonnes	7.0	0.02	6.5	0.01
Raw materials	Plastic	Tonnes	0.02	4.0×10^{-5}	0.01	2.3×10^{-5}
	Metal	Tonnes	353.2	1.0	430.9	1.0
Packaging materials[2]	Plastic	Tonnes	7.0	0.02		
	Paper	Tonnes	220.3	0.6	112.3	0.3
	Wood	Tonnes	231.2	0.6		

1. Intensity was calculated by dividing the amount of natural resources by revenue of the Group in FY2022 and FY2021, which was S$370.8 million and S$440.1 million respectively; and
2. In FY2021, the total weight of packaging materials was based on the direct weight and reasonable based on the size of certain types of materials that were hard to be accurately measured in weight.

Electricity

In FY2022, electricity was purchased and consumed for regular operations in administrative and manufacturing operations. Both offices and factories of the Group have stringently complied with relevant regulations and the Group's policy of electricity conservation. To control the consumption of electricity so as to further control its Scope 2 GHG emissions, the Group has embedded the slogan of "Saving Electricity" into its business strategy and encouraged its employees to implement the following practices:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.2. Use of Resources (cont'd)

Electricity (cont'd)

- Switching off all idle lights and air conditioners;
- Placing "Save electricity and turn off the light when you leave" posters to remind employees to conserve energy;
- Performing maintenance on the electrical equipment in offices regularly to maintain their efficiency;
- Adjusting the set temperature of air conditioners in the offices appropriately;
- Using electrical appliances with certified energy-saving labels;
- Replacing energy-intensive lamps with LED lighting fixtures in the offices; and
- Recommending all employees to make good use of the natural sunlight for lighting in the office when possible.

Over the past few years, the Group has been exploring and investing in clean and renewable energy projects, and was committed to leveraging its business strength and influence to drive sustainability. In FY2021, the Group successfully commissioned its 10MW and 4.6MW Mini-Hydropower plants (the "**Plants**") at Anggoci and Sisira respectively in North Sumatra, Indonesia, which marked a fabulous and great milestone of the Group in advancing towards final permitting for commercial operations. The successful commissioning of the Plants further strengthens the Group's commitment to maintaining a strong corporate sustainability credentials in clean industries and promoting its transition towards a low-carbon development model. Subsequent in FY2022, the Group has commercialized its 10MW Mini-Hydropower plants, Lau Biang 1 at Lau Biang River, Karo Regency, North Sumatra. Other renewables, such as solar power, have also been utilised by the Group's subsidiaries to support its operations.

Other energy resources

The Group consumed gasoline, diesel and LPG during the reporting period, while the consumption of gasoline and diesel for manufacturing and transportation is the main contributor to the Group's Scope 1 carbon emissions. In FY2022, both the consumption of gasoline and diesel show an increase due to the resumption of operations.

The Group reckons the importance of accessing to secure and reliable energy sources to the long-term stability of its business. It strives to optimise its operations by investing in redesigning and retrofitting its machinery to be more eco-efficient, as well as setting ambitious targets for its fossil fuel consumption. With steady growth in business and strenuous efforts in the research and development of renewable energy in operations, the Group has also set up and implemented relevant energy policies that guide effective actions that will be of benefit to the Group in the long term. In FY2022, the Group consumed 1,107 MWh of renewable energy. Examples of measures that have been or are planned to be executed in improving the energy efficiency during transportation are shown below:

- Maintaining good condition of vehicles to reduce unnecessary fuel consumption;
- Encouraging employees to share vehicles for business affairs when appropriate;
- Planning driving routes in advance with discretion in terms of eco-friendly transportation;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.2. Use of Resources (cont'd)

Other energy resources (cont'd)

- Educating drivers to have good driving habits; and
- Educating staff to commute by public transport instead of driving to work to lower individual carbon footprints.

Water

Water is one of the scarcest resources on Earth. The Group has been placing water management at the centre of its environmental strategy alongside its carbon strategy, energy targets and corporate social responsibility. During the year under review, the Group did not face any problem in sourcing water that was fit for its purpose. The Group continues to promote the importance of water conservation among its employees and implementing effective water policies in preserving such precious natural resources.

The Group's subsidiaries held a series of meetings, seminars and training programmes to explore more advanced and effective ways of saving water in daily operations. Workers and employees of the Group were incentivised to try their best to reuse as much wastewater as possible. "Saving Water" posters and banners were placed at prominent spaces in offices and factories to remind employees to strictly adhere to the principle of water conservation. Reminders on turning off water taps were sent regularly through emails to all employees as well. To improve the utilisation efficiency of water resources, the Group has further adopted the following practices focusing on its water conservation facilities:

- Setting quotas and targets for water consumption restrictions to urge staff to save water;
- Implementing leakage control by installing above-ground water pipes;
- Fixing dripping taps immediately once leakage is found;
- Running regular leakage test on water taps, joint rings and other defects in the water supplier system;
- Installing recirculating cooling systems; and
- Encouraging the appropriate reuse of wastewater after scientific treatment.

Paper

In FY2022, the paper consumption of the Group was 7 tonnes, which slightly increased by 0.5 tonnes as compared to amount of paper consumption in FY2021.

The promotion of "Paperless Office" and "Office Automation" is grounded in the Group's culture, and the Group has continued its efforts in facilitating behavioural changes in minimising the use of paper, including:

- Publishing information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Setting duplex printing as the default mode for most network printers when printouts are needed;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.2. Use of Resources (cont'd)

Paper (cont'd)

- Spreading the idea of "Think before print" by using posters in offices to remind the staff of avoiding unnecessary printings;
- Putting boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Encouraging guests to use electronic invoices.

Meanwhile, aiming to fulfil its commitments to the recycling and reuse of paper resources, the Group has been dedicated to measuring and collecting the accurate data, and evaluating the performance of each subsidiary in paper consumption. The Group is committed to further analysing and monitoring the performance in paper consumption among its subsidiaries, and implementing paper conservation measures more effectively.

Raw Materials

In FY2022, the Group consumed 0.02 tonnes of plastic and 353.2 tonnes of metal. The Group is committed to reducing the use and waste of raw materials by applying industrial robotics and recycling materials with the influence of shifting from a conventional liner economy to a circular economy.

Packaging Materials

In FY2022, the Group consumed a total of 458.5 tonnes of wooden, paper-made and plastic-made packaging materials. The Group endeavours to improve its management of the use of packaging materials by focusing its efforts on the procurement process and innovative packaging solutions. The Group's desire to integrating innovative solutions in its business operation to achieve greater sustainability has been depicted where it takes advantage of the application of Enterprise Resource Planning online platform, which favours the Group to systematically manage the entire procurement process and optimise corporate resources.

Benchmark

The Group, as a leading integrated engineering solutions provider, keeps reviewing and benchmarking its ESG performance against a set of criteria, so as to timely identify the potential gaps with its peers, accurately position itself in the market and correspondingly make corrective actions to consolidate its competitiveness in the industry. In FY2022, the Group's sustainability performance against a series of indicators continued to outstand most of its peers as depicted in Table 4 below, reflecting the Group's continuous efforts and persistent determination in driving and leading sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.2. Use of Resources (cont'd)

Benchmark

Table 4 Environmental Performance Benchmark between the Group and its peers

KPI / Peers[3]	Water Consumption (m^3)	Intensity of Water Consumption[1] (m^3/employee)	Electricity Consumption (MWh)	Intensity of Electricity Consumption[1] (Unit/ employee)	Other Energy Consumption (GJ)	Intensity of Other Energy Consumption[1] (Unit/ employee)	Scope 1 and 2 GHG emissions (tonnes CO_2e)[2]	Intensity of GHG Emissions[1] (Unit/ employee)	Solid Waste (tonnes)	Intensity of Solid Waste[1] (Unit/ employee)
ISDN	30,389	27.0	5,845	5.2	8,272	7.4	4,193	3.7	0.8	7.4×10^4
Peer 1	18,810,000	46.7	5,427,000	13.5	9,378,000	23.3	907,000	2.3	689,500	1.7
Peer 2	1,058,575	248.7	5,437,000	65.8	947,654	222.6	145,429	34.2	4,974	1.2
Peer 3	25,610,000	69.5	4,776,600	13.0	17,600,000	47.8	3,412,000	9.3	1,111,000	3.0
Peer 4	4,640,000	161.1	-	-	8,200,000	284.8	411,000	14.3	143,000	5.0
Peer 5	17,240,000	71.8	3,590,000	14.9	4,716,000	19.6	2,060,000	8.6	314,000	1.3
Peer 6	220,666	9.0	146,247	6.0	259,314	10.6	109,700	4.5	9,600	0.4
Peer 7	12,930,000	41.6	356,111	1.1	4,153,000	13.4	585,000	1.9	257,500	0.8
Peer 8	257,000	17.3	97,600	6.6	185,131	12.4	52,127	3.5	4,553	0.3

1. Intensity was calculated by dividing the amount of electricity consumption, GHG emissions and solid waste by the number of the employees of the Group and the selected peers;
2. The Group's GHG emissions included the carbon offset by the 97 trees planted by the Group; and
3. Peers were identified and selected based on the Industry Report 2016 of the Group, including leading international integrated engineering solutions providers in the PRC, Singapore and Malaysia markets. The KPIs were summarised from their latest annual/ESG/sustainability reports as of January 2023 and the data processing was performed by an independent party - 'GreenCo ESG Advisory Limited' for objective and professional benchmarking.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.3 The Environment and Natural Resources

The Group's robust management system allows it to efficiently identify the latest applicable environmental laws and regulations, effectively manage data related to both the direct and indirect impacts of its business activities on the environment, and transparently disclose its progress on its sustainability journey to its stakeholders. Since 2018, the Group has been monitoring the progress of its ambitious and clear environmental goals, and will continue to advance in aiming at attaining a sustainable, safe and secure future.

In FY2022, the Group continued its effort on monitoring and controlling its emission and consumption of natural resources. In particular, the Group has significantly lowered the consumption of water while strictly implementing its internal policies, which is beneficial to the Group in saving operation costs. The relatively significant environmental impacts of the Group were concentrated on the use of energy resources and GHG emissions. To alleviate its potentially detrimental effects on the environment during operations, the Group has been focusing on developing various solutions through the upgrade of equipment, energy efficiency initiatives and smart innovative tools which take into account the aspects of connectivity, electrification, renewables, automation and awareness enhancement.

Upholding the determination on the application of circular economy strategy, the Group values a systematic approach to analyse the consumption of resources and emissions of pollutants, and step up its efforts in standardising its data management process, tracking the performance against each material ESG KPI where the short-term and long-term targets have been set, and implementing an effective response.

Table 5 Targets in Environmental Sustainability

Areas	Targets	Actions
Air and GHG emissions	Short-term: The Group's GHG emissions increased in FY2022 due to the resumption of operations, causing the intensity to reach 11.6 tonnes per S$ million. The Group aims to keep lowering its GHG emissions intensity to less than 8.5 tonnes per S$ million within the next three years. Long-term: Taking FY2021 as the baseline year, the Group targets to lower its GHG emissions intensity by 15% by 2030.	The Group commits to improving its energy efficiency. The Group is actively exploring the transition to electrification from the reliance on fossil fuels for transportation and offset its carbon emission by expanding its investments in more renewable energy projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.3 The Environment and Natural Resources (cont'd)

Solid waste	Short-term: Given the strict implementation of the Group's internal policies, the Group's solid waste intensity has dropped significantly to 2.2×10^{3} tonnes per S$ million and successfully achieved its goal set last year. The Group strives to continue its outstanding performance in waste reduction and aims to maintain its solid waste intensity to less than 0.1 tonnes per S$ million within the next three years. Long-term: Taking FY2021 as the baseline year, the Group targets to lower its solid waste intensity to 0.8 tonnes per S$ million by 2030.	The Group commits to formulating more targeted policies around Sustainable Waste Management to embed sustainability in its business strategies, and continues its effort in waste recycling.
Electricity	Short-term: The Group's electricity consumption has increased in FY2022, with the intensity increased to 15.8 MWh per S$ million. The Group aims to decrease its electricity consumption intensity next year and targets to achieve a double increase of electricity generation capacity by 2025. Subsidiaries have also planned to reduce their electricity consumption next year by 10% in a voluntary basis. Long-term: In line with the goals of GHG emissions reductions, the Group targets to take actions on electricity conservation to contribute to the fulfilment of decarbonisation ambitions.	In addition to electricity conservation measures, the Group commits to the improvement of hydropower plants in terms of both number and capacity.
Energy resources	Short-term: The total energy consumption rose in FY2022 and its intensity reached 24.9 MWh per S$ million. The Group aims to maintain and pursues efforts to lower its energy intensity by setting up and implementing more effective policies that allow immediate actions on reducing the energy usage for transportation.	The Group commits to introducing electric vehicles (EVs) to the business gradually and replacing traditional vehicles with new energy ones in the near future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.3 The Environment and Natural Resources (cont'd)

Areas	Targets	Actions
	Long-term: Taking FY2021 as the baseline year, the Group targets to reduce its intensity of the consumption of fossil fuels by 10% by 2030.	
Water	Short-term: Following the completion of the project commenced in FY2021 in Vietnam, the Group's water consumption shows a significant decrease of 71%. The Group will continue to reduce its overall water consumption in the coming year, and further standardise its measurement and collection of the data of water usage. Long-term: Taking FY2021 as the baseline year, the Group targets to reduce its water intensity by 10% by 2030.	The Group endeavours to lowering its consumption of freshwater and plans to look for opportunities to introduce rainwater harvesting systems and innovative water recycling facilities as common ways in its business operations for water conservation.
Paper	Short-term: Although there is a slight increase of 0.5 tonnes in the Group's paper consumption, its intensity remained at a steady level of 0.02 tonnes per S$ million, which accomplished the target as set in FY2021. The Group aims to lower its consumption of paper to maintain under 0.05 tonnes per S$ million next year. Long-term: Taking FY2021 as the baseline year, the Group targets to reduce its paper use intensity by 33% by 2030.	The Group commits to advocating the strategic goal of "paperless office" throughout all offices through training and promotion of digital technologies for operations.
Packaging materials	Short-term: In FY2022, the Group has revised its collection method for recording the use of packaging materials which allows an accurate measurement on the weight of each type of packaging materials. The Group aims to maintain the intensities of packaging materials used next year.	The Group commits to formulating policies in improving its packaging efficiency to minimise the use of packaging materials and recording their usage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.3 The Environment and Natural Resources (cont'd)

Being one of proven ways to offset carbon emissions of the Group, the Group's mini-hydropower plant project in Indonesia targets at the remote and rural areas in the country, thereby creating various job opportunities to the less developed regions in the countries. This project not only mitigates the certain impacts brought by climate change, but also contributes to the global sustainable development by empowering the labour force in less developed regions. This supports the Regulation No. 19 of 2015 by The Ministry of Energy and Mineral Resources in Indonesia that advocates more investment and development of mini-hydropower projects. Anticipating to promote environmental sustainability, the Group will continue its commitment in investing more in renewable energy development and focusing on the research and project development in the realm of distributing and storing renewable energy in Southeast Asia.

A.4 Climate change

Over the recent decades, a multitude of physical risks due to the change in climate have already been affecting and experienced by millions across the globe. With the world's growing concern on climate change, it is essential for businesses to take appropriate actions and be transparent in moving towards a net-zero future.

The Group recognises the severity of potential impacts brought by climate-related risks. With reference to the guidance of the TCFD framework, the Group is committed to building climate resilience and adapting to the relevant challenges. The Group has identified the following risks and opportunities that may affect its operation and business plans.

Risk		Potential Impact
Physical Risk	- Increase in severity and frequency of extreme weather events such as typhoons, storms and flood	- The Group's facilities may be damaged by the extreme weather events, which in turn may cause financial losses of the Group arise from the temporary suspension of operations, as well as the cost for maintenance and repairing the damaged facilities.
Transition Risk	- Changing strategies, policies and investments have further increased the environmental requirements towards companies - Increase in pricing of GHG emissions	- Operating and material costs are expected to rise in response to the rippled effect brought by the more stringent regulations. For instance, upstream suppliers may transfer their cost to the Group if they need to spend more resources on managing their emissions during production.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.4 Climate change (cont'd)

Opportunity	Potential Impact
Transitioning to renewable energy as recommended by national governments to lower carbon emissions	- Subsidies may be allocated to the Group's qualified projects and could be treated as a good business opportunity as a first-mover advantage in the renewable energy industry

Based on the Group's preliminary analysis, the climate-related risks identified above are not going to impose immediate significant impacts to its business operations, and thus were considered not material. As such, the Group has yet to developed detailed actions plans in regard to the aforementioned climate issues.

Notwithstanding that, to safeguard the Group's assets from potential climate physical risks such as flooding risks, the Group will pay more attention to the water risk assessment when selecting new business locations. Also, the Group plans to develop climate scenarios to comprehend a broader spectrum of physical risks as well as its associated impacts on the business in the near future.

The management of the Group will pay close attention to the latest development of any climate-related rules and regulations so as to get early prepared and develop corresponding measures to address the climate-related risks when the impacts arise.

VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1 Employment

In FY2022, the Group employed a total of 1,124 employees. ISDN believes that its employees are the key to success in the engineering industry, and thus devised a competitive compensation and benefits package to attract, retain, and motivate employees. Employees' remuneration is commensurate with their educational qualifications, industry experience and interpersonal skills. Recruitment process is based upon continual analysis of human resource requirement in coping with the Group's business development. In FY2022, the Group recruited qualified candidates based on its "annual recruitment plan" and made use of the Internet, seminars and intermediaries. Salaries and wages are reviewed annually based on performance appraisals, qualifications, experience, position and seniority. The Group performs regular evaluations on the capability and performance of its employees and offers promotion opportunities for eligible employees. The termination of employment is based on reasonable and lawful grounds including the internal policies set forth in the Employee Handbook.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

The total number of employees by age group, gender, employment type, position type, geographical locations of the group in FY2022, the employee turnover rate by age group, gender and geographical locations in FY2022, and new hire rate by age group and gender in FY2022 are summarised in the tables below.

Table 6 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2022[1]

Unit: Number of employees	**Age group**					
Gender	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	**Total**
Male	65	283	247	108	52	755
Female	19	134	149	54	13	369
Total	84	417	396	162	65	1,124

Unit: Number of employees	**Position**			
Gender	General staff	Middle managerial level	Senior managerial level	**Total**
Male	597	106	52	755
Female	288	72	9	369
Total	885	178	61	1,124

Employment type

Full time	**Part time**	**Total**
1,112	12	1,124

Geographical location

Locations	**Number of employees**
PRC	667
Hong Kong	9
Singapore	127
Others	321
Total	1,124

1. The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/ or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

Table 7 Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2022[1]

Unit: Number of employees	Age group					
Gender	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	**Total**
Male	15	66	36	11	6	134
Employee turnover rate (%)	23.1	23.3	14.6	10.2	11.5	17.7
Female	5	41	21	8	3	78
Employee turnover rate (%)	26.3	30.6	14.1	14.8	23.1	21.1
Total	20	107	57	19	9	212
Total employee turnover rate (%)	23.8	25.7	14.4	11.7	13.8	18.9

	Geographical locations	
Locations	**Employee turnover**	**Employee turnover rate (%)**
PRC	119	17.8
Singapore	30	23.6
Others	63	19.6
Total	212	18.9

1. The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who left the Group in FY2022 by the number of employees in FY2022. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

Table 8 New Hire Rate by Age Group and Gender in FY2022[1]

Unit: Number of employees	**Age group**					
Gender	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	Total
Male	41	63	31	7	5	147
New hire rate (%)	63.1	22.3	12.6	6.5	9.6	19.5
Female	16	33	12	6	-	67
New hire rate (%)	84.2	24.6	8.1	11.1	-	18.2
Total	57	96	43	13	5	214
Total new hire rate (%)	67.9	23.0	10.9	8.0	7.7	19.0

1. The new hire data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. New hire rate was calculated by dividing the number of newly hired employees in FY2022 by the number of employees in FY2022. The methodology adopted for reporting on new hire data set out above was based on the compilation requirements set out in GRI Disclosure 401-1: New employees hire and turnover.

The Group strives to improve its performance in retaining employees and diversity of its employees, and will aim for a total turnover rate of 16% (FY2022: 19%), and a gender ratio of 65:35 (FY2022: 67:33).

During the reporting period, the Group complied with the following laws and regulations related to employment:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

Table 9 Employment Laws and Regulations with which the Group Has Complied

Hong Kong	Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
	Mandatory Provident Fund Schemes Ordinance
The PRC	The Social Insurance Law of the PRC
	The Provisional Measures for Maternity Insurance of Employees of Corporations
	The Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council
	The Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council
	The Unemployment Insurance Measures
Singapore	The Employment Act (Chapter 91) of Singapore (EA)
	Central Provident Fund Act
	Employment of Foreign Manpower Act (Chapter 91A) of Singapore (EFMA)
Malaysia	Employment Act 1955 ("EA 1955")
	Industrial Relations Act 1967 ("IRA 1967")
	Trade Unions Act 1959 ("TUA 1959")
	Employees Provident Fund Act 1991 ("EPF 1991")
	Employees' Social Security Act 1969 ("SOCSO Act")
Vietnam	The Labour Code

Working hours and rest periods

In accordance with local employment laws where the Group operated, its internal policies, including the Employee Handbook, clearly specifies how the Group manages employees' working hours and rest periods. For instance, the internal policies regarding employee attendance and punctuality as one of the criteria against which the employee's annual performance appraisal is performed. If employees need to ask for leave or arrive late due to accidents, illness or other factors, they should notify their direct supervisor in advance. Employees who need to work overtime should fill out the Application Form and submit the form to the supervisors for approval beforehand.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

Equal-opportunity and anti-discrimination

In accordance with internal policies including the Employee Handbook, the Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. All employees should not be discriminated or deprived of such opportunities based on gender, ethnicity, religion, colour, age, marital status, family status, pregnancy or any other discrimination prohibited by applicable laws. The Group also appreciates cultural diversity and employs people in a wide range of ages and ethnicities. The Group believes that the exceptional working experience, skill-set and professional techniques brought by its cultural diversity is crucial to the success of the company and creates a friendly and harmonious workforce by building the trust among employees.

Other benefits and welfare

Apart from the basic package, other benefits including severance pay, mandatory/central provident fund, employment compensation insurance, medical insurance, unlimited times doctor visit reimbursement, body checks, annual leaves, sick leaves, additional remuneration and benefits to reward and recognise performing employees such as performance-based bonus, commissions and variable annual bonuses are provided discretionarily as well. Besides, based on the different job duties of employees, local travelling (parking and petrol inclusive) allowance, mobile phone allowance, overseas travelling and meals allowance, and overtime taxi claim are included in the total remuneration and benefits package for employees. The Group targets to periodically review and enhance its employee remuneration and benefits packages as one of the means to motivate and retain its talents. In FY2022, some subsidiaries of the Group organised annual dinners, company tours, and distributed mooncakes during Mid-Autumn Festival.

In FY2022, the Group complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2 Health and Safety

The Group's work safety policies and procedures ensure that its operations are fully in compliance with relevant laws and regulations on national and local scales. The Group is actively engaged in caring for the wellbeing of its employees through adopting various occupational health and safety training and measures, thus its well-developed instructions and guidelines on ensuring employees' health and safety have been implemented to maintain a comfortable working environment for all employees. The management of the Group is responsible for the overall health and safety performance of employees to ensure workplace safety. For instance, the managerial members of the Production Department attended the Production Safety Training (《安全生產培訓》) under the PRC's Safety Supervision Bureau (安監局) to gain a greater understanding of safety standards and policy on maintaining a safe working environment and procedures for the staff. In FY2022, the Group provided trainings regarding occupational health and safety, safety production laws and regulations, and internal safety policies through internal communications and briefings and fire drills in the production plants to promote safety awareness among employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. **SOCIAL SUSTAINABILITY** (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.2 Health and Safety (cont'd)

To enhance fire safety and prevent fire hazards, regular drills are held and fire equipment including automatic smoke spray system and powder fire extinguishers are in place. Apart from drills, the Group also purchases health insurance and organises regular physical examinations for its employees so as to promote their wellness.

Due to the nature of its operations, the Group provides suitable safety protective clothing and personal protective equipment to employees including helmets, safety shoes, gloves, earplugs and masks.

The Group complied with the following laws and regulation related to employees' health and safety during the reporting period:

Table 10 Laws and Regulations Related to Employees' Health and Safety with Which the Group Has Complied

Hong Kong	Occupational Safety and Health Ordinance, Chapter 509
	Employees' Compensation Ordinance, Chapter 282
The PRC	Production Safety Law of the PRC
	Regulation of Insurance for Labour Injury
Singapore	Workplace Safety and Health Act, Chapter 354A (WSHA)
	Work injury compensation is governed by the Work Injury Compensation Act, Chapter 354
Malaysia	Workmen's Compensation Act 1952 (WCA 1952)
	Occupational Safety and Health Act 1994 (OSHA 1994)
Vietnam	The Labour Code

Since FY2018, there was zero work-related fatality under the Group's operations. In FY2022, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group were reported. There was one case of work-related injuries reported with 14 lost days, and safety precaution measures have been taken to prevent similar cases to happen again. The Group will continue to strive for achieving its target on zero work-related injuries or incidence of occupational hazards in the next five years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.2 Health and Safety (cont'd)

Table 11 Number and Rate of work-related fatalities of the Group in past three financial years[1]

Year	FY2022	FY2021	FY2020
Number of work-related fatalities	-	-	-
Lost days due to work injury	14	-	2

1. The information about injury and fatality was obtained from the Group's Human Resources Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report? — Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

As the world starts to adapt to the new normal, the Group still encourages its employees to maintain a good habit of hygiene, and will continue with its commitments on epidemic prevention and control measures in the post-pandemic era.

B.3 Development and Training

Employees have always been the Group's most valuable asset that allows the Group to produce high quality products. The Group regularly provides a series of formal training courses to ensure employees are equipped with professional and qualified skills. The Group takes an outcome-oriented approach and introduced a systematic induction training for new employees that includes the understanding the Code of Conduct (including Anti-corruption practices), Company Policy, Environmental Policy, Ethics and Safety Policy, and other health and safety training-related topics.

In FY2022, although some of the Group's subsidiaries did not organise training activities due to the restrictions brought by the pandemic, part of them held multiple training workshops and programmes for its employees, which covered topics ranged from Health and Safety and Management Skills.

Table 12 Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2022[1]

Unit: Number of employees	**Position**			
Gender	General staff	Middle managerial level	Senior managerial level	**Total**
Male	34	13	1	48
% of employees trained	41.4	15.9	1.2	58.5
Female	19	12	3	34
% of employees trained	23.2	14.6	3.7	41.5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.3 Development and Training (cont'd)

Total Employees Trained:

	General staff	Middle managerial level	Senior managerial level	**Total**
Total	53	25	4	82
% of employees trained	64.6	30.5	4.9	7.3

1. The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2022. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

Table 13 Training Hours Received by the Employees of the Group by Gender and Position Type in FY2022[1]

Unit: Training Hours	**Position**			
Gender	General staff	Middle managerial level	Senior managerial level	**Total**
Male	563.6	209.0	24.0	796.6
Average training hours	0.9	2.0	0.5	1.1
Female	260.5	237.5	27.5	525.5
Average training hours	0.9	3.3	3.1	1.4
Total	824.1	446.5	51.5	1,322.1
Average training hours	0.9	2.5	0.8	1.2

1. The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by SEHK.

To maintain a 5% increase in the average hours each employee spends on training every year, the Group strives to improve its measurement on the overall training hours and the training time of its staff by gender and positions, thus ensuring the transparency on providing equal opportunities amongst all employees. In the future, the Group also aims to introduce a post-training feed system in order to review and access the effectiveness of the training, and identify gaps yet to be improved.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.4 Labour Standards

In FY2022, the Group complied with the related Employment Act, Labour Laws and Employment Ordinance of the countries where the Group operated in terms of employment management. The recruitment mechanism of the Group strictly follows the guidelines of the Group's human resource department. During the process, a recruitment questionnaire is used to collect personal, educational, and employment information of job applicants. After all necessary data related to employment is verified, the qualified candidate would be hired in accordance with the job requirement and employer's expectation and provided with a healthy and sustainable work environment.

Once the Group identifies any case against relevant labour standards, the corresponding employment will be immediately terminated. No child nor forced labour in the Group's operations were found in the reporting year, and the Group will maintain the zero incident rate of child labour, forced labour or any labour practices that violates the labour-related laws and regulations in the coming five years.

OPERATING PRACTICES

B.5 Supply Chain Management

Being a socially responsible enterprise, it is critical for the Group to maintain and manage a sustainable and reliable supply chain which considers its impacts on both environmental and societal aspects. The Group strictly monitors the quality of its suppliers and supply chain practices regularly, and requires its suppliers to fully comply with the laws and regulations as well as the Group's own standards and specifications.

Procurement policy

The suppliers of the Group are mainly overseas manufacturers. The Group has established a set of clear procedures to manage its supply chain efficiently. For instance, the procurement department places a Purchase Order to suppliers and provides shipping instructions for overseas. The Group tracks shipment by liaising with forwarders/courier and ensures the shipment arrives at warehouses on time, in which the responsible department of the Group performs incoming inspections on the goods. Sales Administration Department generates a Delivery Order and launches an outgoing inspection process. If any unqualified, defective product or any environmental incompliance risk was found in the supply chain, a Non-Conformance Report is required immediately and the following compensation or replacement will be negotiated in accordance with the terms of the agreement or contract by the Sales Administration Department with support from other technical departments. Occasional disruptions to the supply chain, such as raw material shortages and flight cancellations, inevitably poses challenges to the Group. Still, the Group continues to adjust its procurement process and enhancing resilience capacity to better adapt to potential social and environmental risks in the supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.5 Supply Chain Management (cont'd)

Procurement policy (cont'd)

To manage the potential social and environmental risks in the supply chain, the Group understands the importance of collaborating with reputable suppliers who offer reliable, cost-effective products in order to meet the technical requirements from its customers. With a broad customer base comprised of various industries such as medical equipment, robots, mobile phones and transportation, the Group typically selects suppliers based on the suitability and value of components, parts and readily available products they supply according to customers' specifications. The Group has its own standardised Supplier Assessment survey with a set of strict criteria that evaluates their performance on financial reliability, stable supply of products, delivery time commitment, price stability and market reputation of the products. Suppliers are assessed based on reputation, product quality and receptiveness to feedback. The selection of new suppliers is normally carried out by Sales or Sales Administration based on criteria stated in the New Supplier Qualification or track record. At the end of the financial year, an annual assessment on suppliers will be conducted and suppliers who fail to meet requirements will be brought for discussion in the yearly Management Review for further actions. Sourcing for supplies is generally executed by the subsidiary or branch office where the related suppliers are located and it usually takes place in the PRC, while the parent companies of such suppliers are usually located in Asia or North America.

The Group maintains a close partnership with its 2,306 suppliers, which 947 of them located in the PRC, 26 in Hong Kong, 415 in Singapore, the remaining 918 suppliers are in the USA, the UK, Thailand, Vietnam, Italy, Switzerland, Germany, Taiwan, Malaysia, Japan, South Korea, etc. Aiming to ensure that the suppliers of the Group comply with relevant laws and regulations and strictly stick to their corporate ethics during operations, the Group manages its suppliers mainly through the methods below:

- Communicating with suppliers via meetings, emails and telephone calls;
- Talking to suppliers on a regular basis;
- Ensuring payments are on-time;
- Building sound relations with suppliers' representatives;
- Avoiding rush orders wherever possible;
- Addressing any issues of concern promptly from the suppliers;
- Referring damaged or faulty goods to the suppliers timely with supporting documents; and
- Be prepared to review, renegotiate and adjust the terms of trade with suppliers from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.5 Supply Chain Management (cont'd)

Machinery and equipment maintenance

The Group's machinery and equipment are primarily comprised of computer numerical control (CNC) machines with sawing and milling machines for die casting or stamping. They are generally sourced from manufacturers in the PRC and the United States. Regular cleaning and maintenance activities are carried out to maintain the performance and functionality of the machine and equipment, thus ensuring that the production will not be adversely affected. As a result, customers and businesses would not be impacted due to the insufficiency of machinery or equipment failure.

In FY2022, the Group was in stable collaboration and had established firm and steady relationships with its major suppliers. The Group did not experience any major difficulty in obtaining adequate supplies for its production during the year under review with the sound connections between the Group and it suppliers.

With a strong ambition to maintain a stable and sustainable supply chain, the Group has set the following three short-term targets for its supply chain management:

- Ensuring 100% on-time delivery with a lower turnover rate and increasingly higher levels of customer satisfaction;
- Enhancing the accuracy of freight billing accuracy; and
- Maintaining the inventory turnover within 90 days.

Green procurement

Any materials purchased through the supply chain may influence and have a substantial impact on the Group's sustainability performance as well as the ecosystem of the planet. Therefore, the Group defines environmentally preferrable products as the ones that the suppliers have produced by considering energy efficiency, strictly abiding by applicable environmental standards and causing minimal adverse environmental impacts. The Group's procurement process is implemented and monitored by the Procurement Department, which prioritises eco-friendly products and has incorporated environmental compliance and eligibility as criteria of selecting suppliers.

The aforementioned supplier engagement processes, supply chain risk management processes as well as the green procurement processes are applicable to all of the Group's suppliers, while their effective implementation are mainly monitored by the Procurement Department.

B.6 Product Responsibility

The Group has long been committed to meeting its customers' present and future needs, sourcing and recommending the best products around the globe, and providing the best possible after-sales services. The Group has developed and implemented its own internal quality management approaches with reference to ISO 9001:2015 (Quality Management Systems) and its Quality Manual.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

The Group endeavours to better demonstrate its ability to provide reliable and safe products and services that meet customers' and applicable regulatory requirements, such as RoHS (Restriction of Hazardous Substances), while facilitating the long-term cooperation with its customers through the effective monitoring and after-sales support.

In FY2022, the Group complied with the relevant rules, regulations and standards that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters with respect to its products and services and methods of redress.

Customers' satisfaction

The engineering personnel is responsible for assisting customers with complaints and products-related problems. In case of a product fault that is associated with the suppliers, no warranty will be provided but repair service or replacement of the part are available for the defective component or system. During the reporting period, there were no product recalls or product quality issues or any complaint from customers.

Innovation

Clean energy technologies and robotic business emerge with the drastic increase in demand of automatic business solutions as the world steps into the new Industrial 4.0 era. The Group, dedicated to providing the best solutions to its clients, will continue to devote in exploring and innovating new solutions, thus proactively researching and designing new products and solutions which suit and lead the market.

Quality control

The Group's Quality Control Department has implemented a strict quality assurance and control system to ensure the consistency and quality of the engineering solutions comply with the standards of the International Organisation for Standardisation. The system focuses on understanding the needs and expectations of customers, improving operations and services, introducing the latest technology and products, developing the skills, competency and commitment of its employees, and establishing strategic relationships with its suppliers. The Group strives to provide well-suited and appropriate engineering solutions with quality service that consistently meet customers' requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

Quality control (cont'd)

Table 14 List of International Organisation for Standardisation with Which the Group Has Complied

Certification	Recipient	Certified since	Quality control area	Issuing organisation	Expiry date
ISO 9001:2015	Servo Dynamics Pte Ltd	11 December 2000	Factory automation solutions	SGS United Kingdom Ltd	18 August 2024
ISO 9001:2015	Precision Motion Control Pte Ltd	11 December 2000	Factory automation Products	SGS United Kingdom Ltd	18 August 2024
ISO 9001:2015	Portwell Singapore Pte Ltd	11 December 2000	Industrial information technology products	SGS United Kingdom Ltd	18 August 2024
ISO 9001:2015	Dirak Asia Pte Ltd	11 December 2000	Industrial hardware accessories	SGS United Kingdom Ltd	18 August 2024
GB/T19001-2016 ISO9001:2015	Su Zhou Servo Dynamics Co., Ltd	13 February 2015	Control series – mechanical and electrical equipment	Guardian Independent Certification Ltd	10 January 2024

The foundation of the quality of the Group's products and services lies on the Group's procurement policy that guides the screening, selection and assessment of quality suppliers for the provision of the best available quality products for its production. During production, in-process quality assurance is implemented throughout the production line of the engineering solutions to ensure that any defect could be identified and corrected at an early stage according to internal policies. All prototypes must undergo a series of stress tests and simulation runs to ensure that they meet customers' specific requirements and needs. After assembling the engineering systems, another quality inspection will be performed before they are packed and labelled according to strict internal packing standards and delivered to the customers. Moreover, as part of the total quality management (TQM) approach, the Group's management has implemented continuous improvement processes for its business operations. They are designed to improve all aspects of its operations including internal controls that incorporate preferred financial practices and procedures such as inventory and accounts receivable management. If any material defect after shipment was being reported, immediate corrective actions including recalls will be launched according to internal procedures. For instance, the recall procedures include phases of fostering recognition of the significance of recall readiness, determining cause of defect if any, quickly communicating awareness of problem and proposed responses to stakeholders, and identifying glitches in development and operation process that led to product defect.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

Inventory control

To track inventory levels in ensuring adequate amount of products are available, Enterprise resource planning systems are employed where all products are barcoded to enhance flow tracking from the warehouses. Monthly stock count at random locations is performed to verify the accuracy of the inventory system, while a complete stock check is performed annually to ensure stable availability of raw materials and products, and to minimise obsolete stocks in the inventory.

Intellectual property

The Group owns a number of trademarks, patents and domain names in Singapore, the PRC, and Hong Kong. During the reporting period, no material infringement of intellectual property rights was reported. The Group is confident that effective policies are available to guide the measures taken to prevent any infringement of its own intellectual property rights, and it aims to protect its own interest and maintain zero infringement of its own intellectual property rights in the coming five years.

Consumer data protection

In FY2022, the Group complied with the Personal Data (Privacy) Ordinance of Hong Kong, the Personal Data Protection Act 2012 of Singapore and the Personal Data Protection Act 2010 of Malaysia. The Group's Information Technology and Human Resource Departments monitor company computers and servers which are protected with access passwords, thus employees are instructed of and must fulfil their responsibility to ensure that data should be collected, stored and handled properly and securely, as well as the risks involved with malpractice. The Group strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety during the year under review. The Group received no report on customer privacy breaches or sensitive data leakage and will continue its target of maintaining zero incident rate in the coming five years.

Advertising

One of the Group's commitments is to ensure that the sales and marketing departments of the Group provide precise product descriptions and information (including the labelling of its products and services) that comply with the relevant local laws and regulations to its customers. Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited. The Group has a legal counsel to review the sales and marketing materials before releasing them to the public in order to prevent violations of the relevant advertising-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.7 Anti-corruption

The Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as the Prevention of Corruption Act (Singapore) and the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong). It aims to promote the highest standards of good corporate practices, to support the value of integrity and accountability, and to conduct business transparently and honestly. In order to prevent any practice related to bribery, extortion, fraud and money laundering in the company, the Group has formulated internal policies, regulating that

- All financial transactions must be accurate, complete and fairly recorded in accordance with internal accounting controls; and
- Independent or external professional firms need to be hired to conduct the internal audit of the Group, and any weakness or potential risk area should be highlighted to the management and will be investigated and addressed promptly.

The Group's confidential whistleblowing channels are in place for reporting on bribery, extortion, fraud, money laundering, conflict of interest, criminal offences, illegal or injustice practices, health or safety endangerment and concealment behaviour. The whistle-blower can file reports without fear of reprisals or victimisation as they will be treated with strict confidentiality. Various channels, such as direct communication to superiors, email to any of the Group's Managing Director and President, or the Chairman of the Audit Committee, are in place as stated in the whistleblowing policy. The whistle-blower can also report by post which serves as a more convenient method regarding concerns on reporting through email or direct communication. All reported cases will be investigated by the Group's Audit Committee, and/or external or internal auditor; and/or forensic professionals; and/or the Police or Commercial Affairs Department depending on the nature of the concern raised or reported. The Group encourages the whistle-blower to identify himself/herself when raising a concern or providing information to facilitate an investigation. The Group warrants that any employee who makes a genuine report will be treated fairly but mischievous or malicious allegations will conversely lead to disciplinary action in accordance with the Group Disciplinary Procedures.

In FY2022, the Group did not organise any anti-corruption trainings. The Group's Employee Handbook clearly states relevant regulations and employees are required to sign to acknowledge that such requirements apply when they are employed under the Group. Moreover, the Group plans to explore the opportunity of collaborating with professional experts and organisations that are competent to provide relevant programmes to its management and employees in the near future.

During the reporting period, there were zero legal cases regarding corrupt practices brought or concluded against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

COMMUNITY

B.8 Community Investment

In FY2022, the Group did not organise or participate in any charitable activities due to restrictions brought by the pandemic. Still, the Group constantly bears in mind its commitment to create and maintain a healthy and sustainable development in the communities where it operates as a socially responsible company. Developing outreach programmes which effectively reach and offer assistance to those in need has always been the Group's top priority in its focus on community investment. The Group will continue to encourage its employees to participate in charitable activities with the ease of restrictions and the entering to the new normal.

VIII. REPORT DISCLOSURE INDEX

SEHK:

Aspects	**ESG Indicators**	**Description**	**GRI Standards Alignment***	**Page**
A. Environmental				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations	GRI 2-27, GRI 3-3 (c), GRI 305, GRI 306	82, 83

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	**ESG Indicators**	**Description**	**GRI Standards Alignment***	**Page**
	KPI A1.1	The types of emissions and respective emissions data.	GRI 305-1, 305-2, 305-3, 305-6, 305-7	83
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305-1, 305-2, 305-4	83
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	83
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	83
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 305-5	92
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 306-4, 306-5	85, 86, 93
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	GRI 3-3 (c)	87
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302-1, 302-3	87

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303-5	87
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 302-4, 302-5	93, 94
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 303-1	89, 94
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301-1	87
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	GRI 3-3 (c)	92
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 3-3 (c, d), GRI 303-1, GRI 304-2, GRI 306-1, 306-2	92, 93, 94
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GRI 2-12 (a, b-i), GRI 3-3 (c)	95
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	GRI 201-2	95, 96

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B. Social				
Employment and Labour Practices				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	GRI 2-27, GRI 3-3 (c)	96, 99, 100
	KPI B1.1	Total workforce by gender, employment type (for example, full time or part time), age group and geographical region.	GRI 2-7 (a, c), GRI 405-1 (b)	97
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401-1 (b)	98
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 2-27, GRI 3-3 (c), GRI 403-1	101, 102
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	GRI 403-9, 403-10	103
	KPI B2.2	Lost days due to work injury.	N/A	103
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	GRI 3-3 (c, d), GRI 403-1, 403-3, 403-5, 403-7	102

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer	GRI 3-3 (c), GRI 404-2 (a)	103
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	103, 104
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404-1	104
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	GRI 2-27, GRI 3-3 (c)	105
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI 3-3 (c), GRI 408-1 (c), GRI 409-1 (b)	105
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	GRI 3-3 (c, d), GRI 408-1 (c), GRI 409-1 (b)	105
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 3-3 (c)	105
	KPI B5.1	Number of suppliers by geographical region.	GRI 2-6 (b-ii)	106

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	106, 107
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	106, 107
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	GRI 3-3 (c, d)	107
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	GRI 2-27, GRI 3-3 (c), GRI 417-2, 417-3, GRI 418-1	107, 108, 109
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	108
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI 2-29, GRI 3-3 (c, d), GRI 418-1	108
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	110
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	108, 109
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	GRI 3-3 (c)	110

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	GRI 2-27, GRI 3-3 (c), GRI 205-3	111
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	GRI 205-3	111
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	GRI 2-26, GRI 3-3 (c), GRI 205	111
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	GRI 205-2	111
Community				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 3-3 (c)	112
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203-1 (a)	112
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201-1(a-ii)	112

*The linkage between the GRI standards and disclosures that relate to each aspect in SEHK ESG Reporting Guide refers to the summary table from the '*Linking the GRI Standards and SEHK ESG Reporting Guide*' (updated July 2020), with amendments from the GRI Universal Standards 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SGX-ST:

1. Environmental *			
Topic	**Metric**	**Framework Alignment**	**Page/Remarks**
Greenhouse Gas Emissions ("**GHG**")	Absolute emissions by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	GRI 305-1, GRI 305-2, GRI 305-3	83
	Emission intensities by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	GRI 305-4	83
Energy Consumption	Total energy consumption	GRI 302-1	87
	Energy consumption intensity	GRI 302-3	87
Water Consumption	Total water consumption	GRI 303-5	87
	Water consumption intensity	N/A	87
Waste Generation	Total waste generated	GRI 306-3	83
2. Social			
Gender Diversity	Current employees by gender	GRI 405-1	97
	New hires and turnover by gender	GRI 401-1	98, 99
Age-Based Diversity	Current employees by age groups	GRI 405-1	97
	New hires and turnover by age groups	GRI 405-1	98, 99
Employment	Total turnover	GRI 401-1	98
	Total number of employees	N/A	97
Development & Training	Average training hours per employee	GRI 404-1	104
	Average training hours per employee by gender	GRI 404-1	103

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Topic	Metric	Framework Alignment	Page/Remarks
Occupational Health and Safety	Fatalities	GRI 403-9	103
	High-consequence injuries	GRI 403-9	The Group did not record the number of cases during the year under review
	Recordable injuries	GRI 403-9	102
	Recordable work-related ill health cases	GRI 403-10	The Group did not record the number of cases during the year under review
3. Governance			
Board Composition	Board independence	GRI 2-9 (c-ii)	50%
	Women on the board	GRI 2-9 (v), GRI 405-1	The Group is currently reviewing its policy on board diversity, and will appoint at least one director of different gender on the Board no later than year 2024.
Management Diversity	Women in the management team	GRI 2-9 (v), GRI 405-1	97
Ethical Behaviour	Anti-corruption disclosures	GRI 205-1, GRI 205-2 and GRI 205-3	111
	Anti-corruption training for employees	GRI 205-2	111
Certifications	List of relevant certifications	N/A	109
Alignment with Frameworks	Alignment with frameworks and disclosure practices	N/A	71

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Topic	Metric	Framework Alignment	Page/Remarks
Assurance	Assurance of sustainability report	N/A	Internal Audit has been taken for the Group's ESG Report in FY2022. Scope of assurance: • Sustainability Reporting Framework (Board's Responsibilities, Management's Responsibilities, Global Reporting Initiative Framework, etc.) • Identification of ESG Factors and its Materiality • ESG Performance Measurement, Data Collection and Sustainability Targets • Policies and Procedures to Address ESG Risks Identified • Climate-Related Risk Identification and Assessment • Sustainability Reporting

* This table was extracted and adopted from the list of Core ESG Metrics published by SGX-ST, under '*Starting with a Common Set of Core ESG Metrics*' (December 2021), with amendments from the GRI Universal Standards 2021.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Group for the FY2022 and the statement of financial position of the Company as at 31 December 2022.

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 2022 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 FY2022, 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 the review of affairs, 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

Except for the disclosure in the corporate governance report and environmental, social and governance report, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it during the FY2022.

Important event after the reporting period

As disclosed in Note 36 to the consolidated financial statements, the Board is not aware of any important event affecting the Group that has occurred subsequent to the FY2022 and as of the date of this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 a 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 FY2022 are set out in the consolidated statement of comprehensive income.

Subsequent to the reporting year end, a tax-exempt (one-tier) final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per share of the Company (the "**Share**") in respect of the FY2022 has been recommended by the Board and is subject to the approval by 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 the 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 Tuesday, 18 July 2023.

4 Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years are set out in the section headed "5-Year Financial Summary" of this annual report.

5 Investment Properties

Details of movement in the investment properties of the Group during the FY2022 are set out in Note 13 to the consolidated financial statements.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the FY2022 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 2022 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 FY2022 are set out in Note 22 to the consolidated financial statements.

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

During the FY2022 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 FY2022 are set out in Note 23 to the consolidated financial statements, respectively.

Distributable reserves of the Company as at 31 December 2022 amounted to S$30,375,000 (2021: S$24,346,000).

11 Directors

The Directors during the FY2022 and up to the date of this statement were:

<u>Executive Directors</u>

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

<u>Non-executive Director</u>

Mr. Toh Hsiang-Wen Keith

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11 Directors (cont'd)

Independent Non-executive Directors

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

The details of appointment and re-election of Directors are set out in the section headed "Principle 4: Board Membership" in the corporate governance report to this annual report.

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Board of Directors" and "Key Management" 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 the SGX-ST Listing Manual, Provision 2.1 of the 2018 Code and 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 non-executive Director and independent non-executive Director is engaged for three (3) years.

None of the Directors 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).

14 Directors' Remuneration

The Board has the general power of determining the Directors' fees, subject to authorisation 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 for the FY2022 are set out in Note 9 to the consolidated financial statements.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15 Employee and Remuneration Policies

As at 31 December 2022, there were 1,124 (2021: 1,052) 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, provides and arranges on-the-job training for the employees.

The Company adopted ISDN ESOS 2016 and ISDN PSP as incentives to the Directors and other eligible participants.

On 2 November 2022, the ISDN ESOS 2016 was terminated with immediate effect as certain terms of the ISDN ESOS 2016 would be inconsistent with the SEHK Listing Rules with effect from 1 January 2023.

The ISDN PSP 2012 had expired and lapsed on 16 February 2022. On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022.

16 Permitted Indemnity Provision

Under the Company's Constitution, every Director or other officer of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto, including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers during the FY2022 and the indemnity provision and Directors' and officers' liability insurance remains in force as of the date of this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022, 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, as may be amended or modified from time to time 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, 1967 of Singapore ("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:

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 FY2022 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 1.1.2022	**As at 31.12.2022**	**As at 1.1.2022**	**As at 31.12.2022**
The Company				
- ISDN Holdings Limited				
Mr. Teo Cher Koon ("**Mr. Teo**")	-	-	141,189,015	141,189,015
Mr. Kong Deyang ("**Mr. Kong**")	2,050,000	2,050,000	-	-
Mr. Toh Hsiang-Wen Keith ("**Mr. Toh**")	-	-	37,556,134	37,556,134
The Holding Company				
- Assetraise Holdings Limited ("**Assetraise**")				
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 FY2022 and 21 January 2023.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

		Number of Shares			
Name of Directors	**Capacity**	**Personal interests**	**Corporate interests**	**Total**	**Approximate percentage of the issued Shares[(3)]**
Mr. Teo[(1)]	Interest of controlled corporation	-	141,189,015	141,189,015	32.19%
Mr. Kong	Beneficial owner	2,050,000	-	2,050,000	0.47%
Mr. Toh[(2)]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%

Notes:

(1) The Shares were held by Assetraise, 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 141,189,015 Shares by virtue of the SFO.

(2) The Shares were held by NTSP. NT Fund 2 is the owner of 100% of the shares of the NTSP and is therefore treated as having an interest in the Shares. 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 NTSP.

(3) The calculation is based on the total number of 438,638,533 Shares in issue as at 31 December 2022.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 (cont'd)

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

As at 31 December 2022, Mr. Teo had a personal interest 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 Assetraise held in his capacity as a beneficial owner.

Save as disclosed above, as at 31 December 2022, 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 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. On 2 November 2022, the ISDN ESOS 2016 was terminated with immediate effect as certain terms of the ISDN ESOS 2016 would be inconsistent with the SEHK Listing Rules with effect from 1 January 2023. No further options shall be offered by the Company.

The ISDN PSP 2012 which 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 had expired and lapsed on 16 February 2022. The purpose of the ISDN ESOS 2016 is to reward, retain and motivate participants to achieve better performance. The ISDN ESOS 2016 was not utilised in FY2022.

The ISDN PSP 2022 which was approved and adopted by the Shareholders on 31 January 2023 (the "**Adoption Date**") is primarily a share incentive scheme. The purpose of the ISDN PSP 2022 is to (a) foster a culture of ownership within the Group to align the interests of Group Employees and Group Non-executive Directors with the interests of Shareholders; (b) motivate participants to strive towards excellence and to maintain high level of performance to contribute to the Group and to achieve key financial and operational goals of the Company and/or their respective business units; and (c) make total employee remuneration sufficiently competitive to recruit and retain staff whose contributions are important to the long-term growth and profitability of the Group.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

The ISDN PSP 2022 is administered by the RC, comprising the Independent Non-executive Directors, Tan Soon Liang, Lim Siang Kai and Soh Beng Keng.

The following persons shall be eligible to participate in the ISDN PSP 2022:

(a) full time Group employees (including Group executive directors);

(b) having attained the age of 21 years on or before the date in which the ISDN PSP 2022 is granted;

(c) not be an undischarged bankrupt; and

(d) not have entered into a composition with his creditors.

A Group Non-executive Director, who satisfies the eligibility requirements in paragraph (b), (c) and (d) above and the independence requirements under SEHK Listing Rules and shall be eligible to participate in the ISDN PSP 2022 at the absolute discretion of the RC.

A controlling Shareholder of the Company or an associate of a controlling Shareholder of the Company, who satisfies paragraph (b), (c) and (d) above shall be eligible to participate in the ISDN PSP 2022 at the absolute discretion of the RC, provided that the participation in the ISDN PSP 2022 by such person, and the actual number of Shares which are the subject of the ISDN PSP 2022 and the terms of the ISDN PSP 2022 to be granted to such person, must be approved by independent Shareholders in a separate resolution and comply with SGX-ST Listing Manual and SEHK Listing Rules.

A Connected Person of the Company who satisfies paragraph (b), (c) and (d) shall be eligible to participate in the ISDN PSP 2022, at the absolute discretion of the RC, provided that the participation in the ISDN PSP 2022, must be approved by Independent Non-executive Directors at the relevant time and independent Shareholders of the Company in a separate resolution and comply with SGX-ST Listing Manual and SEHK Listing Rules. The relevant grantee, his/her associates and all core connected persons of the Company and related parties must abstain from voting at such general meeting. The following persons shall not be eligible to participate in the ISDN PSP 2022: a) NTSP[1] and its associates; and b) Mr.Toh and his associates.

Other salient information relating to the ISDN PSP 2022 is set out below:

(i) The aggregate number of new Shares which may be granted on any date under the ISDN PSP 2022 and any other share schemes of the Company shall not exceed 10% or 43,863,853 of the total issued and outstanding Shares (excluding treasury shares) on the Adoption Date.

(ii) The total number of Shares that may be issued pursuant to awards granted under the ISDN PSP 2022 (including an issue of Shares pursuant to Awards granted to the controlling shareholders of the Company and their associates in accordance with the Plan) on any date (excluding those Awards that have been forfeited or lapsed in accordance with the Plan) shall not exceed 3% or 13,159,155 of the total number of Shares in the issued share capital of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date.

[1] NTCP SPV VI is a substantial Shareholder of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(iii) The total number of Shares that may be issued to each Independent Director shall not, together with the existing shares he is holding, exceed 1% of the total number of Shares available under the ISDN PSP 2022.

(iv) 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.

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

(vi) 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.

(vii) 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.

(viii) New Shares issued on the release of an award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the existing Shares, shall rank *pari passu* with other existing Shares then in issue and be subject to all provisions of the constitution of the Company.

Maximum entitlement of each participant under the ISDN PSP 2022:

The maximum entitlement of each participant under the ISDN PSP 2022 in any 12-month period up to and including the date of grant of the awards must not exceed 1% of the total number of Shares in issue.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

The remaining life of the ISDN PSP 2022:

The ISDN PSP 2022 shall be valid and effective for a period of ten (10) years from the date of adoption until 30 January 2033. The expiry or termination of the ISDN PSP 2022 shall not affect awards which have been granted prior to such expiry or termination, whether such awards have been released (whether fully or partially) or not.

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares were granted and vested under the ISDN PSP 2022 to the selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six months. The total number of shares available for future grant under the ISDN PSP 2022 would be 41,033,853.

No awards have been granted to the Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee of the Group has received 5% or more of the total number of awards available under the ISDN PSP 2022.

As of the date of the independent auditor's report, there are no outstanding share awards issued under the ISDN PSP 2022.

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 interim and annual announcements of the financial results 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;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 Audit Committee (cont'd)

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;

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

i. Report to the Board with appropriate recommendations;

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 Corporate Governance 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 four (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 external auditor of the Company (the "**External Auditor**") at the forthcoming AGM.

The AC has reviewed, with the management and the External Auditor, the accounting principles and policies adopted by the Group, and discussed audited consolidated financial statements of the Group for the FY2022. The consolidated financial statements have been audited by the External Auditor.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20 Arrangements to Purchase Shares or Debentures

Other than the warrant holdings disclosed above, at no time during the FY2022 was the Company or any of its subsidiaries, a party 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 33 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 FY2022 or at any time during the FY2022.

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 FY2022 or at any time during the FY2022.

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 FY2022.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 Continuing Connected Transactions (cont'd)

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 of 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 the PRC, Singapore, Malaysia, Thailand, Hong Kong, Taiwan, Indonesia, the Philippines and Vietnam. On 27 December 2021, we entered into renewal supply agreements (the "**2021 Renewal Supply Agreements**") with Maxon Motor. The salient terms of the 2021 Renewal Supply Agreements are set out below:

Contract period: The term of the agreement is three years from 1 January 2022 to 31 December 2024. Under the agreement, we may commence negotiations regarding the extension of the agreement at least three months from the end of its term.

Pricing: The price charged by Maxon Motor is based on the price list of Maxon Motor offered to all its non-end users customers (whether independent or otherwise) and valid from time to time. We have the discretion to determine the resale prices of the supplied products.

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.

Territory: We are authorised to sell products within the PRC, Singapore, Malaysia, Thailand, Hong Kong, Taiwan, 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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)

Termination: The 2021 Renewal Supply Agreements can be terminated by either party to such 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 2022 and 2021, the total purchase amount paid and payable by the Group to Maxon Motor amounted to S$59,392,000 and S$73,740,000, respectively.

Proposed annual caps and basis

For the financial years ending 31 December 2023 and 2024, pursuant to the 2021 Renewal Supply Agreements, the total purchase amount payable by the Group to Maxon Motor are not expected to exceed S$120,744,000 and S$144,893,000, respectively. In arriving at the annual caps, the Directors have considered: (i) the historical transaction amount; (ii) the year-on-year growth rate of approximately 26.1% for the increase in the purchases by our Group from Maxon Motor for the year ended 31 December 2019, and the year-on-year growth rate of approximately 18.6% for the same for the year ended 31 December 2020; (iii) the market acceptability of the diverse and quality of the Products supplied by Maxon Motor from Switzerland; and (iv) the terms agreed by Maxon Motor and the Group.

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 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

We have entered into five service agreements on 15 February 2008, 28 January 2014, 1 September 2016, 27 December 2018 and 27 December 2021, 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 2021, we have entered into the renewal service agreement (the "**2021 Renewal Service Agreement**") with Maxon Motor. The salient terms of the 2021 Renewal Service Agreement are set at below:

Contract period: The service agreements are valid from 1 January 2022 up to and including 31 December 2024, or such other earlier date as the parties to the agreements may otherwise agree in writing.

Pricing: The service fee payable to Maxon Motor by Maxon Suzhou shall not be less favourable than those charged against independent third parties of Maxon Motor from time to time.

Relationship

Maxon Motor is an associate of Interelectric. 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 2022 and 2021, the total service fee paid and payable by the Group to Maxon Motor amounted to S$340,000 and S$293,000, respectively.

Proposed annual caps and basis

For the financial years ending 31 December 2023 and 2024, pursuant to the 2021 Renewal Service Agreement, the total service fees payable by the Group to Maxon Motor are not expected to exceed S$605,000 and S$859,000, respectively. In arriving at the annual caps, the Directors have considered the historical transaction amount in relation to the provision of information technology services by Maxon Motor and any potential upgrades to the information technology system of Maxon Motor.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 Continuing Connected Transactions (cont'd)

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

3. Master supply agreement with Dirak Holding

We have entered into a master supply agreement for the sale of the hinges and locks products and the related knowhow being made in the PRC ("**Product A**") from the Group to the Dirak Holding GmbH ("**Dirak Holding**") and its subsidiaries ("**Dirak Group**") and the sale of the hinges and locks products and the related knowhow being made in Germany ("**Product B**") from the Dirak Group to the Group in January 2020 and supplemented by a letter agreement dated 1 December 2021 with Dirak Holding. On 6 December 2022, we entered into the renewal service agreement (the "**2022 Renewal of Supply Agreement**") with Dirak Holding.

Dirak Holding is one of our major suppliers and also our connected person at the subsidiary level, and engages in developing and manufacturing of innovative engineering components broadly including hinges, locks, latches, fasteners and other industrial hardware with quick latching snap technology for enclosure construction. The salient terms of the 2022 Renewal Supply Agreement are set out below:

Contract period: The term of the agreement is three years from 1 January 2023 to 31 December 2025. 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 prices charged by Dirak Holding are determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length commercial negotiations between relevant parties from time to time, taking into account the following factors:

(i) The historical transaction amount for the supply of Product A and Product B between the Group and the Dirak Group;

(ii) For Product A, reference will be made to the quotations that the Group provided to its other independent customers that require similar products. Based on the prices provided to other independent customers, the Group will be able to ensure that the purchase price of Product A payable by the Dirak Group to the Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those the Group offered to other independent third parties from time to time.

(iii) For Product B, the Group will obtain quotation from at least two independent suppliers that supply similar products. Based on the fee quotations provided by other independent suppliers, the Group will be able to ensure that the purchase price of Product B payable by the Group to the Dirak Group represents the prevailing market price and on normal commercial terms, and in any event on terms and prices no less favourable than those available from other independent suppliers.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 Continuing Connected Transactions (cont'd)

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

3. Master supply agreement with Dirak Holding (cont'd)

Proposed annual caps and basis:

In respect of Product A, for the financial years ending 31 December 2023, 2024 and 2025, the total purchase price payable by the Dirak Group to the Group is not expected to exceed S$12.0 million, S$13.0 million and S$15.0 million, respectively. In arriving at the annual caps for the sale of Product A, the Directors have taken into account (i) the expected changes in market price of Product A for the three financial years ending 31 December 2025; and (ii) the expected demand of Dirak Group for Product A for the three financial years ending 31 December 2025.

In respect of Product B, for the financial years ending 31 December 2023, 2024 and 2025, the total purchase price payable by the Group to the Dirak Group is not expected to exceed S$1.2 million, S$1.2 million and S$1.2 million, respectively. In arriving at the annual caps for the purchase of Product B, the Directors have taken into account (i) the costs incurred by the Group for the purchase of Product B for the nine months ended 30 September 2022; (ii) the expected prices and the Group's demand for Product B for the three financial years ending 31 December 2025; (iii) the expected increase in the Group's production capacity for the three financial years ending 31 December 2025; and (iv) the expected increase in demand for Product B for the production requirements of the Group in anticipation of the expected increase of demand for the Group's products.

Relationship

Dirak Holding owns a 50% shareholding interest in Dirak Asia Pte Ltd ("**Dirak Asia**"), which is an indirect non-wholly owned subsidiary of the Company. Hence, Dirak Holding is a connected person of the Company at the subsidiary level.

Historical transaction amount

For the financial years ended 31 December 2022 and 2021, the total transaction amount of Product A amounted to approximately S$9,464,000 and S$9,549,000, respectively.

For the financial years ended 31 December 2022 and 2021, the total transaction amount of Product B amounted to approximately S$976,000 and S$1,077,000, respectively.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 Continuing Connected Transactions (cont'd)

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

3. Master supply agreement with Dirak Holding (cont'd)

Implication under the SEHK Listing Rules

As Dirak Holding 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 master supply agreement with Dirak Holding 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.

4. 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 (Revised) "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 2022

24 Continuing Connected Transactions (cont'd)

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

5. Agreements with Maxon Motor and Dirak Holding

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 33 to the consolidated financial statements. All other related party transactions as described in Note 33 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 FY2022.

Details of the related party transactions are set out in Note 33 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 2022

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

As at 31 December 2022, 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:

		Number of Shares			
Name	**Capacity**	**Personal interests**	**Corporate interests**	**Total**	**Approximate percentage of the issued Shares[3]**
Assetraise [1]	Beneficial owner	141,189,015	-	141,189,015	32.19%
Ms. Thang [1]	Interest of controlled corporation	-	141,189,015	141,189,015	32.19%
NTSP [2]	Interest of controlled corporation	37,556,134	-	37,556,134	8.56%
Mr. Loke Wai San ("**Mr. Loke**") [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%
NEG 2 [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%
NT Fund 2 [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%
Tuas Fund Investments Pte Ltd ("**TF**") [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%
Fullerton Fund Investments Pte Ltd ("**FF**") [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%
Temasek Holdings (Private) Limited ("**TH**") [2]	Interest of controlled corporation	-	37,556,134	37,556,134	8.56%

Notes:

1. Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 141,189,015 Shares. By virtue of the SFO, Mr. Teo and his spouse Ms. Thang, are deemed to be interested in these.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

2. These Shares were held by NTSP. NT Fund 2 is the owner of 100% of the shares of the NTSP and is therefore treated as having an interest. TF is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by FF. FF is directly wholly owned by TH. Therefore, each of TF, FF and TH is deemed to be interested in the 37,556,134 Shares held by NTSP pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,556,134 Shares held by NTSP under the SFA. 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 NTSP.

3. The calculation is based on the total number of 438,638,533 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 MAS on 6 August 2018 and the HK CG Code, where applicable. Please refer to the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 FY2022.

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 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.

30 Major Customers and Suppliers

For the FY2022, the Group sold less than 30% of its goods and services to its 5 largest customers.

For the FY2022, purchases attributable to the Group's largest supplier accounted for approximately 17.0% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 47.3% of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors, or their respective 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

Details of the Environmental Policies and Performance of the Group are set out in the section headed "Environmental, Social and Governance" of this annual report.

33 Donations

The Group made charitable donation of S$3,000 (2021: S$7,000) during the FY2022.

34 Directors' Interests in a Competing Business

During the FY2022 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 FY2022 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 FY2022 and up to the date of this annual report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36 Equity-Linked Agreement

Other than the ISDN PSP 2022 disclosed above, no equity-linked agreements were entered into by the Company during the FY2022 or subsisted at the end of the FY2022, 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.

38 External Auditor

The External 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 External 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	LIM SIANG KAI
Managing Director and President	*Chairman*

Singapore
15 March 2023

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 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 1967 (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 2022 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
Service concession arrangements As at 31 December 2022, the Group has service concession receivables of S$77.0 million arising from existing service concession arrangements to construct and operate mini-hydropower plant projects in Indonesia. The Group has also recognised construction revenue of S$7.6 million in relation to the service concession arrangements for the current financial year ended 31 December 2022. We have determined accounting treatment of service concession arrangements as a key audit matter because of the significant judgement and estimation involved in measuring the construction revenue and service concession receivables. Construction revenue earned from these service concession arrangements is based on the Group's estimation of the fair value of the service concession receivables and the percentages of completion completed during the financial year. The determination of the fair values of the service concession receivables under these concession agreements entail complex calculations and significant estimations such as discount rates, margin used, concession period, future cash flows and other factors used in the determination of the amortised cost of the financial asset and the corresponding revenue. The relevant disclosures on service concession arrangements are found in Note 4(ii)(a), Note 5(a), Note 19 and Note 29 to the financial statements.	Our audit procedures, amongst others, included the following: ▪ Updated our understanding of the Group's process in assessing the applicability of SFRS(I) INT 12 Service Concession Arrangements and its process for measuring construction revenue and service concession receivables. ▪ Discussed with management and project manager about the status of the mini-hydropower plant projects, including any material changes to the projects and/or contractual terms in the associated agreements. ▪ We reviewed the estimation of the project costs in relation to the progress of mini-hydropower plant projects and inspected the underlying documentation on a sample basis to ascertain the actual costs incurred. ▪ Recomputed and compared the percentages of actual costs incurred over the total estimated cost of each mini-hydropower plant project against the percentage of completion. ▪ Evaluated management's estimation in determining the fair values of the service concession receivables including the discount rates, margins used, concession period, estimates of future cash flows and other factors used in the determination of the amortised cost of the financial asset and the related revenue recognised during the year. ▪ Assessed the appropriateness of the related accounting entries made by management and reviewed the adequacy of the disclosures made relating to service concession arrangements in the financial statements. 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)(a), Note 5(a), Note 19 and Note 29 to the financial statements to be appropriate.

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
Impairment of goodwill As at 31 December 2022, the Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S$12.2 million. The goodwill has been allocated to the relevant cash generating unit ("**CGU**") as disclosed in Note 15 to the financial statements. 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 exercise significant judgement in determining the 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. The disclosures on goodwill are found in Note 4(ii)(b) and Note 15 to the financial statements.	Our audit procedures, amongst others, included the following: ▪ Obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. ▪ Held discussions with senior financial management and reviewed the cash flow forecasts by evaluating management's assumptions applied in the cash flow forecasts, taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. ▪ Assessed the appropriateness of the key inputs used in the discounted cash flow forecasts prepared by management, such as growth rates and discount rates, to historical data, recent performance, and external market data. ▪ Checked the mathematical accuracy of the underlying calculations and performed sensitivity testing of management's analysis of the recoverable amount of the CGUs. ▪ Reviewed the adequacy of the disclosure relating to impairment testing of goodwill in Note 15 to the financial statements. 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)(b) and Note 15 to the financial statements to be appropriate.

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
Impairment of trade and other receivables As at 31 December 2022, the carrying amount of the Group's trade and other receivables, net of allowance for expected credit loss ("**ECL**") of S$6.4 million amounted to S$101.1 million. We focused on this area because of the materiality of the balances and the degree of judgement involved in determining the carrying amount of trade and other receivables, including any expected credit loss, as at year end. The Group determines the ECL of trade and other receivables by making debtor-specific assessments 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. The assessment of ECL therefore requires management to exercise significant judgement. The disclosures on trade and other receivables are found in Note 4(ii)(c) and (d), Note 19 and Note 34(a) to the financial statements.	Our audit procedures, amongst others, included the following: ▪ Updated our understanding of the Group's processes and key controls relating to the monitoring of trade and other receivables and assessment of ECL. ▪ Reviewed and tested the aging of trade and other receivables. ▪ Reviewed and discussed with management on the reasonableness of significant judgements used by the management in assessing the recoverability of trade and other receivables. ▪ Evaluated the reasonableness of management's assumptions and inputs used to develop the provision matrix, through analyses of the aging profile of receivables, historical credit loss experience, and data used by management including best available forward-looking information. ▪ Checked the arithmetic accuracy of management's computation of the ECL. ▪ Checked the subsequent receipts from major debtors after the year end and obtained documentary evidence, representations and explanations from management to assess the recoverability of long outstanding debts, where applicable. ▪ 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 34(a) to the financial statements, respectively. 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 34(a) to the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

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

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

INDEPENDENT AUDITOR'S REPORT

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

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 Lao Mei Leng.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
15 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 S$'000	Group 2021 S$'000
Revenue	5	370,779	440,136
Cost of sales		(264,891)	(319,752)
Gross profit		105,888	120,384
Other operating income	6	3,448	8,976
Distribution costs		(28,710)	(30,028)
Administrative expenses		(39,129)	(42,344)
Net impairment gains/(losses) on financial assets	34	296	(1,526)
Other operating expenses		(7,441)	(2,616)
Finance costs	7	(3,486)	(1,476)
Share of profit of associates, net		1,161	1,103
Profit before income tax	8	32,027	52,473
Income tax	10	(8,948)	(13,409)
Profit for the year		23,079	39,064
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
- Net fair value changes on cash flow hedge		(31)	(15)
- Exchange differences on translation		(10,288)	4,822
Total comprehensive income for the year		12,760	43,871
Profit for the year attributable to:			
Equity holders of the Company		14,620	25,485
Non-controlling interests		8,459	13,579
		23,079	39,064
Total comprehensive income for the year attributable to:			
Equity holders of the Company		7,046	28,951
Non-controlling interests		5,714	14,920
		12,760	43,871
Earnings per share (Singapore cents):	11		
Basic		3.33	5.84
Diluted		3.33	5.84

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	Group 2022 S$'000	Group 2021 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	63,249	67,707
Investment properties	13	417	440
Land use rights	14	1,104	1,221
Goodwill	15	12,227	12,227
Associates	17	6,278	5,345
Service concession receivables	19	76,960	69,356
Other financial assets	20	900	900
Deferred tax assets	26	384	350
Total non-current assets		161,519	157,546
Current Assets			
Inventories	18	81,181	77,534
Trade and other receivables	19	101,116	118,504
Cash and bank balances	21	56,554	61,681
Total current assets		238,851	257,719
Total Assets		400,370	415,265
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	81,487	81,487
Reserves	23	116,342	115,649
		197,829	197,136
Non-controlling interests	16	44,771	49,839
Total Equity		242,600	246,975
Non-current Liabilities			
Bank borrowings	24	10,066	12,761
Lease liabilities	25	4,860	4,559
Deferred tax liabilities	26	676	790
Total non-current liabilities		15,602	18,110
Current Liabilities			
Bank borrowings	24	23,809	27,360
Lease liabilities	25	1,322	2,117
Trade and other payables	27	95,101	96,885
Contract liabilities	5	18,003	19,475
Current tax liabilities		3,933	4,343
Total current liabilities		142,168	150,180
Total Liabilities		157,770	168,290
Total Equity and Liabilities		400,370	415,265

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	Company 2022 S$'000	Company 2021 S$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	656	684
Subsidiaries	16	50,410	50,410
Total non-current assets		51,066	51,094
Current Assets			
Other receivables	19	804	849
Amount owing by subsidiaries	16	67,963	61,246
Dividend receivable		1,400	500
Cash and bank balances	21	2,030	864
Total current assets		72,197	63,459
Total Assets		123,263	114,553
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	81,487	81,487
Reserves	23	30,197	24,199
Total Equity		111,684	105,686
Non-current Liabilities			
Lease liabilities	25	640	660
Total non-current liabilities		640	660
Current Liabilities			
Lease liabilities	25	21	20
Other payables	27	10,571	8,025
Current tax liabilities		347	162
Total current liabilities		10,939	8,207
Total Liabilities		11,579	8,867
Total Equity and Liabilities		123,263	114,553

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	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
Group								
Balance at 1 January 2022	81,487	(436)	1,846	6,049	108,190	197,136	49,839	246,975
Profit for the year	-	-	-	-	14,620	14,620	8,459	23,079
Other comprehensive loss for the year	-	-	(7,543)	(31)	-	(7,574)	(2,745)	(10,319)
Total comprehensive (loss)/income for the year	-	-	(7,543)	(31)	14,620	7,046	5,714	12,760
Dividend paid in cash relating to FY2021 (Note 28)	-	-	-	-	(6,408)	(6,408)	-	(6,408)
Dividends to non-controlling interests	-	-	-	-	-	-	(10,727)	(10,727)
Transfer to other reserves	-	-	-	176	(121)	55	(55)	-
Balance at 31 December 2022	81,487	(436)	(5,697)	6,194	116,281	197,829	44,771	242,600

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	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
Group								
Balance at 1 January 2021	79,213	(436)	(1,635)	4,967	87,911	170,020	47,604	217,624
Profit for the year	-	-	-	-	25,485	25,485	13,579	39,064
Other comprehensive income/ (loss) for the year	-	-	3,481	(15)	-	3,466	1,341	4,807
Total comprehensive income/(loss) for the year	-	-	3,481	(15)	25,485	28,951	14,920	43,871
Shares issued in-lieu of cash for dividend relating to financial year ended 31 December 2020 ("**FY2020**") (Note 28)	2,274	-	-	-	(2,274)	-	-	-
Dividend paid in cash relating to FY2020 (Note 28)	-	-	-	-	(1,263)	(1,263)	-	(1,263)
Dividends to non-controlling interests	-	-	-	-	-	-	(8,905)	(8,905)
Additional capital contributed by non-controlling interests	-	-	-	-	-	-	381	381
Acquisition of non-controlling interests without a change in controlling subsidiary	-	-	-	(1,231)	-	(1,231)	(3,502)	(4,733)
Transfer to other reserves	-	-	-	2,328	(1,669)	659	(659)	-
Balance at 31 December 2021	81,487	(436)	1,846	6,049	108,190	197,136	49,839	246,975

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022	**2021**
	S$'000	**S$'000**
Cash Flows from Operating Activities		
Profit before income tax	32,027	52,473
Adjustments for:		
Allowance for impairment loss on trade and other receivables	127	1,670
Allowance for impairment loss on investment in associate	-	611
Allowance for inventories obsolescence	1,438	1,285
Amortisation of land use rights	33	33
Depreciation of investment properties	19	19
Depreciation of property, plant and equipment	4,852	4,761
Gain on termination of leases	-	(13)
Interest expense	3,486	1,476
Interest income	(404)	(368)
Inventories written off	49	130
Loss on disposal of interest in associates	-	93
Gain on disposal of property, plant and equipment, net	(24)	(2,207)
Property, plant and equipment written off	-	91
Share of profit of associates, net	(1,161)	(1,103)
Share-based payment	-	1,750
Trade receivables written off	12	189
Write back of allowance for impairment loss on trade receivables	(423)	(144)
Write back of allowance for inventories obsolescence	(85)	(88)
Unrealised foreign exchange differences	4,862	(20)
Operating cash flow before working capital changes	44,808	60,638
Changes in working capital:		
Inventories	(5,049)	(23,269)
Trade and other receivables	10,514	(20,110)
Trade and other payables	(7,214)	14,621
Cash from operating activities before service concession arrangements	43,059	31,880
Change in receivables from service concession arrangements	(7,642)	(9,478)
Cash generated from operations after service concession arrangements	35,417	22,402
Interest paid	(3,295)	(1,259)
Interest received	404	368
Income tax paid	(9,534)	(12,850)
Net cash generated from operating activities	22,992	8,661

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022	2021
	S$'000	S$'000
Cash Flows from Investing Activities		
Dividend from associates	228	258
Proceeds from the disposal of associate	-	53
Proceeds from disposal of property, plant and equipment	49	5,042
Purchase of property, plant and equipment	(2,282)	(6,842)
Net cash used in investing activities	(2,005)	(1,489)
Cash Flows from Financing Activities		
Additional contribution from non-controlling interests	-	381
Decrease in fixed deposit pledged and restricted bank deposit	-	4,449
Dividends to equity holders of the Company	(6,408)	(1,263)
Dividends to non-controlling interests	(10,991)	(9,071)
Interest expense on lease liabilities	(189)	(217)
Proceeds from bank loans	22,106	27,512
(Repayment)/proceeds from trust receipts and other borrowings, net	(1,219)	5,190
Repayments of bank loans	(25,905)	(24,290)
Repayments of lease liabilities	(2,345)	(1,726)
Net cash (used in)/generated from financing activities	(24,951)	965
Net (decrease)/increase in cash and cash equivalents	(3,964)	8,137
Cash and cash equivalents at beginning of the year	59,021	51,440
Effect of currency translation on cash and cash equivalents	(929)	(556)
Cash and cash equivalents at end of the year (Note 21)	54,128	59,021

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

1 General

ISDN Holdings Limited (the "**Company**") is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Main Board of the SGX-ST and the Main Board of SEHK. The Company's registered office and principal place of business is at 101 Defu Lane 10, Singapore 539222.

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

The Company's principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its 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 2022, 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 amendments 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
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*	Deferred indefinitely, early application is still permitted
Amendments to SFRS(I) 1-1	*Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-1	*Presentation of Financial Statements: Classification of Liabilities as current or non-current*	1 January 2024
Amendments to SFRS(I) 1-1	*Presentation of Financial Statements: Non-current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 16	*Lease: Lease Liability in a Sale and Leaseback*	1 January 2024

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(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 when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(i) Subsidiaries (cont'd)

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 cost 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

(i) Subsidiaries (cont'd)

When the Group loses control of a subsidiary, it:

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(ii) Associates (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currencies (cont'd)

(ii) Transactions and balances (cont'd)

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 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

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

(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.

(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 20 years to 38 years
Leasehold improvements	2 to 20 years
Motor vehicles	5 to 6 years
Plant and equipment	5 to 10 years
Furniture, fittings and office equipment	1 to 10 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(g) Goodwill (cont'd)

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

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

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

(i) Derivative financial instruments (cont'd)

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.

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.

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. Hedge accounting is discontinued prospectively when the hedging relationship (or part thereof) cannot meet the qualifying criteria despite rebalancing, such as when the hedging instrument terminates or otherwise ceases to exist.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

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

(ii) Hedge accounting (cont'd)

Interest rate benchmark reform Phase 2 relief

The Group has ceased to apply the temporary relief in interest rate benchmark reform Phase 1 as the uncertainty arising from interest rate benchmark reform is no longer present. The Group applies the Phase 2 relief to its interest rate hedges when the necessary conditions are met, namely, that

(a) the change is necessary as a direct consequence of the reform;
(b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
(c) the changes to the hedge documentation are limited to changes in the alternative benchmark rate, changes in the hedged item description, and changes in the hedging instrument description.

Applying the Phase 2 relief to its cash flow hedges, the Group amends the hedge documentation, without discontinuing the interest rate hedges, and deems that the amounts accumulated in the cash flow hedge reserve were based on the new interest rate benchmark.

Applying the Phase 2 relief to interest rate hedges of groups of items, the Group allocates the hedged items to subgroups based on the benchmark rates being hedged, and designates the appropriate benchmark rate as the hedged risk of each subgroup. The Group assesses each sub-group separately, when assessing whether the hedged item is eligible for hedge accounting.

(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. inventories) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

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

(iii) Cash flow hedges (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(i) Classification and Measurement (cont'd)

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.

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 operating income" line item.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(ii) Impairment

The Group assesses on a forward looking basis the ECLs 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 2022

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 2022

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 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(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.

(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) Dividends to Company's Shareholders

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

(q) 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 fail to make principal or interest payments when due in accordance with the terms of their borrowings.

<u>Financial guarantee in the separate financial statements</u>

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:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(q) Financial Guarantees (cont'd)

Financial guarantee in the separate financial statements (cont'd)

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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(s) 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.

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(u) 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 goods or service to the customer, which is when the customer obtains control of the goods 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.

(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 have 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(u) Revenue Recognition (cont'd)

(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.

(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, commission income and others

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

(v) 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-hydropower plants 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 SFRS(I) INT 12 *Service Concession Arrangements*.

A financial asset (receivable under a 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 a service concession arrangement) is accounted for in accordance with the policy set out for "Financial Assets" in Note 3(k) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(v) **Service Concession Arrangements** (cont'd)

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.

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

(w) **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.

The Group and its subsidiaries which operate in various countries should comply with the relevant laws and regulations to contribute to the defined contribution schemes being administered by government agencies in various jurisdiction. The Group and its subsidiaries are required under the schemes to ensure that contributions are paid on monthly or quarterly for their eligible employees in respective jurisdiction. Both the Group and eligible employees are required to contribute a certain percentage of the employees' relevant income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(w) Employee Benefits (cont'd)

(i) Defined contribution plans (cont'd)

The employers' contribution rates and limits of our geographical locations are set out as follows:

	Rate of Contribution	The Floor and Ceiling of Mandatory Provident Funds Contribution			Name of Defined Contribution Scheme
Countries	Employer	Minimum monthly income	Maximum monthly income	Additional income ceiling	
Singapore	7.5% - 17%	SGD 51[1]	SGD 6,000	SGD 102,000 minus total monthly income subject to contributions for the year	Central Provident Fund
PRC	25.6% - 38.7%	RMB 2,300[2]	RMB 38,892	Not applicable	Social Security Fund
Hong Kong	5%	HKD 7,100[1]	HKD 30,000	Not applicable	Mandatory Provident Fund
Malaysia	4% - 13%	No limit	No limit	Not applicable	Employees' Provident Fund
Indonesia	6.24% - 7.74%	No limit	No limit	Not applicable	Bandan Penyelenggara Jaminan Social
Vietnam	21.5%	VND 3,250,000[1]	VND 29,800,000	Not applicable	Social Security Fund

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(w) Employee Benefits (cont'd)

(i) Defined contribution plans (cont'd)

The employers' contribution rates and limits of our geographical locations are set out as follows: (cont'd)

	Rate of Contribution	The Floor and Ceiling of Mandatory Provident Funds Contribution			Name of Defined Contribution Scheme
Countries	Employer	Minimum monthly income	Maximum monthly income	Additional income ceiling	
Thailand	5.0%	No limit	THB 15,000	Not applicable	Social Security Fund
Taiwan	6.0%	No limit	NTD 147,901	Not applicable	Social Security Fund

Notes:

[1] Employers are not required to contribute for employees whose monthly wage is less than the monthly income base.

[2] Employers are obligated to make contributions based on the minimum monthly income base for eligible employee whose monthly salary is less than the minimum monthly income base.

(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.

(iii) Share-based compensation - Cash-settled plan

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(x) Leases

(i) When the Group is a 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(x) Leases (cont'd)

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

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.

<u>Short-term lease and lease of low-value assets</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(y) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(y) Income Tax (cont'd)

(ii) Deferred tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 Summary of Significant Accounting Policies (cont'd)

(z) 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.

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.

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

(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 inventories 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 inventories 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 inventories obsolescence.

During the financial year, the Group recognised a net allowance for inventories obsolescence of S$1,353,000 (2021: S$1,197,000) (Notes 6 and 8). In addition, certain inventories which were determined to be obsolete and unusable amounting to S$49,000 (2021: S$130,000) (Note 8) were written off during the financial year.

The carrying amount of the Group's inventories and allowance for inventories obsolescence as at 31 December 2022 are set out in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(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) 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 2022 is disclosed in Note 19.

(b) 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 2022 are set out in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(ii) Key Sources of Estimation Uncertainty (cont'd)

(c) Allowance for impairment loss of trade receivables

The Group uses a provision matrix to calculate 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 34(a). The carrying amount of the Group's trade receivables as at 31 December 2022 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.

The Group's credit risk exposure for other receivables are set out in Note 34(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 34(a) to the financial statements.

The carrying amounts of the Group's other receivables as at 31 December 2022 are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(ii) Key Sources of Estimation Uncertainty (cont'd)

(e) 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$8,948,000 (2021: S$13,409,000) (Note 10) for the financial year ended 31 December 2022.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2022 are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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**
2022					
Geographical markets					
Singapore	43,691	3,319	10,949	673	58,632
PRC	186,055	57,147	-	-	243,202
Hong Kong	6,750	60	-	1	6,811
Malaysia	12,199	1,100	57	10	13,366
Indonesia	185	81	10	7,642	7,918
Vietnam	16,770	51	14	-	16,835
Others	12,812	10,731	472	-	24,015
Total revenue from contracts with customers	278,462	72,489	11,502	8,326	370,779
Goods or services transferred at a point in time	277,660	72,489	11,502	684	362,335
Services transferred over time	802	-	-	7,642	8,444
2021					
Geographical markets					
Singapore	36,675	3,589	10,185	642	51,091
PRC	246,818	63,270	-	-	310,088
Hong Kong	14,704	123	-	-	14,827
Malaysia	11,581	1,292	86	2	12,961
Indonesia	397	68	-	9,478	9,943
Vietnam	15,937	198	3	-	16,138
Others	13,672	10,764	345	307	25,088
Total revenue from contracts with customers	339,784	79,304	10,619	10,429	440,136
Goods or services transferred at a point in time	336,794	79,304	10,619	951	427,668
Services transferred over time	2,990	-	-	9,478	12,468

Included in others is construction revenue of S$7,642,000 for the current financial year (2021: S$9,478,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5 Revenue and Contract Liabilities (cont'd)

(b) Contract Liabilities

	Group		
	31 December		**1 January**
	2022	**2021**	**2021**
	S$'000	**S$'000**	**S$'000**
Contract liabilities	18,003	19,475	17,053

Contract liabilities

	Group	
	2022	**2021**
	S$'000	**S$'000**
Revenue recognised in the current year that was included in the contract liabilities at the beginning of the year	17,690	16,228
Changes due to cash received, excluding amount recognised as revenue during the year	16,218	18,650

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. The decrease in contract liabilities was mainly due to the decrease in advances received from customers for sales of goods largely from the PRC subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 Other Operating Income

	Group	
	2022	2021
	S$'000	S$'000
Interest income	404	368
Commission income	135	283
Foreign exchange gain, net	-	2,211
Gain on disposal of property, plant and equipment, net	24	2,207
Gain on termination of leases	-	13
Government grants	258	356
Operating lease rental income:		
- investment properties	63	56
- sub-let of office/warehouse premises	425	523
Property management income	499	560
Technical service income	507	1,063
Write back of allowance for inventories obsolescence*	85	88
Miscellaneous income**	1,048	1,248
	3,448	8,976

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

** Miscellaneous income mainly comprises of administration income.

7 Finance Costs

	Group	
	2022	2021
	S$'000	S$'000
Interest expense on:		
- bank loans	1,201	1,020
- trust receipts	168	85
- leases liabilities	189	217
- others	1,928	154
	3,486	1,476

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8 Profit before Income Tax

	Group	
	2022	**2021**
	S$'000	**S$'000**
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	33	33
Audit fees		
- company's auditors*	320	325
- other auditors - network firms	57	79
- other auditors - non-network firms	147	174
Audit related service fee - Company's auditor	5	5
Depreciation of property, plant and equipment		
- recognised in cost of sales	778	698
- recognised in distribution costs	423	420
- recognised in administrative expenses	3,651	3,643
	4,852	4,761
Depreciation of investment properties	19	19
Share-based payment	-	1,750
Other operating expenses included:		
- trade receivables written off	12	189
- allowance for inventories obsolescence	1,438	1,285
- loss on disposal of interest in an associate	-	93
- property, plant and equipment written off	-	91
- inventories written off	49	130
- foreign exchange losses, net	5,901	-
- allowance for impairment loss on investment in associate	-	611
Operating lease rental expense	203	63

* There was no non-audit fee paid/payable to the Company's auditors during the financial years ended 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9 Employee Benefits

	Group	
	2022	2021
	S$'000	S$'000
Directors' fees	216	196
Directors' remuneration		
- salaries and related costs	4,756	7,232
- defined contribution plans	21	34
Key management personnel (other than directors)		
- salaries and related costs	1,573	1,935
- defined contribution plans	75	79
Other than directors and key management personnel		
- salaries and related costs	34,971	33,526
- defined contribution plans	4,083	4,343
	45,695	47,345

Details of Directors' emoluments are set out as follows:

	Directors' fees	Directors' remuneration	Other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
For the year ended 31 December 2022						
Independent directors						
- Lim Siang Kai (Chairman)	63	-	-	-	-	63
- Soh Beng Keng	51	-	-	-	-	51
- Tan Soon Liang	51	-	-	-	-	51
Non-executive director						
- Toh Hsiang-Wen Keith	51	-	-	-	-	51
Executive directors						
- Teo Cher Koon	-	1,310	42	2,652	21	4,025
- Kong Deyang	-	58	48	646	-	752
	216	1,368	90	3,298	21	4,993

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
For the year ended 31 December 2021						
Independent directors						
- Lim Siang Kai (Chairman)	58	-	-	-	-	58
- Soh Beng Keng	46	-	-	-	-	46
- Tan Soon Liang	46	-	-	-	-	46
Non-executive director						
- Toh Hsiang-Wen Keith	46	-	-	-	-	46
Executive directors						
- Teo Cher Koon	-	1,305	34	3,670	19	5,028
- Kong Deyang	-	127	48	2,048	15	2,238
	196	1,432	82	5,718	34	7,462

(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 2022 and 2021.

(b) Directors' waived emoluments

None of the Directors waived or agreed to waive any emoluments during the financial years ended 31 December 2022 and 2021.

(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 2022 and 2021.

(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 2022 and 2021.

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 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9 Employee Benefits (cont'd)

(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 2022 and 2021.

(f) A total of S$224,000 was recognised in FY2021 for Jobs Support Scheme (the "**JSS**"). The JSS was a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers received cash grants in relation to the gross monthly wages of eligible employees.

(g) Defined contribution plans contributed by the Group are fully and immediately vested in the employees upon their payment to the schemes. There are no contributions forfeited by the Group on behalf of its employees who leave the schemes prior to vesting fully in such contribution. Hence, there is no forfeited contributions that may be used by the Group to reduce the contribution payables. The Group does not establish any enterprise annuity plans for its employees.

<u>Five highest paid individuals</u>

For the financial years ended 31 December 2022 and 2021, of the five individuals with highest emoluments pursuant to Appendix 16.25 of the SEHK Listing Rules, 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 2022 and 2021 are set out below.

	Group	
	2022	**2021**
	S$'000	**S$'000**
Salaries, allowance and benefits in kind	787	698
Discretionary bonuses	166	166
Retirement scheme contributions	55	102
	1,008	966

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9 Employee Benefits (cont'd)

Five highest paid individuals (cont'd)

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

	Group	
	2022	**2021**
	Number of individuals	
S$200,000 to S$300,000	-	1
S$300,001 to S$400,000	3	2
S$700,001 to S$800,000	1	-
S$2,000,001 to S$3,500,000	-	1
S$3,600,001 to S$5,500,000	1	1
	5	5

10 Income Tax

	Group	
	2022	**2021**
	S$'000	**S$'000**
Current income tax		
- Singapore	1,611	737
- PRC	6,865	11,574
- Outside Singapore and the PRC	940	831
- (Over)/Under provision in respect of prior years	(292)	149
	9,124	13,291
Deferred taxation (Note 26)		
- Withholding tax on the profits of the Group's subsidiaries	(114)	205
- Over provision in respect of prior years	(62)	(87)
	(176)	118
	8,948	13,409

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
	2022	**2021**
	S$'000	**S$'000**
Profit before income tax	32,027	52,473
Income tax calculated at applicable tax rates	8,213	12,789
Non-deductible expenses	1,673	1,085
Non-taxable income	(1,697)	(1,609)
Singapore statutory stepped income exemption and tax rebate	(70)	(70)
Deferred tax assets not recognised	1,149	945
Share of results of associates	148	2
Withholding tax on undistributed earnings of certain of the Group's PRC subsidiaries	(114)	205
(Over)/Under provision in respect of prior years:		
- income tax	(292)	149
- deferred income tax	(62)	(87)
	8,948	13,409

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% (2021: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia is 24% (2021: 24%).

The statutory tax rate for Hong Kong profit is 16.5% on the assessable profits arising during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first Hong Kong Dollar 2 million of assessable profits of this subsidiary 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 Corporate Income Tax Law. The income tax rate for both domestic and foreign-investment enterprise is at 25%.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10 Income Tax (cont'd)

Unrecognised tax losses

As at 31 December 2022, the Group has unutilised tax losses of approximately S$25.1 million (2021: S$18.4 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 with 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 amounting to S$25.1 million (2021: S$18.4 million) has not been recognised in accordance with the Group's accounting policy stated in Note 3(y). The deferred tax asset not recognised is estimated to be S$4.3 million (2021: S$3.1 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 Enterprise Income Tax Law ("**the EIT Law**") 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 2022, deferred tax liabilities of S$632,000 (2021: S$746,000) (Note 26) have 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 of the 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$39.4 million (2021: S$33.2 million). The deferred tax liability not recognised is estimated to be S$2.0 million (2021: S$1.7 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11 Earnings Per Share

	Group	
	2022	**2021**
	Singapore cents per share	**Singapore cents per share**
Basic earnings per share	3.33	5.84
Fully diluted earnings per share	3.33	5.84

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	
	2022	**2021**
	S$'000	**S$'000**
Profit for the year attributable to equity holders of the Company	14,620	25,485
Weighted average number of ordinary shares for the purposes of basic earnings per share	438,638,533	436,486,336

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 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12 Property, Plant and Equipment

	Freehold land	Leasehold properties	Leasehold Improvements	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Construction in progress	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
2022								
Cost								
At 1 January	5,012	36,477	5,616	4,261	11,356	7,071	24,113	93,906
Additions	137	1,753	409	199	814	574	247	4,133
Reclassification	-	-	-	-	1	(1)	-	-
Disposals	-	-	-	(100)	(10)	(36)	-	(146)
Written off	-	(1,100)	(138)	-	-	(194)	-	(1,432)
Translation adjustment	(236)	(2,621)	(337)	(211)	(874)	(430)	(1,104)	(5,813)
At 31 December	4,913	34,509	5,550	4,149	11,287	6,984	23,256	90,648
Accumulated depreciation								
At 1 January	-	9,271	2,391	2,753	6,466	5,318	-	26,199
Depreciation for the year	-	2,451	501	388	902	610	-	4,852
Disposals	-	-	-	(92)	(1)	(28)	-	(121)
Written off	-	(1,100)	(138)	-	-	(194)	-	(1,432)
Translation adjustment	-	(969)	(198)	(115)	(488)	(329)	-	(2,099)
At 31 December	-	9,653	2,556	2,934	6,879	5,377	-	27,399
Net book value								
At 31 December	4,913	24,856	2,994	1,215	4,408	1,607	23,256	63,249
2021								
Cost								
At 1 January	4,984	30,713	2,956	3,782	9,225	8,149	28,845	88,654
Additions	38	5,846	1,648	598	1,918	912	1,728	12,688
Reclassification	-	5,025	1,270	(3)	176	23	(6,491)	-
Disposals	-	(5,132)	-	(198)	(28)	(105)	-	(5,463)
Written off	-	(1,198)	(366)	(1)	(263)	(2,091)	-	(3,919)
Translation adjustment	(10)	1,223	108	83	328	183	31	1,946
At 31 December	5,012	36,477	5,616	4,261	11,356	7,071	24,113	93,906
Accumulated depreciation								
At 1 January	-	9,786	2,352	2,468	5,728	6,718	-	27,052
Depreciation for the year	-	2,623	292	421	834	591	-	4,761
Disposals	-	(2,329)	-	(184)	(22)	(93)	-	(2,628)
Written off	-	(1,159)	(327)	(1)	(256)	(2,046)	-	(3,789)
Translation adjustment	-	350	74	49	182	148	-	803
At 31 December	-	9,271	2,391	2,753	6,466	5,318	-	26,199
Net book value								
At 31 December	5,012	27,206	3,225	1,508	4,890	1,753	24,113	67,707

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12 Property, Plant and Equipment (cont'd)

	Leasehold properties S$'000	Furniture, fittings and office equipment S$'000	Total S$'000
Company			
2022			
Cost			
At 1 January	685	40	725
Addition	-	17	17
At 31 December	685	57	742
Accumulated depreciation			
At 1 January	8	33	41
Depreciation for the year	33	12	45
At 31 December	41	45	86
Net book value			
At 31 December	644	12	656
2021			
Cost			
At 1 January	-	31	31
Addition	685	13	698
Written off	-	(4)	(4)
At 31 December	685	40	725
Accumulated depreciation			
At 1 January	-	31	31
Depreciation for the year	8	6	14
Written off	-	(4)	(4)
At 31 December	8	33	41
Net book value			
At 31 December	677	7	684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	Disposed
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175*	469 sq. m	Office, workshop and warehouse	Disposed
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175*	469 sq. m	Office, workshop and warehouse	Disposed
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175*	469 sq. m	Office, workshop and warehouse	Disposed
No. 1128 Jiangxing East Road Wujiang Economic Development Zone PRC	40,657 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities
101 Defu Lane 10 Singapore 539222	3,959 sq. m	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2022, the net book value of the leasehold properties set out above that are mortgaged to secure the Group's bank borrowings was S$19,610,000 (2021: S$21,726,000) (Note 24).

As at 31 December 2022, the net book value of motor vehicle and plant and equipment of the Group held under lease liabilities was S$433,000 (2021: S$443,000).

During the current financial year, the Group acquired right-of-use assets under leasing arrangements amounting to S$1,753,000 (2021: S$5,846,000). 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.

There was a write-off of S$39,000 arising from the termination of the leasing arrangements of leasehold properties in FY2021.

During the financial year, cash payments of S$2,282,000 (2021: S$6,842,000) were made to purchase property, plant and equipment.

* In FY2021, the Group disposed these properties to third parties, for a consideration of approximately S$4,997,000, recorded a gain of S$2,194,000. Accordingly, these properties were released from mortgage for banking facilities as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13 Investment Properties

	Group	
	2022	2021
	S$'000	S$'000
Cost		
Balance at 1 January	959	961
Translation adjustment	(8)	(2)
Balance as at 31 December	951	959
Accumulated depreciation		
Balance at 1 January	519	501
Depreciation for the year	19	19
Translation adjustment	(4)	(1)
Balance at 31 December	534	519
Net book value		
Balance at 31 December	417	440

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S$850,000 (2021: S$835,000) as at the statement of financial position date based on directors' valuations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The fair value hierarchy is disclosed in Note 34(b).

The Group's investment properties are set out below.

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

Investment properties are leased to third parties. During the financial year, rental income from these investment properties amounted to S$63,000 (2021: S$56,000); and direct operating expenses amounted to S$30,000 (2021: S$28,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14 Land Use Rights

	Group	
	2022	**2021**
	S$'000	**S$'000**
Cost		
Balance at 1 January	1,671	1,614
Translation adjustment	(116)	57
Balance at 31 December	1,555	1,671
Accumulated amortisation		
Balance at 1 January	450	400
Amortisation for the year	33	33
Translation adjustment	(32)	17
Balance at 31 December	451	450
Net book value		
Balance at 31 December	1,104	1,221
Amount to be amortised:		
- not later than one year	33	33
- later than one year but not later than five years	132	132
- later than five years	939	1,056
	1,104	1,221

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 34 years (2021: 35 years).

As at 31 December 2022 and 2021, the land use rights are mortgaged to secure the Group's bank borrowings as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15 Goodwill

	Group	
	2022	2021
	S$'000	S$'000
Balance at 1 January and 31 December	12,227	12,227

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	
	2022	2021
	S$'000	S$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd ("**Servo Thailand**")	75	75
- TDS Technology (S) Pte Ltd ("**TDS**")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia	9,508	9,508
Others		
- Aenergy Holdings Company Limited ("**Aenergy**")	541	541
	12,227	12,227

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, were 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 2022

15 Goodwill (cont'd)

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

	Group	
	2022	**2021**
Engineering Solutions – Motion Control		
Growth rates	0.0% to 5.0%	0.0% to 5.0%
Perpetual growth rate	2.0%	2.0%
Pre-tax discount rate	11.2% to 11.3%	9.6% to 10.4%
Other Specialised Engineering Solution		
Growth rates	0.0% to 10.0%	0.0% to 15.0%
Perpetual growth rate	5.0%	5.0%
Pre-tax discount rate	14.4%	14.3%
Others		
Revenue estimate	Estimates based on the mini-hydropower plant capacity of 4.6 and 10 megawatts	
Pre-tax discount tax	15.4%	13.8%

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% (2021: 1%), respectively, the relevant excess of recoverable amount over carrying amount would decrease to S$426,000, S$10,136,000 and S$12,424,000 (2021: S$882,000, S$13,190,000 and S$7,654,000) for engineering solutions – motion control, other specialised engineering solution and others CGU 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 2022

16 Subsidiaries

	Company	
	2022	2021
	S$'000	S$'000
Non-current assets		
Unquoted equity shares, at cost	36,783	36,783
Loans to subsidiaries	13,627	13,627
	50,410	50,410
Current assets		
Amounts owing by subsidiaries	69,821	62,961
Less: Allowance for impairment loss	(1,858)	(1,715)
	67,963	61,246

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 for as subsidiaries.

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

	Company	
	2022	2021
	S$'000	S$'000
Current assets		
Amounts owing by subsidiaries		
At 1 January	1,715	1,636
Addition	143	79
At 31 December	1,858	1,715

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 2022

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
			2022	2021	
			%	%	
Held by the Company					
Motion Control Group Pte Ltd[1]	Singapore	S$17,531,255	100	100	Investment holding
Servo Dynamics Pte Ltd[1]	Singapore	S$1,600,000	100	100	Motion control solutions and industrial computing solutions
Portwell Singapore Pte Ltd[1]	Singapore	S$100,000	100	100	Industrial computing solutions
Leaptron Engineering Pte Ltd[1]	Singapore	S$300,000	100	100	Other specialised engineering solutions
ISDN Investments Pte Ltd[1]	Singapore	S$13,757,001	100	100	Investment holding
Held by Motion Control Group Pte Ltd					
Precision Motion Control Pte Ltd[1]	Singapore	S$300,000	100	100	Motion control solutions
Servo Dynamics Co., Ltd.[14]	PRC	US$2,400,000	-	-	Motion control solutions
Servo Dynamics (Thailand) Company Limited[4]	Thailand	THB16,900,000	59.7	59.7	Motion control solutions
Servo Engineering Sdn Bhd[3]	Malaysia	MYR350,000	90	90	Motion control solutions
Servo Dynamics (H.K.) Limited[4]	Hong Kong	HK$128,570	100	100	Motion control solutions
Eisele Asia Co., Ltd[2] [4] [5] [10]	PRC	US$210,000	50	50	Other specialised engineering solutions
IGB (HK) Company Ltd [4]	Hong Kong	HK$16,815	70.9	70.9	Investment holding
Servo Dynamics Sdn Bhd[3]	Malaysia	MYR3	100	100	Motion control solutions
Excel Best Industries (Suzhou) Co., Ltd[2] [4] [8]	PRC	US$6,000,000	100	100	Properties holding
Weiyi M&E Equipment (Shanghai) Co., Ltd [2] [4] [11]	PRC	US$140,000	51	51	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 %	2021 %	Principal activities
Held by Motion Control Group Pte Ltd (cont'd)					
Suzhou PDC Co., Ltd(2) (4) (8)	PRC	US$4,800,000	100	100	Properties holding
Gateway Motion (Shanghai) Co., Ltd(2) (4) (8)	PRC	US$210,000	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co., Ltd(2) (4) (11)	PRC	US$450,000	95.3	95.3	Other specialised engineering solutions
DBASIX Singapore Pte Ltd(1)	Singapore	S$1,600,000	75	75	Investment holding
TDS Technology (S) Pte Ltd(1)	Singapore	S$1,000,000	61.2	61.2	Motion control solutions
ISDN Enterprise Management (Wu Jiang) Co., Ltd(2) (4) (8)	PRC	US$100,000	100	100	Investment holding
Accel Technologies (China) Co., Ltd(2) (4) (8)	PRC	US$210,000	100	100	Other specialised engineering solutions
A Tracks Pte Ltd(1)	Singapore	S$100	70	70	Motion control solutions
Dirak Asia Pte Ltd(1) (5) (7)	Singapore	S$554,690	49	49	Other specialised engineering solutions
ISDN Software Business Pte Ltd(1)	Singapore	S$100,000	100	100	Industrial computing solutions
Su Zhou Servo Dynamics Co., Ltd(2) (4) (8)	PRC	US$3,000,000	100	100	Motion control solutions
Performance Leadership Pte. Ltd. (1)	Singapore	S$106,122	51	51	Corporate training services and motivational course providers
NovaPeak Pte. Ltd. (6)	Singapore	S$200,000	87	-	Industrial automation, drone services, big data analytic, consultancy and training services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
			2022	2021	
			%	%	
Held by <u>ISDN Software Business Pte Ltd</u>					
ISDN-NJ Software Business Co., Ltd. [2] [4] [6] [10]	PRC	RMB2,450,000	70	-	Industrial computing solutions
Held by <u>Precision Motion Control Pte Ltd</u>					
Air Vacuum Automation Vietnam Company Limited [4]	Vietnam	VND6,900,000,000	51	51	Motion control solutions
Held by <u>Servo Dynamics Pte Ltd</u>					
Maxon Motor (Suzhou) Co., Ltd[2] [4] [5] [10]	PRC	US$690,000	50	50	Motion control solutions
Maxon Motor International Trading (Shanghai) Co., Ltd[2] [4] [5] [10]	PRC	US$200,000	50	50	Motion control solutions
Servo Dynamics Engineering Company Limited[4]	Vietnam	US$500,000	51	51	Motion control solutions
Maxon Motor SEA Pte Ltd [1] [5]	Singapore	S$1,000,000	50	50	Motion control solutions
Maxon Motor Taiwan Co., Ltd. [4] [5]	Republic of China (Taiwan)	TWD5,000,000	50	50	Motion control solutions
Servo Dynamics Philippines, Inc. [3]	Philippines	US$210,000	100	100	Industrial computing solutions
Held by <u>Su Zhou Servo Dynamics Co., Ltd</u>					
Beijing Junyizhicheng Technology Developing Co., Ltd[2] [4] [9]	PRC	RMB2,000,000	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd[2] [4] [9]	PRC	RMB6,000,000	100	100	Motion control solutions
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd[2] [4] [5] [9]	PRC	RMB2,000,000	50	50	Other specialised engineering solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
			2022	**2021**	
			%	%	
Held by Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd					
Bei Cheng Information Technology (Tianjin) Co., Ltd. (2) (5) (9)	PRC	RMB5,000,000	50	50	Other specialised engineering solutions
Held by IGB (H.K.) Co., Ltd					
SEJINIGB (China) Co., Ltd(2) (4) (8)	PRC	US$510,000	70.9	70.9	Other specialised engineering solutions
Held by DBASIX Singapore Pte Ltd					
Shanghai DBASIX M&E Equipment Co., Ltd(2) (4) (8)	PRC	US$870,000	75	75	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd(3)	Malaysia	MYR500,000	75	75	Other specialised engineering solutions
Held by TDS Technology (S) Pte Ltd					
ADL Control (S) Pte Ltd(1) (5)	Singapore	S$100,000	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd(3) (5)	Malaysia	MYR100,000	48.9	48.9	Motion control solutions
TDS Technology (KL) Sdn Bhd(5) (12)	Malaysia	MYR100,000	48.9	48.9	Motion control solutions
PT TDS Technology(4) (5) (13)	Indonesia	IDR878,900,000	-	36.7	Motion control solutions
SDL Control (Penang) Sdn Bhd(3) (5)	Malaysia	MYR2	61.2	61.2	Motion control solutions
SDL Control (KL) Sdn Bhd(12)	Malaysia	MYR2	61.2	61.2	Motion control solutions
TDS Technology (Thailand) Company Limited (3) (5)	Thailand	THB10,000,000	28.2	28.2	Motion control solutions
Held by ISDN Investments Pte Ltd ("**ISDN Investments**")					
Agri Source Pte Ltd(1)	Singapore	S$250,000	100	100	Investment holding
ISDN Resource Pte Ltd(1)	Singapore	S$1,000,000	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 %	2021 %	Principal activities
Held by ISDN Investments (cont'd)					
ISDN Energy Pte Ltd[1]	Singapore	S$1,960	100	100	Inactive
ERST Asia Pacific Pte. Ltd.[1]	Singapore	S$300,000	51	51	Sales and marketing of bioscience products
LAA Energy HK Company Limited [4]	Hong Kong	HK$1	100	100	Investment holding
ISDN Advanced Manufacturing Pte. Ltd (formerly known as ISDN Road & Belt Energy Pte Ltd)[1]	Singapore	S$100	100	51	Develop, design and manufacture advance manufacturing equipment and provide advance manufacturing services
ISDN Bantaeng Pte Ltd[1]	Singapore	S$205,254	100	100	Investment holding
Aenergy Holdings Company Limited[4]	Hong Kong	HK$258,010,861	67.1	67.1	Investment holding
ISDN (Zhejiang) Precision Technology Co., Ltd,. [4] [8]	PRC	US$1,000,000	100	100	Other specialised engineering solutions
AR Robotics and Automation Pte. Ltd. (formerly known as AR Technologies Pte. Ltd.)[1]	Singapore	US$500,000	100	100	Industrial computing solutions
PT TDS Technology [4] [13]	Indonesia	IDR878,900,000	67	-	Motion control solutions
Held by ISDN Energy Pte Ltd					
ISDN Energy (Cambodia) Co., Ltd. [4]	Cambodia	KHR200,000,000	100	100	Inactive
Held by AR Robotics and Automation Pte. Ltd. (formerly known as AR Technologies Pte. Ltd.)					
AR Biotech Pte Ltd[1][13] (formerly known as ISDN NBA Resources Pte. Ltd.)	Singapore	S$1	100	-	Inactive
Held by LAA Energy HK Company Limited					
PT LAA Energy [4]	Indonesia	IDR140,100,000,000	90	90	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 %	Effective equity interest held by the Group 2021 %	Principal activities
Held by <u>Agri Source Pte Ltd</u>					
Agri Source Farms Sdn Bhd(3)	Malaysia	MYR600,000	100	100	Inactive
Dietionary Farm Holding Pte Ltd(1)	Singapore	S$1,200,000	100	100	Investment holding
Prima Infrastructure Sdn Bhd(2) (5)	Malaysia	MYR500,000	49	49	Land holding
Held by <u>Dietionary Farm Holding Pte Ltd</u>					
Dietionary Farms Sdn Bhd (4)	Malaysia	MYR350,000	100	100	Carrying out hydroponic growing with the application of our in-house motion control solutions
Held by <u>Aenergy Holdings Company Limited</u>					
PT Potensia Tomini Energi(4)	Indonesia	IDR10,000,000,000	59.1	59.1	Inactive
PT Charma Paluta Energy(4)	Indonesia	IDR3,600,000,000	53.7	53.7	Construction of a mini hydropower plant in progress
PT SDM Bahagia Sejahtera(4)	Indonesia	IDR20,000,000,000	67.1	67.1	Investment holding
PT Abantes Energi Indonesia(4)	Indonesia	IDR20,000,000,000	59.1	59.1	Inactive
PT Simalem Bumi Energi(4)	Indonesia	IDR20,000,000,000	59.1	59.1	Inactive
PT Senina Hidro Energi(4)	Indonesia	IDR20,000,000,000	59.1	59.1	Inactive
PT Karo Bumi Energi(4)	Indonesia	IDR20,000,000,000	59.1	59.1	Construction of a mini hydropower plant in progress
PT Galang Hidro Energi(4)	Indonesia	IDR20,000,000,000	59.1	59.1	Inactive
PT Alabama Energy(4)	Indonesia	IDR5,000,000,000	54.4	54.4	Construction of a mini hydropower plant in progress
PT Bukit Lau Energi(4)	Indonesia	IDR20,000,000,000	67.1	67.1	Inactive
Held by <u>PT SDM Bahagia Sejahtera</u>					
PT Punggawa Datara Energy(4)	Indonesia	IDR14,375,000,000	53.7	53.7	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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
			2022	2021	
			%	%	
Held by ISDN Resource Pte Ltd (“**ISDN Resource**”)					
Jin Zhao Yu Pte Ltd[1]	Singapore	S$3,000	51	51	Inactive
AR Biotech Pte Ltd[1] [13] (formerly known as ISDN NBA Resources Pte. Ltd.)	Singapore	S$1	-	100	Inactive
Held by ISDN Bantaeng Pte Ltd					
PT ISDN Bantaeng Corporation [4]	Indonesia	IDR14,623,000,000	85	85	Inactive
Held by Dirak Asia Pte Ltd					
Suzhou Dirak Co., Ltd[2] [5] [7] [8]	PRC	US$210,000	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd[2] [5] [7] [8]	PRC	US$750,000	49	49	Other specialised engineering solutions
Dirak Taiwan Co., Ltd[2] [5] [7]	Republic of China (Taiwan)	TWD5,000,000	29.9	29.9	Other specialised engineering solutions
Zhuzhou Dirak Technology Co., Ltd[2] [5] [7] [11]	PRC	RMB5,080,000	49	49	Other specialised engineering solutions
Held by Suzhou Dirak Co., Ltd					
Beijing Dirak Co., Ltd[2] [5] [7] [9]	PRC	RMB500,000	31.9	31.9	Other specialised engineering solutions
Dirak (Tianjin) Group Co., Ltd [2] [5] [7] [8]	PRC	RMB100,000	49	49	Other specialised engineering solutions
Held by Servo Dynamics (H.K.) Limited					
SDHK (Shenzhen) Technology Co., Ltd [4] [8]	PRC	RMB1,000,000	100	100	Inactive
Held by Leaptron Engineering Pte Ltd					
PT Leaptron Engineering[4]	Indonesia	IDR4,860,400,000	100	100	Inactive

*Registered paid-up capital as at 31 December 2022, disclosed in the local currency of respective subsidiary

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

(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 registered under the PRC law
(9) Limited liability company registered under the PRC law
(10) Jointly owned foreign enterprise registered under the PRC law
(11) Sino-foreign joint venture
(12) In the liquidation process during the year
(13) Shareholdings transferred within the Group
(14) Liquidated in FY2021

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	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
				S$'000	S$'000	S$'000	S$'000
Dirak Asia subgroup	Singapore	51%	51%	1,412	1,697	11,583	11,512
Maxon Suzhou	PRC	50%	50%	6,703	9,678	7,087	10,471
Aenergy Holdings Company Limited subgroup ("**Aenergy subgroup**")	Hong Kong	32.9%	32.9%	(2,382)	(356)	17,932	20,384
Individual immaterial subsidiaries with non-controlling interests				(19)	3,901	8,169	7,472
Total				5,714	14,920	44,771	49,839

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

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

- 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 ("**MCG**") 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 Pte. Ltd. ("**Servo Singapore**") 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. In 2020, a wholly-owned subsidiary, ISDN Investments had subscribed for 16,543 ordinary shares in the share capital of Aenergy. Following the completion of the subscription, ISDN Investments hold 31,476 ordinary shares in the share capital of Aenergy representing 67.1% of the total issued and paid-up capital of Aenergy. The Group's effective equity interest in Aenergy increased from 50.0% to 67.1%.

  As at current year end, Aenergy subgroup is 67.1% (2021: 67.1%) owned by ISDN Investments Pte. Ltd., 23.2 % (2021: 23.2%) by Robert Alexander Stone and 9.7 % (2021: 9.7%) by SHS Holdings Ltd.

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**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Current						
Assets	31,475	31,278	32,158	45,320	12,217	8,558
Liabilities	(12,007)	(12,859)	(18,236)	(24,721)	(58,240)	(39,665)
Net current assets/ (liabilities)	19,468	18,419	13,922	20,599	(46,023)	(31,107)
Non-current						
Assets	4,191	5,034	302	453	104,001	97,413
Liabilities	(947)	(880)	(49)	(110)	(3,473)	(4,348)
Net non-current assets	3,244	4,154	253	343	100,528	93,065
Net assets	22,712	22,573	14,175	20,942	54,505	61,958

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

Summarised statement of comprehensive income

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Revenue	39,605	39,932	74,648	102,725	7,642	9,478
Profit/(Loss) before income tax	2,970	4,306	18,061	25,972	(7,239)	(1,083)
Income tax	(200)	(979)	(4,656)	(6,617)	-	-
Profit/(Loss) after tax and total comprehensive income/(loss)	2,770	3,327	13,405	19,355	(7,239)	(1,083)
Other summarised information						
Cash flow generated from operating activities	1,059	4,128	11,592	18,628	335	1,563
Dividends to non-controlling interests during the year	464	21	9,154	6,585	-	-
Acquisition of property, plant and equipment	630	1,175	76	14	325	860

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$10,812,000 (2021: S$18,190,000) held by Maxon Suzhou and Maxon Shanghai in the PRC are subject to local exchange control regulations. These control regulations place restrictions on the amount of currency being exported other than through dividends.

(a) AR Biotech Pte. Ltd.

In 2022, the Company's indirect wholly-owned subsidiary, AR Robotics and Automation Pte. Ltd. (formerly known as AR Technologies Pte. Ltd.) acquired 1 ordinary share representing 100% of the issued and paid-up share capital of ISDN NBA Resources Pte. Ltd. ("**ISDN NBA Resources**") from ISDN Resource Pte. Ltd. ("**ISDN Resource**"). ISDN Resource and AR Technologies are indirectly wholly-owned subsidiaries of the Company. Following the completion of the acquisition, AR Technologies hold 1 ordinary share in the share capital of ISDN NBA Resources, which representing 100% of the issued and paid-up share capital of ISDN NBA Resources. The name of the ISDN NBA Resources had changed to AR Biotech Pte. Ltd. subsequently.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

(b) ISDN Advanced Manufacturing Pte. Ltd.

In 2022, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd ("**ISDN Investments**") acquired the remaining 49 ordinary shares in ISDN Road & Belt Energy Pte. Ltd. ("**ISDN Road & Belt**") from a minority shareholder at a consideration of S$1.00. Following the completion of the acquisition, the Company's effective interest in ISDN Road & Belt increased from 51% to 100%. The name of the ISDN Road & Belt had changed to ISDN Advanced Manufacturing Pte. Ltd. subsequently.

(c) PT TDS Technology

In 2022, the Company's wholly-owned subsidiary, ISDN Investments acquired a total of 67,000 shares, representing 67% of the total share capital of PT TDS Technology ("**PT TDS**"), a company incorporated in Indonesia, from TDS. Following the completion of the acquisition, the Group's effective interest in PT TDS increased from 36.7% to 67.0%.

(d) Excel Best Industries (Suzhou) Co., Ltd

In 2022, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") capitalised a sum of USD2,000,000 being part of the existing loan owned by Excel Best Industries (Suzhou) Co., Ltd ("**Excel Best**") to be applied towards MCG's additional capital injection ("**Capitalisation of Loan**") in Excel Best. Following the completion of the capitalisation of loan, the registered share capital of Excel Best increased from US$4,000,000 to US$6,000,000, representing 100% of the total registered capital of Excel Best.

(e) ISDN-NJ Software Business Co., Ltd.

In 2022, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") incorporated a 70% owned subsidiary in the PRC to be known as ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") with a registered capital of RMB10,000,000. ISDN Nanjing is principally engaged in the business of wholesale of computer hardware, software and auxiliary equipment, retail of computer software, hardware, auxiliary equipment, and information system. ISDN Software had subsequently made twice capital injections of RMB2,450,000 in total (equivalent to S$499,000) in ISDN Nanjing for working capital purpose (the "**Nanjing Capital Injections**"). Upon the completion of the Nanjing Capital Injections, the total paid-up share capital of ISDN Nanjing will be RMB2,450,000 (equivalent to approximately S$499,000).

(f) AR Robotics and Automation Pte. Ltd.

In 2022, the Company's indirect wholly-owned subsidiary, AR Technologies Pte. Ltd. ("**AR Technologies**") changed its company name to AR Robotics and Automation Pte. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

(g) Bei Cheng Information Technology (Tianjin) Co., Ltd.

In 2022, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") had made capital injections of RMB4,700,000 (equivalent to S$942,000) in a wholly-owned subsidiary, Bei Cheng Information Technology (Tianjin) Co., Ltd. ("**Bei Cheng Tianjin**") for working capital purpose (the "**BC Capital Injections**").

(h) NovaPeak Pte. Ltd.

In 2022, the Company's wholly-owned subsidiary, MCG incorporated an 87% owned subsidiary in Singapore to be known as NovaPeak Pte. Ltd. ("**NovaPeak**") with a registered capital of S$200,000. NovaPeak is principally engaged in the business of Industrial automation, drone service, big data analytic, consultancy and training services.

(i) Performance Leadership Pte. Ltd.

In 2021, the Company's wholly-owned subsidiary, MCG had subscribed for 54,122 ordinary shares in Performance Leadership Pte. Ltd. ("**PL**") at a subscription price of S$1 per share for an aggregate cash consideration of S$54,000, representing 51% of the total issued and paid-up capital of PL. Following the completion of the share subscription, PL has become a subsidiary of MCG and an indirectly owned subsidiary of the Company. PL is principally engaged in corporate training services and motivational course providers, professional training to organisations and public and human resource consultancy services.

(j) Servo Dynamics Engineering Company Limited

In 2021, the Company's wholly-owned subsidiary, Servo Singapore had subscribed for 2,335,800 ordinary shares in a subsidiary, Servo Dynamics Engineering Company Limited ("**Servo Vietnam**") for an aggregate consideration of VND 2,336,000 (approximately US$102,000) by way of declaration of final dividend of US$102,000 (equivalent to S$139,000) for the financial year ended 31 December 2019 to Servo Singapore. Following the capital injection by way of final dividend, the Group's effective interest in Servo Vietnam remains unchanged at 51%.

(k) Shanghai DBASIX M&E Equipment Co., Ltd.

In 2021, the Company's indirect owned subsidiary DBASIX Singapore Pte. Ltd. ("**DBASIX Singapore**"), had made a capital injection of US$300,000 (equivalent to S$409,000) in a wholly-owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd. ("**Shanghai DBASIX**") for working capital purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

(l) Servo Dynamics Co., Ltd.

In 2021, the Company's indirectly wholly-owned subsidiary, Servo Dynamics Co., Ltd. ("**Servo Dynamics**"), a company incorporated under the laws of the PRC, had been placed under members' voluntary liquidation under the laws of the PRC, and the voluntary liquidation had been completed on 29 June 2021 (the "**Liquidation**") as part of the Company's internal restructuring exercise. Following the Liquidation, all the assets and liabilities including the share capital of Servo Dynamics had been transferred to the Company's indirectly wholly-owned subsidiary, Su Zhou Servo Dynamics Co., Ltd., a company incorporated under the laws of the PRC (together with the "**Liquidation**", referred to as the "**Internal Restructuring Exercise**"). Following the Internal Restructuring Exercise, the registered capital of Su Zhou Servo Dynamics Co., Ltd. had increased from US$600,000 to US$3,000,000.

(m) Bei Cheng Information Technology (Tianjin) Co., Ltd.

In 2021, the Company's indirect 50%-owned subsidiary, Beijing Bei Cheng incorporated a wholly-owned subsidiary in the PRC to be known as Bei Cheng Tianjin with a registered capital of RMB10,000,000. Beijing Bei Cheng has made an initial capital contribution of RMB300,000 (equivalent to approximately S$62,000). Bei Cheng Tianjin is principally engaged in the business of providing information technology such as technical service, technical development, software development, artificial intelligence application software development, network and information development, sales of electronic products and industrial computing solutions.

(n) PT Potensia Tomini Energi

In 2021, the Company's indirect owned subsidiary, Aenergy Holdings Company Limited ("**Aenergy**") acquired a total of 195 shares, representing 39% of the total issued share capital of PT Potensia Tomini Energi ("**PT Potensia**"), a company incorporated in Indonesia, at a consideration of IDR3,900,000,000 (equivalent to S$351,000). Following the completion of the acquisition, the Group's effective interest in PT Potensia increased from 32.9% to 59.1%.

(o) PT Galang Hidro Energi

In 2021, the Company's indirect owned subsidiary, Aenergy acquired a total of 780 shares, representing 39% of the total issued share capital of PT Galang Hidro Energi ("**PT Galang**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S$702,000). Following the completion of the acquisition, the Group's effective interest in PT Galang increased from 32.9% to 59.1%.

(p) PT Abantes Energi

In 2021, the Company's indirect owned subsidiary, Aenergy acquired a total of 780 shares, representing 39% of the total issued share capital of PT Abantes Energi ("**PT Abantes**"), a company incorporated in Indonesia, at a consideration of IDR7,800,000,000 (equivalent to S$702,000). Following the completion of the acquisition, the Group's effective interest in PT Abantes increased from 32.9% to 59.1%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 Subsidiaries (cont'd)

(q) PT Bukit Lau Energi

In 2021, the Company's indirectly owned subsidiary, Aenergy acquired a total of 1,980 shares representing 99% of the total issued share capital of PT Bukit Lau Energi ("**PT Bukit Lau**"), a company incorporated in Indonesia, at a consideration of IDR19,800,000,000 (equivalent to S$1,782,000). Following the completion of the acquisition, PT Bukit Lau became an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Aenergy. PT Bukit Lau's shareholding interest in indirectly-owned subsidiaries, PT Punggawa Datara Energy ("**PT Datara**"), PT Simalem Bumi Energi ("**PT Simalem**"), PT Senina Hidro Energi ("**PT Senina**") and PT Karo Bumi Energi ("**PT Karo**") has increased to 20.8%, 26.2%, 26.2% and 26.2% respectively. Correspondingly, the Group's effective shareholdings interest in indirect-owned subsidiaries is as follows:

	Effective equity interest held	
Name	**2022**	**2021**
	%	**%**
PT Datara	53.7	53.7
PT Simalem	59.1	59.1
PT Senina	59.1	59.1
PT Karo	59.1	59.1

(r) PT SDM Bahagia Sejahtera

In 2021, the Company's indirectly owned subsidiary, PT SDM Bahagia Sejahtera ("**PT SDM**") acquired a total of 20 shares representing 1% of the total issued share capital of PT Bukit Lau, a company incorporated in Indonesia, at a consideration of IDR200,000,000 (equivalent to S$18,000).

(s) TDS Technology (Thailand) Company Limited

The Group has a 28.2% ownership interest in TDS Technology (Thailand) Company Limited ("**TDS Thailand**"). The remaining 71.8% is held by a third party. In assessing whether the Group has control over TDS Thailand where it holds majority voting rights, the Group concluded that it holds the substantive rights to direct TDS Thailand'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 TDS Thailand as a subsidiary in accordance with SFRS(I) 10 with effect from 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 Associates

	Group	
	2022 S$'000	2021 S$'000
Unquoted equity shares, at cost	1,889	1,889
Share of post-acquisition profits	6,895	5,734
Dividends received	(1,989)	(1,761)
Translation adjustment	37	37
	6,832	5,899
Allowance for impairment loss on investment in associates	(611)	(611)
Loans to associates	57	57
	6,278	5,345

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

As at 31 December 2022, investment in associates includes goodwill of S$154,000 (2021: S$154,000).

During the financial year, the Group recognised dividend income of S$228,000 (2021: S$258,000) from its investments in associates. The dividend of S$228,000 (2021: S$258,000) 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.

Movement in the allowance for impairment is as follows:

	Group	
	2022 S$'000	2021 S$'000
Balance at the beginning of the year	611	-
Add: Allowance for impairment	-	611
Balance at the end of the year	611	611

Assessment of impairment

As at 31 December 2022, management carried out an impairment assessment on the Group's investment in associates. Based on management's judgement, no additional allowance for impairment loss recognised on the investment in an associate (2021: S$611,000). The allowance for impairment loss represented the full write-down of the underlying investment in an associate as the recoverability of the investment is uncertain due to the significant decline in the financial performance and/or financial position of the relevant associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 Associates (cont'd)

Associates which are individually material

The summarised financial information in respect of the Group's material associates, 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	
	2022	**2021**
	S$'000	**S$'000**
Current assets	11,295	8,623
Non-current assets	690	401
Current liabilities	(6,396)	(4,278)
Revenue	17,398	13,670
Profit for the year	843	1,320
Total comprehensive income	843	1,320

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

	2022	**2021**
	S$'000	**S$'000**
Net assets of JM Vistec subgroup	5,589	4,746
Proportion of the Group's ownership	40%	40%
Carrying amount of the Group's interest in JM Vistec subgroup	2,236	1,898

(b) Prestech Industrial Automation Pte Ltd ("**Prestech**")

	Prestech	
	2022	**2021**
	S$'000	**S$'000**
Current assets	5,864	6,293
Non-current assets	3,822	2,068
Current liabilities	(1,526)	(957)
Non-current liabilities	(89)	(427)
Revenue	8,175	6,864
Profit for the year	1,702	1,574
Total comprehensive income	1,702	1,574

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 Associates (cont'd)

Associates which are individually material (cont'd)

(b) Prestech Industrial Automation Pte Ltd ("**Prestech**") (cont'd)

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

	2022 **S$'000**	**2021** **S$'000**
Net assets of Prestech	8,071	6,977
Proportion of the Group's ownership	37.5%	37.5%
Carrying amount of the Group's interest in Prestech	3,027	2,616

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

	Group	
	2022 **S$'000**	**2021** **S$'000**
Assets and Liabilities:		
- total assets	6,999	7,819
- total liabilities	(2,500)	(3,556)
Results:		
- revenue	5,584	4,386
- profit/(loss) for the year	554	(89)
- other comprehensive income/(loss)	554	(89)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 Associates (cont'd)

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

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2022	2021	
		%	%	
Held by the Company				
Emmett Capital (Pte) Ltd [3]	Singapore	-	-	Corporate finance advisory
Held by Motion Control Group Pte Ltd				
DKM South Asia Pte Ltd [2]	Singapore	35	35	Motion control solutions
Precision Motion Control Philippines Inc.[2]	Philippines	40	40	Motion control solutions
IDI Laser Services Pte Ltd[2]	Singapore	33.3	33.3	Laser solutions
Prestech Industrial Automation Pte Ltd[2]	Singapore	37.5	37.5	Motion control solutions
JM Vistec System Pte Ltd[1]	Singapore	40	40	Other specialised engineering solutions
Held by JM Vistec System Pte Ltd				
JM Vistec (Suzhou) Co., Ltd[2]	PRC	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd[2]	Republic of China (Taiwan)	40	40	Other specialised engineering solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2022	**2021**	
Held by		%	%	
JM Vistec System Pte Ltd (cont'd)				
JM Vistec System (Thailand) Co., Ltd[2]	Thailand	19.6	19.6	Other specialised engineering solutions
SofKore Gmbh[2][4]	Germany	40	40	Other specialised engineering solutions
Elementary Optomation (S) Pte. Ltd. [5] (formerly known as C True Vision Pte Ltd)	Singapore	40	40	Other specialised engineering solutions
Elementary Optomation (Suzhou) Co., Ltd. [2]	PRC	40	40	Other specialised engineering solutions
Held by				
ISDN Resource Pte Ltd				
PT Leaptron Armadatrans International [2]	Indonesia	49	49	Inactive

(1) Audited by Moore Stephens LLP Singapore
(2) Audited by other firms of certified public accountants for statutory purposes
(3) Disposed in FY2021
(4) In the process of striking off
(5) Exempted from audit

(a) Emmett Capital (Pte.) Ltd.

In 2021, the Company disposed of 100,000 ordinary shares in Emmett Capital Pte. Ltd. ("**Emmett Capital**"), an associated company, representing 50% of the issued and paid-up share capital to an existing shareholder of Emmett Capital, at a consideration of S$53,000.

(b) Elementary Optomation (Suzhou) Co., Ltd.

In 2021, JM Vistec System Pte Ltd ("**JM Vistec**") made a capital injection of S$312,000 in Elementary Optomation (Suzhou) Co., Ltd. ("**Elementary Optomation**") for working capital purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18 Inventories

	Group	
	2022	2021
	S$'000	S$'000
Components parts	75,426	69,551
Finished goods	11,589	13,165
Work-in-progress	2,587	1,940
Goods-in-transit (finished goods)	904	1,651
Total inventories at cost	90,506	86,307
Less: Allowance for inventories obsolescence	(9,325)	(8,773)
Total inventories at the lower of cost and net realisable value	81,181	77,534
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	264,022	319,019

Movements in the allowance for inventories obsolescence as below:

	Group	
	2022	2021
	S$'000	S$'000
Balance at the beginning of the year	8,773	9,117
Add: Allowance for inventories obsolescence	1,438	1,285
Less: Write back of allowance for inventories obsolescence	(85)	(88)
Less: Written off allowance for inventories obsolescence	(199)	(1,792)
Translation adjustment	(602)	251
Balance at the end of the year	9,325	8,773

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 Trade and Other Receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Non-current:				
Service concession receivables (Note 29)	76,960	69,356	-	-
Current:				
Trade receivables, net of impairment (a):				
- note receivables (b)	10,441	18,567	-	-
- trade receivables	73,386	81,585	-	-
- associates	10	19	-	-
- related parties	2,651	2,511	-	-
	86,488	102,682	-	-
Other receivables, net of impairment:				
Advances to associates (c)	7	3	3	2
Advances to related parties (c)	101	89	-	-
Deposits	644	765	17	17
Loans to associate (d)	27	27	-	-
Sundry debtors (e)	4,061	5,285	700	700
Amounts owing from non-controlling interest (f)	1,878	1,975	-	-
Derivatives (g)	-	36	-	31
	6,718	8,180	720	750
Advances paid to suppliers	6,351	6,136	-	-
Prepayments	1,559	1,506	84	99
	101,116	118,504	804	849

(a) Trade receivables are non-interest bearing and are usually due within 30 – 90 days term.

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

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

(d) The loans to associates are unsecured, interest-free, and repayable on demand.

(e) Included in sundry debtors is a convertible loan of S$0.70 million to a third party at a conversion price of S$0.63341 for each preference share. If the loan is not converted, the third party shall repay all outstanding amount of the loan at 5% interest per annum charged on the loan with effect from the date of disbursement of the loan to the date of repayment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 Trade and Other Receivables (cont'd)

(f) Amount owing from non-controlling interests are non-trade, interest-free and repayable on demand in cash.

(g) 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$10.0 million (equivalent to S$13.3 million) (Note 24). The derivative was fully settled in current financial year.

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

	Group	
	2022	**2021**
	S$'000	**S$'000**
Within 30 days	36,071	42,783
31 - 90 days	31,064	33,586
Over 90 days	19,353	26,313
	86,488	102,682

Loss allowance for trade receivables is 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 34(a).

20 Other Financial Assets

	Group	
	2022	**2021**
	S$'000	**S$'000**
Equity investment measured at fair value through other comprehensive income		
- Unquoted equity share		
At 1 January and 31 December	900	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 lithiumion 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, this investment is designated at FVOCI as management believes that recognising short-term fluctuations in the investment's FVPL would not be consistent with the Group's strategy of holding this investment for long-term purposes.

In the opinion of management, the investment in an unquoted equity security approximates its fair value as at 31 December 2022. Information of the fair value measurement is disclosed in Note 34(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 Cash and Bank Balances

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	53,893	58,852	2,030	864
Fixed deposits	2,661	2,829	-	-
	56,554	61,681	2,030	864
Effective interest rate per annum	0.1% to 1.8%	0.1% to 1.10%	-	-

The fixed deposits have a maturity period of 1 to 24 months (2021: 1 to 24 months) which are not held for investment purposes 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	
	2022	**2021**
	S$'000	**S$'000**
Cash and bank balances and fixed deposits	56,554	61,681
Less: fixed deposits pledged	(2,426)	(2,660)
Cash and cash equivalents	54,128	59,021

Included in the fixed deposits pledged is an amount of approximately S$2.1 million (2021: S$2.2 million) for banker's performance guarantee issue to the Grantor in relation to one of the service concession arrangements disclosed in Note 29.

As at 31 December 2022, cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S$25,722,000 (2021: S$35,290,000). The Chinese Renminbi is not freely convertible into other currencies. However, under the PRC 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 2022

22 Share Capital

	Group and Company			
	2022		2021	
	No. of shares	S$'000	No. of shares	S$'000
Issued and fully paid:				
At 1 January	438,638,533	81,487	435,337,894	79,213
Shares issued in lieu of cash for dividend	-	-	3,300,639	2,274
At 31 December	438,638,533	81,487	438,638,533	81,487

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.

On 26 August 2021, the Company issued 3,300,639 new ordinary shares under the ISDN Holdings Limited Scrip Dividend Scheme at an issue price of S$0.689 (for Singapore Shareholders) and HK$3.832 (for Hong Kong Shareholders).

23 Reserves

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(5,697)	1,846	-	-
Other reserves (c)	6,194	6,049	(178)	(147)
Retained earnings	116,281	108,190	30,375	24,346
	116,342	115,649	30,197	24,199

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 Reserves (cont'd)

(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.

	Group	
	2022	**2021**
	S$'000	**S$'000**
At 1 January	6,018	4,921
Transfer to other reserves	176	2,328
Acquisition of non-controlling interest without a change in controlling interest	-	(1,231)
At 31 December	6,194	6,018

(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 affect the profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

	Group	
	2022	**2021**
	S$'000	**S$'000**
At 1 January	31	46
Loss recognised on interest rate cap	(31)	(15)
At 31 December	-	31

The details of the hedging arrangement are disclosed in Note 34(a) under interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 Bank Borrowings

	Group	
	2022	**2021**
	S$'000	**S$'000**
Non-current liabilities		
Secured bank loans	10,066	12,761
Current liabilities		
Secured bank loans	10,810	13,309
Unsecured bank loans	7,660	7,157
Trust receipts	5,339	6,894
	23,809	27,360
Total interest-bearing liabilities	33,875	40,121
Repayable:		
- not later than one year	23,809	27,360
- later than one year but not later than two years	2,693	2,700
- later than two years but not later than five years	5,707	7,448
- more than five years	1,666	2,613
	33,875	40,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022 S$'000	Group 2021 S$'000
Secured bank loan	USD	SOFR+4.75%	2023	8,011	7,091
Secured bank loan	SGD	Fixed rate 2.65%	2026	4,097	5,000
Secured bank loan	USD	COF+2.2%	2027	3,864	4,705
Secured bank loan	SGD	SORA+0.2%	2032	3,333	3,624
Secured bank loan	RMB	108% of China base interest rate	2022	-	3,520
Secured bank loan	SGD	SORA+0.65%	2025	1,338	1,836
Secured bank loan	MYR	COF+4.7%	2027	233	293
Unsecured bank loan	USD	LIBOR+1.85%	2022	-	3,252
Unsecured bank loan	USD	1.75% over COF	2023	3,865	1,867
Unsecured bank loan	USD	2.65%	2022	-	818
Unsecured bank loan	USD	COF+2.0%	2022	-	818
Unsecured bank loan	RMB	LPR+0.5%	2023	490	364
Unsecured bank loan	THB	COF+5.6%	2022	-	38
Unsecured bank loan	RMB	LPR+3.9%	2023	1,585	-
Unsecured bank loan	RMB	LPR+4%	2023	870	-
Unsecured bank loan	SGD	COF+1.5%	2023	550	-
Unsecured bank loan	SGD	SORA+1.8%	2023	300	-
Trust receipt 1	USD	COF+1.75%	2022	-	49
Trust receipt 2	USD	COF+2.5%	2022	-	730
Trust receipt 3	SGD	COF+1.5%	2023	754	800
Trust receipt 4	EURO	COF+1.15%	2023	1,818	869
Trust receipt 5	USD	LIBOR+1.42%	2022	-	1,488
Trust receipt 6	SGD	COF+2.5%	2023	504	1,303
Trust receipt 7	SGD	COF+1.15%	2023	101	898
Trust receipt 8	JPY	COF+1.15%	2023	141	418
Trust receipt 9	EURO	COF+1.5%	2022	-	185
Trust receipt 10	USD	COF+1.15%	2023	260	155
Trust receipt 11	THB	COF+2.5%	2023	1,053	-
Trust receipt 12	USD	COF+1.2%	2023	117	-
Trust receipt 13	SGD	COF+1.2%	2023	591	-
Total interest-bearing liabilities				33,875	40,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 bank borrowing of the Company was secured over leasehold properties (Note 12) of its subsidiaries, and corporate guarantees provided by the Company and a subsidiary. During the previous financial year ended 2021, the Company has disposed these properties to third parties, for a consideration of approximately S$4,997,000. Accordingly, these properties were released from mortgage for banking facilities in FY2021.

The weighted average effective interest rate of the Group's bank borrowings 4.50% (2021: 3.17%) per annum.

The reconciliation of movement of liabilities to cash flows arising from financing activities is presented below.

		Cash flows			
	1 January S$'000	**Proceeds S$'000**	**Repayments S$'000**	**Others charges S$'000**	**31 December S$'000**
Group					
2022					
Bank borrowings	33,227	22,106	(25,905)	(892)	28,536
Trust receipts	6,894	29,810	(31,029)	(336)	5,339
	40,121	51,916	(56,934)	(1,228)	33,875
2021					
Bank borrowings	29,460	27,512	(24,290)	545	33,227
Trust receipts	1,704	29,187	(23,997)	-	6,894
Account receivables bulk financing	544	-	(544)	-	-
	31,708	56,699	(48,831)	545	40,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 Leases Liabilities

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Non-current liabilities				
- lease liabilities (secured)	77	139	-	-
- lease liabilities (unsecured)	4,783	4,420	640	660
	4,860	4,559	640	660
Current liabilities				
- lease liabilities (secured)	108	229	-	-
- lease liabilities (unsecured)	1,214	1,888	21	20
	1,322	2,117	21	20
Total interest-bearing liabilities	6,182	6,676	661	680

<u>Group as Lessee</u>

(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 lease 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 Leases Liabilities (cont'd)

Group as Lessee (cont'd)

(b) Carrying amount of right-of-use assets classified within property, plant and equipment

	Group		
	Leasehold Properties S$'000	**Motor Vehicle and Plant and Equipment S$'000**	**Total S$'000**
2022			
At 1 January	6,231	443	6,674
Additions in the year	1,753	98	1,851
Depreciation	(1,835)	(108)	(1,943)
Translation	(263)	-	(263)
At 31 December	5,886	433	6,319
2021			
At 1 January	2,346	229	2,575
Additions in the year	5,846	308	6,154
Depreciation	(2,175)	(94)	(2,269)
Termination of leases	(52)	-	(52)
Translation	266	-	266
At 31 December	6,231	443	6,674

	Company	
	Leasehold Properties	
	2022 S$'000	**2021 S$'000**
At 1 January	677	-
Additions in the year	-	685
Depreciation	(33)	(8)
At 31 December	644	677

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 S$'000	Additions S$'000	Cash flows S$'000	Non-cash changes: Termination of leases S$'000	Non-cash changes: Accretion of interest S$'000	31 December S$'000
Group						
2022						
Lease liabilities	6,676	1,851	(2,534)	-	189	6,182
2021						
Lease liabilities	2,608	5,846	(1,943)	(52)	217	6,676

	1 January S$'000	Additions S$'000	Cash flows S$'000	Non-cash changes: Accretion of interest S$'000	31 December S$'000
Company					
2022					
Lease liabilities	680	-	(50)	31	661
2021					
Lease liabilities	-	685	(13)	8	680

The maturity analysis of lease liabilities is disclosed in Note 34.

(d) Amounts recognised in profit or loss

	Group 2022 S$'000	Group 2021 S$'000	Company 2022 S$'000	Company 2021 S$'000
Depreciation of right-of-use assets	1,943	2,269	33	8
Short-term lease and low value leases	202	62	-	21
Interest expense on lease liabilities	189	217	31	8
Total amount recognised in profit or loss	2,334	2,548	64	37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 Leases Liabilities (cont'd)

Group as Lessee (cont'd)

(e) Total cash outflow

The Group and the Company have total cash outflows for leases of S$2,534,000 and S$50,000 (2021: S$1,943,000 and S$13,000) respectively in the financial year ended 31 December 2022.

26 Deferred Taxation

	Group	
	2022	**2021**
	S$'000	**S$'000**
Deferred tax assets		
- to be recovered after one year	384	350
Deferred tax liabilities		
- to be settled after one year	(676)	(790)

	1 January	Recognised in profit or loss	Translation adjustments	31 December
	S$'000	**S$'000**	**S$'000**	**S$'000**
Group				
2022				
Deferred tax assets				
Provisions	350	62	(28)	384
Deferred tax liabilities				
Withholding tax on distributable earnings	(746)	114	-	(632)
Others	(44)	-	-	(44)
	(790)	114	-	(676)
2021				
Deferred tax assets				
Provisions	251	87	12	350
Deferred tax liabilities				
Withholding tax on distributable earnings	(541)	(205)	-	(746)
Others	(45)	1	-	(44)
	(586)	(204)	-	(790)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 Trade and Other Payables

	Group		Company	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Trade payables (a):				
- trade payables	33,861	34,638	-	-
- associates	90	34	-	-
- related parties	9,586	9,058	-	-
	43,537	43,730	-	-
Accrued operating expenses (b)	2,173	3,612	147	202
Accrued salaries and bonuses (c)	17,522	17,640	9,380	7,477
Amount owing to an associate (d)	24	24	-	-
Amount owing to non-controlling interests (d)	4,831	2,639	-	-
Amount owing to subsidiaries (d)	-	-	825	151
Other payables (e)	27,014	29,240	219	195
	95,101	96,885	10,571	8,025

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

(b) Included in accrued operating expenses of the Group was an amount of S$31,000 (2021: S$33,000) being interest payable on bank borrowings.

(c) Included in accrued salaries and bonuses of the Group was an amount of Nil (2021: S$1,750,000) being share-based payment.

(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) Included in other payables of the Group was an amount of S$418,000 (2021: S$710,000) being dividend payable to non-controlling interests and construction cost payables of S$23,349,000 (2021: S$24,471,000) in relation to our hydropower plants.

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

	Group	
	2022 S$'000	2021 S$'000
Within 30 days	28,355	28,103
31 – 90 days	12,151	13,837
Over 90 days	3,031	1,790
	43,537	43,730

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

28 Dividends

	Group and Company	
	2022	2021
	S$'000	S$'000
Tax-exempt (one-tier) final dividend of 1.45 Singapore cents (2021: 0.8 Singapore cents) per share paid in respect of the financial year ended 31 December 2021	6,408	3,537

On 26 August 2022, a final dividend of 1.45 Singapore cents per ordinary share was paid to the shareholders of the Company ("**Shareholders**") as the final dividend in respect of FY2021.

On 27 August 2021, a final dividend of 0.80 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the Shareholders was paid to the Shareholders as the final dividend in respect of FY2020.

The scrip dividend alternatives were accepted by the shareholders as follows:

	Group and Company	
	2022	2021
	S$'000	S$'000
Dividends:		
Cash	6,408	1,263
Scrip dividend	-	2,274
	6,408	3,537

The Board of Directors of the Company recommends the payment of a tax-exempt (one-tier) final dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per share in respect of the financial year ended 31 December 2022 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 ended 31 December 2022, 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 (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29 Service Concession Arrangements

The Group has a 67.1% 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.

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.

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.

On 30 December 2022, the President of the Republic of Indonesia issued the Government Regulation in Lieu of Law of the Republic of Indonesia No. 2 2022 concerning Job Creation ("**PERPPU 2/2022**"), in Article 75A which provides a legal basis for the Ministry of Public Works and Public Housing to issue a Water Resources Exploitation Permit ("**PUPR**") for construction without permit. Following this new Regulation, PLTM Anggoci was allowed to submit a force majeure letter to the Grantor for the absence of the permit.

PLTM Kandibata 1 has commercialised on 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29 Service Concession Arrangements (cont'd)

	Group	
	2022	**2021**
	S$'000	**S$'000**
Contract cost incurred plus recognised profit less anticipated losses		
As at 1 January	69,356	58,541
Arising during the year	7,642	9,478
Translation	(38)	1,337
Net contract work as at 31 December	76,960	69,356

	Group		
	31 December		**1 January**
	2022	**2021**	**2021**
	S$'000	**S$'000**	**S$'000**
Representing:			
Gross amounts due from customer for contract work	76,960	69,356	58,541

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 2022 and 2021 in respect of the service concession receivables.

As at 31 December 2022, the Group has performance guarantees issued to the Grantor in relation to the development of mini-hydropower plants amounting to approximately S$2.1 million (2021: S$2.2 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30 Segment Information

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

- 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(aa). 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.

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue												
External sales	278,462	339,784	72,489	79,304	11,502	10,619	8,326	10,429	-	-	370,779	440,136
Inter-segment sales	4,002	6,560	2,360	2,877	1,252	1,043	27	108	(7,641)	(10,588)	-	-
	282,464	346,344	74,849	82,181	12,754	11,662	8,353	10,537	(7,641)	(10,588)	370,779	440,136
Results												
Segment results	27,186	44,943	6,830	6,004	3,179	4,154	(4,380)	(3,189)	-	-	32,815	51,912
Share of profit of associates	1,161	1,103	-	-	-	-	-	-	-	-	1,161	1,103
Corporate income/(expenses)											645	(13)
Rental income											488	579
Interest income											404	368
Finance costs											(3,486)	(1,476)
Profit before income tax											32,027	52,473
Income tax											(8,948)	(13,409)
Profit for the year ended 31 December											23,079	39,064

* Includes Renewable Energy Solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Assets												
Segment assets	156,567	171,985	52,052	59,165	5,405	6,226	117,802	109,353	(6,932)	(11,157)	324,894	335,572
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	6,278	5,345	-	-	-	-	-	-	-	-	6,278	5,345
Investment properties											417	440
Cash and bank balances											56,554	61,681
Consolidated total assets as at 31 December											400,370	415,265
Liabilities												
Segment liabilities	41,451	64,226	17,169	17,901	489	1,166	51,214	37,142	(6,932)	(11,157)	103,391	109,278
Bank borrowings and lease liabilities											40,057	46,797
Income tax liabilities											3,933	4,343
Others unallocated corporate liabilities											10,389	7,872
Consolidated total liabilities as at 31 December											157,770	168,290
Other information												
Capital expenditure on												
- Property, plant and equipment	912	4,071	941	1,603	8	9	519	1,159	-	-	2,380	6,842
Other non-cash expenses:												
- Depreciation of property, plant and equipment	2,664	2,854	1,964	1,600	112	95	112	212	-	-	4,852	4,761
- Depreciation of investment properties	19	19	-	-	-	-	-	-	-	-	19	19
- Amortisation of land use rights	33	33	-	-	-	-	-	-	-	-	33	33
- Trade receivables written off	12	89	-	88	-	-	-	12	-	-	12	189
- Allowance for inventories obsolescence	1,045	909	393	376	-	-	-	-	-	-	1,438	1,285
- Allowance for impairment loss on trade and other receivables	68	196	44	201	1	1	14	1,272	-	-	127	1,670
- Allowance for impairment loss on investment in associate	-	-	-	-	-	-	-	611	-	-	-	611
- Property, plant and equipment written off	-	71	-	15	-	5	-	-	-	-	-	91
- Share-based payment	-	1,109	-	641	-	-	-	-	-	-	-	1,750
- Inventories written off	8	95	41	35	-	-	-	-	-	-	49	130
- Write back of allowance for impairment loss on trade receivables	(108)	(81)	(306)	(63)	(1)	-	(8)	-	-	-	(423)	(144)
- Write back of allowance for inventories obsolescence	(45)	(88)	(40)	-	-	-	-	-	-	-	(85)	(88)
- Gain on termination of leases	-	(13)	-	-	-	-	-	-	-	-	-	(13)

* Includes Renewable Energy Solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30 Segment Information (cont'd)

(b) Geographical Information

The Group operates in six principal geographical areas - Singapore (country of domicile), the PRC, Hong Kong, Malaysia, Indonesia and Vietnam.

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**	
	2022	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	58,632	51,091	29,821	29,636
PRC	243,202	310,088	24,029	25,380
Hong Kong	6,811	14,827	1,058	1,086
Malaysia	13,366	12,961	916	946
Indonesia	7,918	9,943	104,411	97,814
Vietnam	16,835	16,138	433	502
Others	24,015	25,088	851	2,182
	370,779	440,136	161,519	157,546

(c) Information about Major Customers

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
	2022	**2021**
	S$'000	**S$'000**
Future minimum lease payment receivable:		
- not later than one year	882	954
- one to two years	684	297
- two to three years	449	105
- three to four years	2	-
	2,017	1,356

The remaining tenure period of the aforesaid operating leases are within 1 to 4 years (2021: 1 to 3 years).

(b) Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Commitment in respect of acquisition of plant and equipment*	241	6,997

* Capital expenditures mainly in relation to construction of mini hydropower plants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32 Corporate Guarantees

	Company	
	2022	2021
	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	60,723	53,100

The corporate guarantees disclosed above were not recorded at fair value, as in the opinion of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is not material.

33 Related Party Transactions

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

	Group		Subsidiaries	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Sales to associates	(67)	(85)	-	-
Sales to related parties	(594)	(193)	(9,837)	(9,677)
Purchases from associates	73	106	-	-
Purchases from related parties	5,925	5,029	60,573	75,152
Administrative income charged to associates	(41)	(41)	-	-
Administrative income charged to related parties	(211)	(191)	(48)	(41)
Rental charged to a related party	(130)	(151)	-	-
Rental charged to associates	(5)	(5)	-	-
Interest charged to related party	-	-	(8)	(8)
Management fee charged to related party	-	(323)	(357)	(39)
Other expenses charged by related parties	1	-	589	528
Other income charged to related parties	(154)	(115)	(115)	(234)
Other income charged to associates	(228)	(258)	-	-

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 2022

34 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

<u>Foreign currency risk</u>

The Group is exposed to foreign currency risk on sales and purchases transaction, loans/funds to third parties/investees and bank borrowings that are denominated in a currency other than the respective functional currencies of the entities of the Group. The currencies giving rise to this risk are primarily Renminbi ("**RMB**"), United States Dollar ("**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$2.0 million in equivalent requires prior approval from the Managing Director of the Company. Any hedging transaction amount more than S$2.0 million 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 2022

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

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

	RMB S$'000	USD S$'000	CHF S$'000	EURO S$'000
Group				
2022				
Financial assets				
Trade and other receivables	64,449	85,098	1,078	1,923
Cash and bank balances	26,801	12,939	1,401	2,721
	91,250	98,037	2,479	4,644
Financial liabilities				
Bank borrowings	6,810	12,252	-	1,818
Trade and other payables	24,961	32,797	5,204	1,459
	31,771	45,049	5,204	3,277
Net financial assets/(liabilities)	59,479	52,988	(2,725)	1,367
Less: Net financial assets denominated in the respective entities' functional currencies	(58,364)	-	-	-
Currency exposure	1,115	52,988	(2,725)	1,367
2021				
Financial assets				
Trade and other receivables	78,175	78,611	1,219	1,808
Cash and bank balances	35,669	9,177	1,324	1,123
	113,844	87,788	2,543	2,931
Financial liabilities				
Bank borrowings	3,884	20,972	-	1,054
Trade and other payables	30,078	32,746	5,100	2,189
	33,962	53,718	5,100	3,243
Net financial assets/(liabilities)	79,882	34,070	(2,557)	(312)
Less: Net financial assets denominated in the respective entities' functional currencies	(78,760)	-	-	-
Currency exposure	1,122	34,070	(2,557)	(312)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

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

Foreign currency risk (cont'd)

If the following currencies strengthen by 5% (2021: 5%) against S$ at the statement of financial position date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
RMB	56	56
USD	2,649	1,704
CHF	(136)	(128)
EURO	68	(16)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

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

Interest rate risk (cont'd)

The Group's bank borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in Singapore Dollar ("**SGD**"), RMB and USD. If the SGD, RMB and USD interest rates increase/decrease by 0.5 % (2021: 0.5%) with all other variables being held constant, the Group's profit before tax will be approximately lower/higher by S$58,000, S$34,000 and S$61,000 respectively (2021: S$67,000, S$19,000 and S$105,000) as a result of higher/lower interest expenses on these bank borrowings.

Credit risk

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

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

The Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised in the statement of financial position resemble a large number of receivables from various customers. In addition, the Group has credit exposure from certain 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Trade receivables (cont'd)

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:

	Group	
	2022	**2021**
	S$'000	**S$'000**
By geographical areas		
Singapore	12,319	15,890
PRC	63,384	75,165
Hong Kong	2,194	4,167
Malaysia	2,171	2,978
Indonesia	9	3
Vietnam	3,905	2,519
Others	2,506	1,960
	86,488	102,682

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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 2022

34 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.

	PRC			Singapore and others			
Customer internal credit ratings	**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**
Group							
2022							
A	0.00%	45,491	-	0.00%	10,167	-	-
B	0.05%	8,250	(4)	0.27%	9,130	(27)	(31)
C	0.31%	8,290	(26)	0.53%	3,619	(19)	(45)
D	1.65%	1,406	(23)	1.86%	238	(4)	(27)
E	100.00%	212	(212)	100.00%	146	(146)	(358)
		63,649			23,300		
			(265)			(196)	(461)
2021							
A	0.00%	53,621	-	0.00%	9,711	-	-
B	0.09%	13,123	(12)	0.00%	15,471	-	(12)
C	1.36%	7,885	(107)	1.16%	2,235	(26)	(133)
D	1.74%	667	(12)	1.54%	128	(2)	(14)
E	100.00%	375	(375)	100.00%	440	(440)	(815)
		75,671			27,985		
			(506)			(468)	(974)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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	
	2022	**2021**
	S$'000	**S$'000**
Group		
As at 1 January per SFRS(I) 9	974	957
Allowance for impairment on trade receivables	79	336
Write back of allowance for impairment loss on trade receivables	(415)	(116)
Written off	(123)	(235)
Translation adjustment	(54)	32
	(513)	17
As at 31 December per SFRS(I) 9	461	974

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Other receivables

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).

	PRC			Singapore and others			
Customer internal credit ratings	**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**
Group							
2022							
A	0.00%	1,595	-	0.00%	3,803	-	-
B	0.05%	-	-	0.27%	19	-	-
C	0.31%	1	-	0.53%	167	(1)	(1)
D	1.65%	566	(9)	1.86%	588	(11)	(20)
E	100.00%	7	(7)	100.00%	5,885	(5,885)	(5,892)
		2,169			10,462		
			(16)			(5,897)	(5,913)
2021							
A	0.00%	1,451	-	0.00%	5,100	-	-
B	0.09%	337	-	0.00%	302	-	-
C	1.36%	32	-	1.16%	593	(7)	(7)
D	1.74%	265	(5)	1.54%	114	(2)	(7)
E	100.00%	1,697	(1,697)	100.00%	7,053	(7,053)	(8,750)
		3,782			13,162		
			(1,702)			(7,062)	(8,764)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Other receivables (cont'd)

The following table shows the movement in relation to credit loss allowance for impairment of other receivables during the year:

	12-month ECL	
	2022	**2021**
	S$'000	**S$'000**
Group		
Balance as at 1 January	8,764	7,365
Impairment loss recognised in profit or loss*	48	1,334
Write back of allowance for impairment loss on other receivables	(8)	(28)
Written off	(2,739)	-
Translation adjustment	(152)	93
Balance as at 31 December	5,913	8,764

* The impairment loss recognised relates to the estimated credit losses mainly on certain other receivables as disclosed in Note 19(c) as there has been a significant increase in credit risk since initial recognition (considered non-performing under the Group's credit risk grading guidelines described below). 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 2022

34 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 2022, 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 32). 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:

Categories	**Description**	**Basis of recognition of expected credit loss (ECL)**
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 2022

34 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 is presented as follows:

	Internal rating/ external rating	ECL	Gross amount S$'000	Loss allowance S$'000	Net carrying amount S$'000
Group					
2022					
Service concession receivables	Note 1	Lifetime ECL (simplified)	76,960	-	76,960
Trade receivables	Note 1	Lifetime ECL (simplified)	86,949	(461)	86,488
Other receivables*	Performing	12-month ECL	5,398	-	5,398
Other receivables*	Under-performing	Lifetime ECL (not credit impaired)	1,341	(21)	1,320
Other receivables*	Non-performing	Lifetime ECL (credit impaired)	5,892	(5,892)	-
Cash and bank balances#	AA to BAA	12-month ECL	56,554	-	56,554
2021					
Service concession receivables	Note 1	Lifetime ECL (simplified)	69,356	-	69,356
Trade receivables	Note 1	Lifetime ECL (simplified)	103,656	(974)	102,682
Other receivables*	Performing	12-month ECL	6,551	-	6,551
Other receivables*	Under-performing	Lifetime ECL (not credit impaired)	1,643	(14)	1,629
Other receivables*	Non-performing	Lifetime ECL (credit impaired)	8,750	(8,750)	-
Cash and bank balances#	AA to BAA	12-month ECL	61,681	-	61,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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
Company					
2022					
Amounts owing by subsidiaries	Note 2	12-month ECL	68,321	(358)	67,963
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	720	-	720
Cash and bank balances #	AA	12-month ECL	2,030	-	2,030
2021					
Amounts owing by subsidiaries	Note 2	12-month ECL	61,461	(215)	61,246
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	753	(3)	750
Cash and bank balances #	AA	12-month ECL	864	-	864

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.

* 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 2022

34 Financial Instruments (cont'd)

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2022, the Group maintains the following lines of credit:

(i) S$0.5 million of overdraft facilities;

(ii) S$2.0 million of foreign exchange contract hedging limit. Limit in excess of S$5.9 million is determined at the discretion of some banks when entering into each contract;

(iii) S$44.7 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$31.6 million of term loan facilities;

(v) S$25.7 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 2022 amounted to approximately S$70.7 million (2021: S$64.0 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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.

		Cash flows			
	Carrying amount S$'000	**Contractual cash flows S$'000**	**Within one year S$'000**	**Within two to five years S$'000**	**More than five years S$'000**
Group					
2022					
Bank borrowings	33,875	34,960	24,361	6,488	4,111
Lease liabilities (Note 25)	6,182	6,205	1,333	1,560	3,312
Trade and other payables	95,101	95,101	95,101	-	-
	135,158	136,266	120,795	8,048	7,423
2021					
Bank borrowings	40,121	40,827	27,709	10,462	2,656
Lease liabilities (Note 25)	6,676	6,716	2,142	1,331	3,243
Trade and other payables	96,885	96,885	96,885	-	-
	143,682	144,428	126,736	11,793	5,899
Company					
2022					
Lease liabilities (Note 25)	661	661	21	94	546
Other payables	10,571	10,571	10,571	-	-
	11,232	11,232	10,592	94	546
2021					
Lease liabilities (Note 25)	680	680	20	90	570
Other payables	8,025	8,025	8,025	-	-
	8,705	8,705	8,045	90	570

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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.

	Within one year S$'000	Within two to five years S$'000	Total S$'000
Company			
2022			
Financial guarantee contracts	19,537	10,067	29,604
2021			
Financial guarantee contracts	18,543	10,462	29,005

(b) Fair Value

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

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

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

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000	Carrying amounts S$'000
2022					
Assets					
Investment properties					
Commercial property units located in Singapore (Note 13)	-	414	-	414	367
Commercial property unit located in Malaysia (Note 13)	-	436	-	436	50
	-	850	-	850	417
2021					
Assets					
Investment properties					
Commercial property units located in Singapore (Note 13)	-	575	-	575	384
Commercial property unit located in Malaysia (Note 13)	-	260	-	260	56
	-	835	-	835	440

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

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.

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 – unquoted equity investment measured at fair value through other comprehensive income

The investment in unquoted 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.

35 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

35 Capital Management (cont'd)

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 2022 and 2021.

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.

	Group	
	2022 S$'000	2021 S$'000
Net debt	96,607	101,476
Total equity	197,829	197,136
Net debt-to-equity ratio	49%	51%

36 Subsequent Event

On 4 January 2023, the Group dissolved two Malaysian subsidiaries, SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd.. The dissolution of the Malaysian subsidiaries is not expected to have a material impact on the net tangible assets per share and the earnings per share of the Company for the financial year ending 31 December 2023.

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares were granted under the ISDN PSP 2022 to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six months.

Following the issuance of the 2,830,000 new ordinary shares, the total number of shares in the capital of the Company has increased from 438,638,533 shares to 441,468,533 shares. The 2,830,000 new ordinary shares shall rank *pari passu* in all respects with the existing shares.

37 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

SHAREHOLDERS' INFORMATION

As at 8 March 2023

Issued and fully paid-up capital	:	81,487,000
Number of shares issued	:	438,638,533
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 [(1)]	141,189,015	32.19	-	-
Teo Cher Koon [(1)]	-	-	141,189,015	32.19
Thang Yee Chin [(1)]	-	-	141,189,015	32.19
NTCP SPV VI [(2)]	37,556,134	8.56	-	-
Toh Hsiang-Wen Keith [(2)]	-	-	37,556,134	8.56
Novo Tellus PE Fund 2, L.P. [(2)]	-	-	37,556,134	8.56
New Earth Group 2 Ltd [(2)]	-	-	37,556,134	8.56
Tuas Fund Investments Pte Ltd [(2)]	-	-	37,556,134	8.56
Fullerton Fund Investments Pte Ltd [(2)]	-	-	37,556,134	8.56
Temasek Holdings (Private) Limited [(2)]	-	-	37,556,134	8.56
Loke Wai San [(2)]	-	-	37,556,134	8.56

Notes:

(1) Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon and Ms Thang Yee Chin. As such, Mr Teo Cher Koon and Ms Thang Yee Chin are deemed to have an interest in 141,189,015 shares held by Assetraise Holdings Limited.

(2) NTCP SPV VI ("**NTSP**") holds 37,556,134 shares.

Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") holds 100% of shares in the capital of NTSP and therefore is deemed to have an interest in 37,556,134 shares held by NTSP.

Tuas Fund Investments Pte Ltd ("**TF**") is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by Fullerton Fund Investments Pte Ltd ("**FF**"). FF is directly wholly owned by Temasek Holdings (Private) Limited ("**TH**"). Therefore, each of TF, FF and TH is deemed to be interested in the 37,556,134 Shares held by NTSP pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,556,134 Shares held by NTSP under The Securities and Futures Act, Cap. 289, of Singapore, as may be amended or modified from time to time ("**SFA**").

New Earth Group 2 Ltd ("**NEG 2**") is the general partner of NT Fund 2 and therefore is deemed to have an interest in 37,556,134 shares held by NTSP.

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 37,556,134 shares held by NTSP.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 8 March 2023, approximately 58.78% 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 8 March 2023

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	362	10.20	5,278	0.00
100 - 1,000	205	5.77	115,985	0.03
1,001 - 10,000	1,331	37.49	9,058,880	2.07
10,001 - 1,000,000	1,622	45.69	92,782,304	21.15
1,000,001 AND ABOVE	30	0.85	336,676,086	76.75
TOTAL	**3,550**	**100.00**	**438,638,533**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	138,262,471	31.52
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	40,347,805	9.20
3	DBS NOMINEES (PRIVATE) LIMITED	27,962,187	6.37
4	CITIBANK NOMINEES SINGAPORE PTE LTD	27,083,972	6.17
5	RAFFLES NOMINEES (PTE.) LIMITED	10,802,960	2.46
6	PHILLIP SECURITIES PTE LTD	9,711,722	2.21
7	OCBC SECURITIES PRIVATE LIMITED	8,977,587	2.05
8	MAYBANK SECURITIES PTE. LTD.	7,419,831	1.69
9	WONG KOON CHUE @ WONG KOON CHUA	6,757,529	1.54
10	IFAST FINANCIAL PTE. LTD.	6,296,281	1.44
11	LEE ENG TEIK	4,964,636	1.13
12	UOB KAY HIAN PRIVATE LIMITED	4,869,133	1.11
13	ASSETRAISE HOLDINGS LIMITED	4,728,530	1.08
14	HSBC (SINGAPORE) NOMINEES PTE LTD	4,533,920	1.03
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,946,062	0.90
16	HUANG JIE	2,838,889	0.65
17	PEK CHOON HENG	2,806,454	0.64
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,776,132	0.63
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,467,956	0.56
20	TIGER BROKERS (SINGAPORE) PTE. LTD.	2,450,869	0.56
	TOTAL	**320,004,926**	**72.94**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of ISDN Holdings Limited (the "**Company**") shall be held at 101 Defu Lane 10, Singapore 539222 on Friday, 28 April 2023 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 2022, together with the external auditor's report thereon.

[Ordinary Resolution 1]

2. To declare a first and final tax-exempt (one-tier) dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per ordinary share for the financial year ended 31 December 2022.

[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$215,985 for the financial year ending 31 December 2023 (2022: S$215,985).

[Ordinary Resolution 3]

4. To re-elect Mr. Toh Hsiang-Wen Keith who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.
[See Explanatory Note (i)]

[Ordinary Resolution 4]

5. To re-elect Mr. Soh Beng Keng who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.
[See Explanatory Note (ii)]

[Ordinary Resolution 5]

6. To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2023 and to authorise Directors of the Company to fix their remuneration.

[Ordinary Resolution 6]

AS SPECIAL BUSINESS

To consider and, if thought fit, to passing with or without modifications, the following ordinary resolutions:

7. **GENERAL MANDATE TO ISSUE NEW SHARES**

"That pursuant to Section 161 of the Companies Act 1967 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 (the "**SEHK**") and the constitution of the Company, authority be and is hereby given to the Directors of the Company to:

NOTICE OF ANNUAL GENERAL MEETING

(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);

(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;

NOTICE OF ANNUAL GENERAL MEETING

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 7]

8. **ANNUAL MANDATE TO ISSUE NEW SHARES UNDER THE ISDN PSP**

"That subject to and conditional upon the passing of Ordinary Resolution 7 contained in this Notice of Annual General Meeting (the "**General Share Issue Mandate**") and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")[1] and The Stock Exchange of Hong Kong Limited (the "**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;

(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;

[1] SGX-ST has provided the in-principle approval for the PSP on 11 October 2022. The announcements and the circular for the proposed adoption of the ISDN PSP were released on 12 October 2022, 20 December 2022 and 22 December 2022 respectively. The ISDN PSP was approved and adopted by the Shareholders on 31 January 2023.

NOTICE OF ANNUAL GENERAL MEETING

(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 8]

9. To transact any other business which may be properly transacted at the Annual General Meeting.

By Order of the Board
ISDN HOLDINGS LIMITED
Teo Cher Koon
Managing Director and President

Singapore, 28 March 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Toh Hsiang-Wen Keith, if re-elected as a Director of the Company, will remain as a Non-executive Director. Further information relating to Mr. Toh Hsiang-Wen Keith as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2023.

(ii) Mr. Soh Beng Keng, if re-elected and appointed as a Director of the Company, will remain as an Independent Non-executive Director, the Chairman of the Nominating Committee, a member of each of the Audit Committee, the Risk Management Committee, and the Remuneration Committee, and will be considered independent for the purposes of Rule 210(5)(d)(i), Rule 210(5)(d)(ii) and Rule 210(5)(d)(iv) of SGX-ST Listing Manual and code provision B.2.3 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

Mr. Soh Beng Keng who was first appointed as an independent director of the Company on 26 September 2005 will be appointed as a director for more than 9 years as at 1 January 2023. Accordingly, Mr. Soh Beng Keng's continued appointment as an independent director is subject to Rule 210(5)(d)(iv) of the SGX-ST Listing Manual and code provision B.2.3 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

Further information relating to Mr. Soh Beng Keng as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2023.

Notes:

1. The Annual General Meeting will be held at 101 Defu Lane 10, Singapore 539222 on 28 April 2023 at 9.30 a.m. for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in the Notice of Annual General Meeting dated 28 March 2023.

2. Printed copies of this Notice of Annual General Meeting, the annual report of the Company for the financial year ended 31 December 2022 (the "**Annual Report**"), the Circular and the Proxy Form will be sent to Hong Kong Shareholders. Printed copies of this Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form will not be sent to Singapore Shareholders. This Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form may also be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange. This Notice of Annual General Meeting, the Annual Report, the Circular and the Proxy Form are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL http://www.hkexnews.hk/.

3. Arrangements related to attendance at the Annual General Meeting, submission of comments, queries and/or questions to the Chairman of the Annual General Meeting ("**Chairman of the Meeting**") in advance of or live at the Annual General Meeting addressing of substantial and relevant comments, queries and/or questions before or at the Annual General Meeting, and voting by appointing proxy(ies) (including the Chairman of the Meeting), are set out in **Section 8** on pages 14 to 15 of the Circular dated 28 March 2023 which may be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL https://www.hkexnews.hk/.

NOTICE OF ANNUAL GENERAL MEETING

4. **A Shareholder (whether individual or corporate) must vote live at the Annual General Meeting or must appoint proxy(ies) (including the Chairman of the Meeting), to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such Shareholder wishes to exercise his/her/its voting rights at the Annual General Meeting.** The Proxy Form may be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL https://www.hkexnews.hk/. Where a Shareholder (whether individual or corporate) appoints proxy(ies) (including the Chairman of the Meeting), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the proxy(ies) for that resolution will be treated as invalid.

5. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, the form of proxy shall be deemed to relate to all the shares held by you.

6. (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 on his behalf, 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 1967 of Singapore.

7. Duly appointed proxy(ies) (including the Chairman of the Meeting) need not be a member of the Company.

   The Proxy Form must be submitted in the following manner:

   a) completed and signed in accordance with the instructions printed thereon and returned to the registered office of the Company at 101 Defu Lane 10, Singapore 539222 (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; or

   b) if submitted by way of electronic means, be submitted via email to the Company at info@isdnholdings.com;

NOTICE OF ANNUAL GENERAL MEETING

Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the Annual General Meeting as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. on Wednesday, 19 April 2023, being at least 7 working days before the Annual General Meeting.

8. Where a Proxy Form is executed on behalf of an individual or a corporation, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be submitted to the Company together with the Proxy Form, failing which the Proxy Form may be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

10. Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.

General:

The Company shall be entitled to reject a 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, the Company may reject a form of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 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) 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 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) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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ISDN HOLDINGS LIMITED

(Incorporated In the Republic of Singapore -
Company Registration No. 200416788Z)
(Singapore Stock Code: I07.SI)
(Hong Kong Stock Code: 1656)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held at 101 Defu Lane 10, Singapore 539222.
2. The Notice of AGM, the Circular and this Proxy Form may be accessed at (a) the Company's website at the (a) URL https://www.isdnholdings.com/sgx-singapore-exchange. (b) on the SGX website at the URL https://www.sgx.com/securities/company-announcements and (c) on the HKEX website at the URL https://www.hkexnews.hk/.
3. Arrangements relating to attendance at the AGM, submission of questions to the Chairman of the Meeting in advance of or live at the AGM, addressing of substantial and relevant questions at the AGM and voting live or by appointing proxy(ies) (including the Chairman of the Meeting) are set out in Section 8 on pages 14 to 15 of the Circular dated 28 March 2023.
4. A member (whether individual or corporate) must vote live at the AGM or may appoint proxy(ies) (including the Chairman of the Meeting) to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing proxy(ies) (including the Chairman of the Meeting), a member of the Company must give specific instructions as to voting, or abstentions from voting, in respect of a resolution, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. CPF or SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. **Wednesday, 19 April 2023** (that is, at least seven (7) working days before the date of the AGM).
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 March 2023.
7. **Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of proxy(ies) (including the Chairman of the AGM) to attend, speak and vote on his/her/its behalf at the AGM.**

ANNUAL GENERAL MEETING

I/We*, ...(Name) .... (NRIC/Passport/Company Registration Number*) of

.... (Address)

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

Name, Address and Email Address	NRIC / Passport Number	Proportion of Shareholdings	
		Number of Shares	%

and/or*

Name, Address and Email Address	NRIC / Passport Number	Proportion of Shareholdings	
		Number of Shares	%

or failing him/her, the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the AGM to be convened and held at 101 Defu Lane 10, Singapore 539222 on Friday, 28 April 2023 at 9.30 am (Singapore Time) and at any adjournment thereof.

I/We* direct my/our proxy/proxies* of the AGM to vote for or against, or abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder. **In absence of specific instructions as to voting, or abstentions from voting, in respect of a resolution, the proxy/proxies for that resolution will be treated as invalid.**

No.	Resolutions relating to:	Number of Votes For#	Number of Votes Against#	Number of Votes Abstained#
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 2022, together with the external auditor's report thereon.			
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.80 Singapore cents (equivalent to 4.70 Hong Kong cents) per ordinary share for the financial year ended 31 December 2022.			
3.	To approve the payment of Directors' fees of S$215,985 for the financial year ending 31 December 2023 (2022: S$215,985).			
4.	To re-elect Mr. Toh Hsiang-Wen Keith who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.			
5.	To re-elect Mr. Soh Beng Keng who will retire by rotation pursuant to Regulation 89 of the Constitution of the Company and who, being eligible, offered himself for re-election.			
6.	To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2023 and to authorise Directors of the Company to fix their remuneration.			
7.	To approve the general mandate to issue new shares.			
8.	To approve the annual mandate to issue new shares under the ISDN PSP.			

* Delete as appropriate.

If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate so with a [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this .... day of .... 2023.

Total Number of Shares Held

....

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Printed copies of this Notice of Annual General Meeting, the annual report of the Company for the financial year ended 31 December 2022 ("**Annual Report**"), the circular dated 28 March 2023 (the "**Circular**") and the Proxy Form will be sent to Hong Kong Shareholders. Printed copies of this Notice of AGM, the Annual Report, the Circular and the Proxy Form will not be sent to Singapore Shareholders. This Notice of AGM, the Annual Report, the Circular and the Proxy Form may also be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange. This Notice of AGM, the Annual Report, the Circular and the Proxy Form are also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL https://www.hkexnews.hk/.

2. Arrangements related to attendance at the Annual General Meeting, submission of comments, queries and/or questions to the Chairman of the Annual General Meeting ("**Chairman of the Meeting**") in advance of or live at the AGM, addressing of substantial and relevant comments, queries and/or questions before or at the AGM, and voting by appointing proxy(ies) (including the Chairman of the Meeting), are set out in **Section 8** on pages 14 to 15 of the Circular dated 28 March 2023 which may be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL https://www.hkexnews.hk/.

3. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, the form of proxy shall be deemed to relate to all the shares held by you.

4. **A Shareholder (whether individual or corporate) must vote live at the AGM or must appoint proxy(ies) (including the Chairman of the Meeting), to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form may be accessed at the Company's website at the URL https://www.isdnholdings.com/sgx-singapore-exchange and is also available on SGXNET at the URL https://www.sgx.com/securities/company-announcements and SEHK at the URL https://www.hkexnews.hk/. Where a Shareholder (whether individual or corporate) appoints proxy(ies) (including the Chairman of the Meeting), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the proxy(ies) for that resolution will be treated as invalid. Duly appointed proxy(ies) (including the Chairman of the Meeting) need not be a member of the Company.

5. The Proxy Form must be submitted to the Company in the following manner:

   (a) completed and signed in accordance with the instructions printed thereon and returned to the registered office of the Company at 101 Defu Lane 10, Singapore 539222 (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 AGM or any adjournment thereof; or

   (b) if submitted by way of electronic means, be submitted via email to the Company at info@isdnholdings.com.

6. Members who hold shares under CPF or SRS, who wish to appoint the Chairman of the AGM as their proxy, should approach their Central Provident Fund and SRS Operators Agent Banks (as the case may be) to submit their votes by, 5.00 p.m. on Wednesday, 19 April 2023, being at least seven (7) working days before the AGM.

7. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual, or his attorney duly authorised. Where the Proxy Form 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.

8. Where the Proxy Form 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 Proxy Form, failing which the Proxy Form may be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

10. The Company shall be entitled to reject a 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, the Company may reject a form of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time fixed for holding the AGM.

11. Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.

ISDN Holdings LIMITED

101 Defu Lane 10, Singapore 539222
Company registration No. 200416788Z