



ISDN Holdings
LIMITED

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

AUTOMATING ASIA'S FUTURE ANNUAL REPORT 2023

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** 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 capabilities, 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 1,149 employees in over 76 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\$341.8m
FY2023 revenue

S\$18.9m
FY2023 profit
before tax

S\$60bn+
addressable
market
for Industrial
Automation in Asia

OUR GROWTH

17%+
5-year growth
in revenue

90%+
5-year growth
in cash and cash
equivalent

25%+
5-year growth
in net assets
per share

OUR REACH

10,000+
enterprise
customers
throughout Asia

76+
locations
throughout Asia

1,149+
employees, of
whom over 33%
are engineers

5-YEAR FINANCIAL HIGHLIGHTS

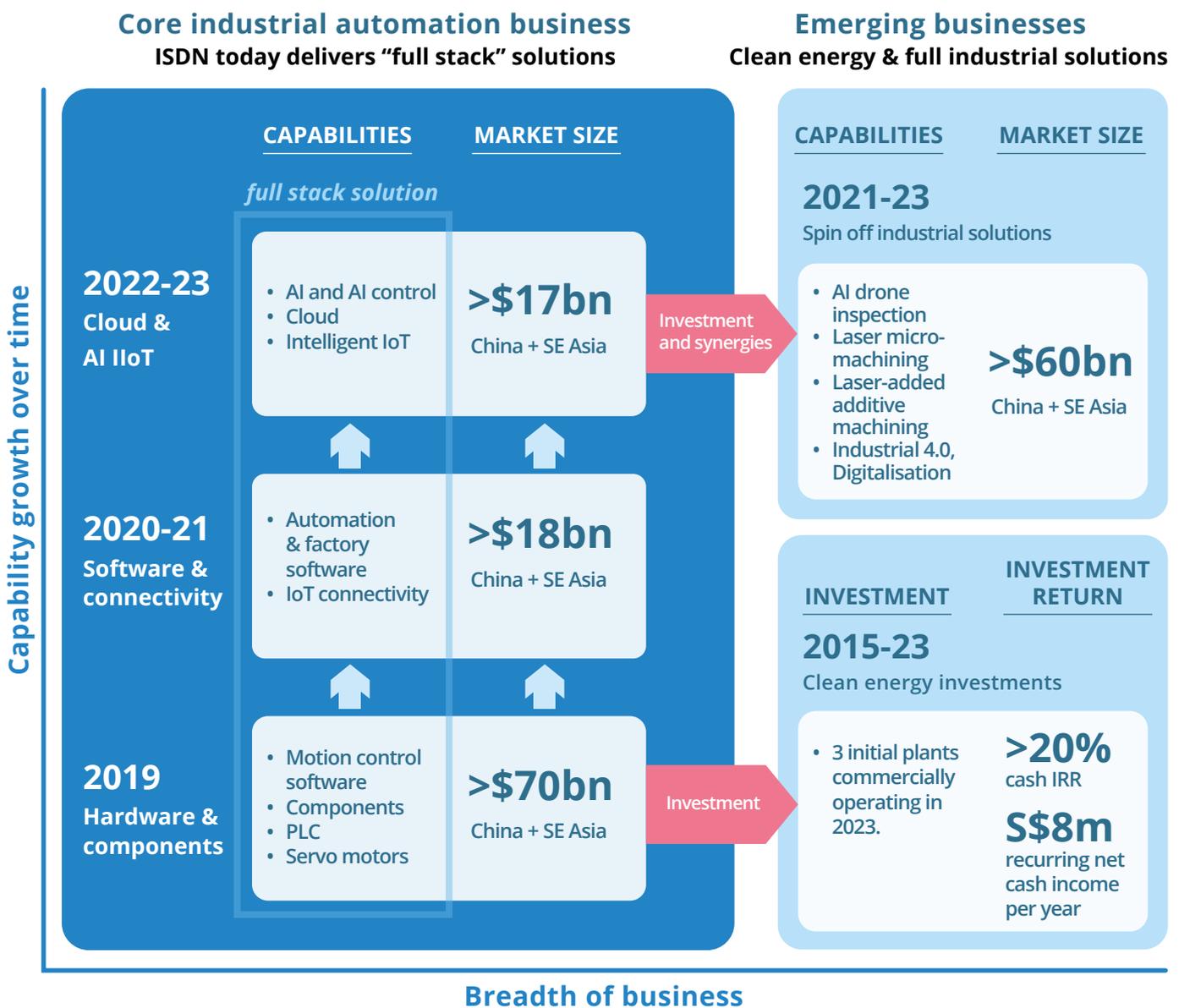
	2023 S\$'000	2022 S\$'000	2021 S\$'000	2020 S\$'000	2019 S\$'000
Revenue	341,766	370,779	440,136	361,864	290,985
Gross profit	91,134	105,888	120,384	95,573	77,425
Profit before income tax	18,873	32,027	52,473	31,992	20,222
Profit attributable to equity holders ("PATMI")	4,952	14,620	25,485	15,139	7,047
Equity attributable to owners of the Company	198,622	197,829	197,136	170,020	152,745
Non current assets	156,549	161,519	157,546	140,970	98,829
Current assets	243,890	238,851	257,719	217,015	202,933
Current liabilities	98,146	142,168	150,180	129,068	94,132
Non current liabilities	61,628	15,602	18,110	11,293	9,060
Cash and cash equivalents	59,262	54,128	59,021	51,440	31,168
Financial Ratios					
Net Assets per Share (Singapore cents)	44.53	45.10	44.94	39.05	35.56
Basic Earnings per Share (Singapore cents)	1.12	3.33	5.84	3.51	1.68

BUILDING ISDN THROUGH THE DOWNCYCLE

In 2023, ISDN saw significant cyclical impact in its business as the global semiconductor and electronics sector experienced a sharp downturn. Despite the cyclical impact, we believe ISDN has not experienced any significant loss of market share, customer relevance, or competitive advantage through the year. Indeed, we believe ISDN gained share in the Industrial Automation market in China in 2023.

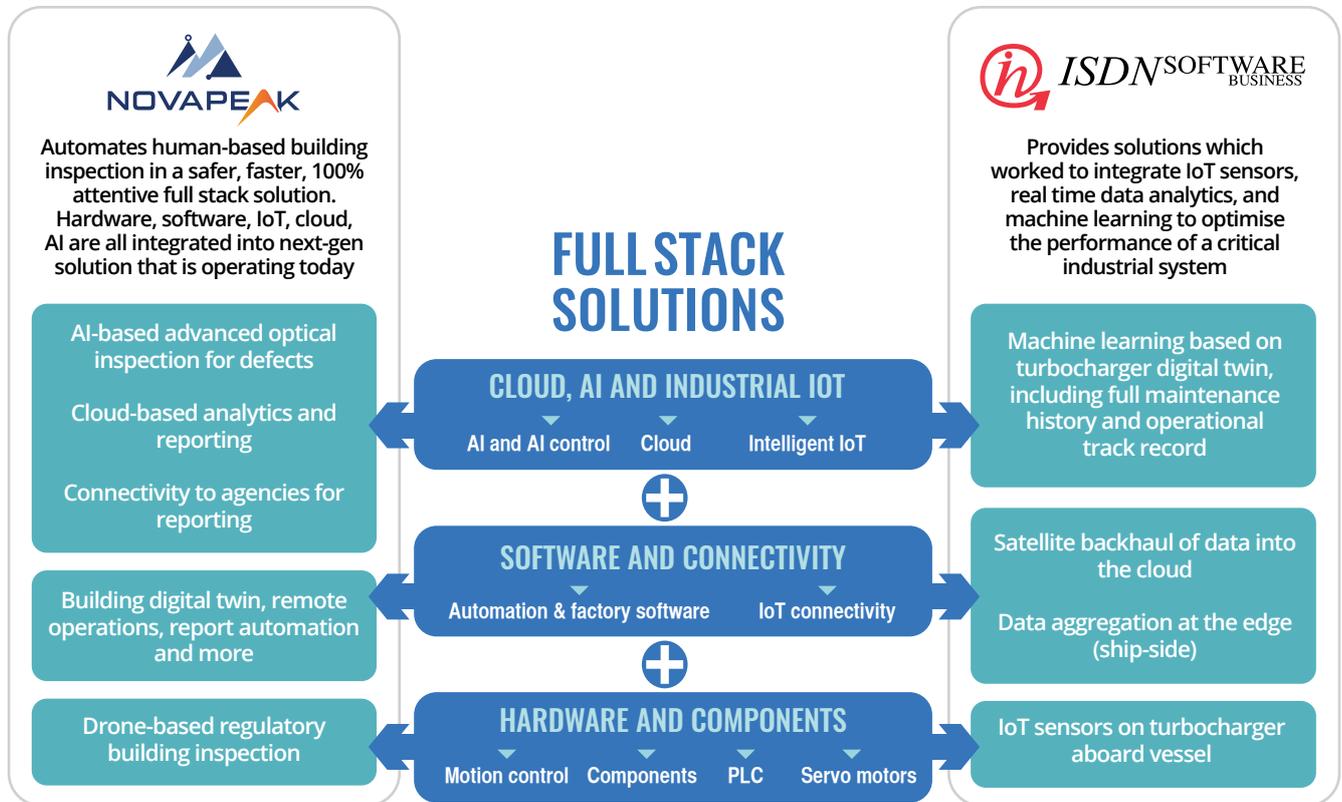
Based on this assessment of ISDN's continued competitiveness, the Group elected to maintain its commitment to continuing to grow capabilities to create long-term growth. As figure below illustrates, ISDN already has a track record of successfully growing its capabilities and opening up addressable market space over the last 4 years, and the Board believes that continuing to deepen capabilities should position ISDN favourably for cycle recovery and long-term growth.

Building capabilities has opened growth markets for us



FULL-STACK INDUSTRY 4.0 & AI SOLUTIONS

Examples of how we're delivering full stack solutions today



HISTORIC PROGRESS IN CLEAN ENERGY

3 plants operating profitably in 2023, 2 more on the way



OUR PORTFOLIO OF MINI-HYDROPOWER PLANTS



LAU BIANG 10MW
Commercialised since 31 December 2022



SISIRA 4.6MW
Commercialised since 15 June 2023



ANGOCCHI 10MW
Commercialised since 15 June 2023



PRESIDENT'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors of ISDN Holdings Limited ("ISDN" or together with its subsidiaries, the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2023 ("FY2023").

THE YEAR IN REVIEW

Macroeconomic Review

The global economy continues to navigate a complex path to recovery in the post-pandemic era. Successive shocks in supply shortages, inflation, interest rate hikes, geopolitical tensions and open conflict in Ukraine and the Middle East have increased volatility and compounded risk for the global economy in the past few years.

This volatility continued into 2023, creating cyclical impact to ISDN's most important markets:

- In **China**, hopes for a smooth post-pandemic recovery quickly gave into an environment of uncertainty as the domestic property market and enduring US-China trade tensions drove up risks, devalued currency, and suppressed demand.
- In the **Technology sector**, the semiconductor and electronics industries experienced sharp declines as the sector worked to normalise inventory, oversupply, and a "new normal" of higher interest rates.
- In **Southeast Asia**, the combination of technology downcycle and China softness rippled into our local economy, impacting manufacturing volumes, capital expenditures and domestic consumption.

These cyclical forces greatly impacted ISDN in FY2023, creating strong headwinds to revenue and greater impact on margins as the mix of our business shifted cyclically away from the higher-profit technology segments.

ISDN's cyclical performance

Despite the heavy sectoral and global economic headwinds, ISDN was able to defend its market position and keep growing its capabilities in 2023.

In China, the Group took market share and grew 2.4% (6.6% on a constant currency basis) as the Chinese automation market declined in 2023.

In Southeast Asia, ISDN's industrial automation business was hit particularly hard by the downcycle in semiconductors and electronics, with revenue declining 28.3%. However, the Group believes it has not seen unusual customer losses through the downturn, and has continued to hold its market share in the region.

Throughout this period, we remained close to our customers and to the market, watching for signs of structural or longer-term weakness. We continue to believe the weakness in 2023 was primarily cyclical, as evidenced by our share gains in a tough market.

The security of our market position allowed us to think boldly ahead while competitors have been pressured by the downcycle. We made the decision to maintain investment levels in the future, as studies have shown that companies able to invest in a downcycle can

“ The Group's solid competitive position is the result of collective efforts and support from all stakeholders. On behalf of ISDN, I would like to thank our shareholders, customers, and employees for your continued support for ISDN throughout the years. ”



emerge significantly stronger than competitors during the recovery and growth stages of the cycle.

Investing in long-term growth

During 2023, we continued to invest to grow our capabilities and open up addressable markets pace:

- **In our core Industrial Automation Business**, the Group has enhanced its technical expertise in industrial cloud, artificial intelligence (“AI”), and software, providing integrated “full stack” solutions to customers. These new offerings have been acknowledged by our clients, with several deliveries of these solutions over the past year.
- **In our Industrial Solutions Business**, the Group continued to incubate commercial solutions using its core full-stack solutions, realising synergies to build foothold in commercial markets.
- **In our Clean Energy Business**, The Group fully commercialised all three of its mini-hydropower plants, which are anticipated to generate quality recurring annual net cash income of approximately S\$8 million per annum for the next 20 to 25 years.

A landmark year for our Clean Energy business

In December 2022, ISDN received commercialisation approval for its first mini-hydropower plant in Indonesia, Lau Biang 1 with a 10MW capacity. The Group reached another historic milestone in June 2023, as we received commercialisation approval for our other two mini-hydropower plants, Anggoci and Sisira. The combined capacity of the three mini-hydropower plants more than doubled to 24.6MW and is forecasted to generate high-quality and recurring income of around S\$8 million per annum for the Group for the next 20 to 25 years.

Indonesia remains committed to reaching net-zero emissions by 2060, and the country has been proactively increasing its investments in renewable energy infrastructure. These efforts include plans to add additional renewable energy capacity of around 60-gigawatt up to 2040¹. In November 2023, the Indonesian government released additional targets to reach renewable energy generation of 44% of total power production by 2030, up from around 12% in 2022².

As one of the early movers in the clean energy sector, ISDN has gained over 9 years of experience in hydropower in Indonesia and is strategically positioned to capitalise on the bandwagon.

The Group has commenced the construction of its fourth and fifth hydropower plants in Indonesia. These new initiatives will be fully funded by the net proceeds received from the Group's share placement activities in 2013.

The Group is confident that the clean energy business will continue to produce high-quality, cash-rich,

recurring earnings, resulting in good equity returns for our shareholders going forward.

Looking ahead to 2024 and beyond

We continue to see solid, multi-year growth fundamentals in our core automation market in Asia, bolstered by long-term trends such as an ageing population, labour shifting away from factories, and the need to acquire advanced industrial capabilities to power growth in the continent.

While we cannot predict the exact timing of a cyclical recovery, we have seen an improvement of economic and industrial indicators in China recently, including re-energised factory output and the Caixin/S&P manufacturing index in growth territory above 50 points. The Chinese government has also increased government incentives, including establishing a US\$40 billion state fund to expand the domestic chip industry.³ China's electric vehicle (“EV”) sector serves as another strong growth catalyst. Fitch ratings forecasts China's car exports to increase steadily by 20% to 30% in 2024, following a remarkable CAGR of over 70% from 2020 to 2023.⁴

In the technology sector, analysts are cautiously calling recovery indications in semiconductors and electronics as inventory levels have come down and the global economy continues to improve. Growth applications such as AI, 5G and IoT continue to drive growth fundamentals for the technology supply chain in Asia.

A WORD OF APPRECIATION TO ALL STAKEHOLDERS

ISDN has navigated through many industry cycles since its inception in 1986. The Group's solid competitive position is the result of collective efforts and support from all stakeholders. On behalf of ISDN, I would like to thank our shareholders, customers, and employees for your continued support for ISDN throughout the years.

Despite the formidable cyclical headwinds in 2023, the key growth drivers for the Group have remained clear and unchanged. Looking ahead, we will remain committed to leveraging our core competencies, building new capabilities and seizing every opportunity to emerge stronger from the current downturn.

As we move into a new year, we are cautiously optimistic about an acceleration in industry recovery and reaffirm our commitment to delivering greater value to all of you. Thank you once again for your continued trust and partnership as we navigate the path ahead together.

Teo Cher Koon

*Managing Director and President
ISDN Holdings Limited*

¹ Reuters: Indonesia needs \$172 billion investment to increase renewable energy use, state utility says, 7 September 2023

² Reuters: Indonesia launches \$20 billion renewable energy investment plan, 21 November 2023

³ Reuters: Exclusive: China to launch \$40 billion state fund to boost chip industry, 5 September 2023

⁴ Fitch Ratings: Accelerating Shift to Smart Driving May Intensify China Auto Competition in 2024, 6 December 2023

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



Mr. Lim Siang Kai (林汕鐸)
Chairman and Independent Director

Mr. Lim Siang Kai (林汕鐸), aged 67, 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.



Mr. Teo Cher Koon (張子鈞)
Managing Director and President

Mr. Teo Cher Koon (張子鈞), aged 65, 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 88 subsidiaries and 76 sales offices all over Singapore, China, Hong Kong, Malaysia and a few other Asian countries including Vietnam, Thailand, Taiwan and Indonesia as at 31 December 2023. 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 Asstraise 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").



Mr. Kong Deyang (孔德揚)
Executive Director and Senior Vice President - China Operations

Mr. Kong Deyang (孔德揚), aged 63, 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 China, from charting and developing growth policies for China businesses to managing the day-to-day operations of our subsidiaries in China. 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 China 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 China state council in January 1994.



Mr. Toh Hsiang-Wen Keith
Non-executive Director

Mr. Toh Hsiang-Wen Keith, aged 49, 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 has held numerous board positions with technology companies worldwide over the last two decades. Today, he serves as Chairman of SP Manufacturing Pte Ltd, Chairman of TD Connex Global Pte. Ltd., and on the boards of several other private companies. Mr. Toh was formerly a Principal at Francisco Partners, a global technology-focused private equity fund. Mr. Toh focuses on investments in global technology sectors including advanced manufacturing, industrial automation, software and cloud infrastructure, semiconductors, and optical communications. 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.



Mr. Soh Beng Keng (蘇明慶)
Independent Director

Mr. Soh Beng Keng (蘇明慶), aged 70, 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 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 China 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 China 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.



Mr. Tan Soon Liang (陳順亮)
Independent Director

Mr. Tan Soon Liang (陳順亮), aged 51, 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 Omnibrige Capital Pte. Ltd., a company which focuses on early stage angel and venture capital investments in startups and fast-growing companies and involved in corporate development and advisory services, since December 2014.

Mr. Tan serves as an independent director in Catalyst-listed Choo Chiang Holdings Limited (42E), a leading retailer and distributor of electrical products and accessories in Singapore, since August 2018, he is also serving 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 Catalyst-listed Wong Fong Industries Limited (1A1), a provider of land transport engineering solutions from June 2016 to April 2019. He is also served as an independent director in Catalyst-listed Colex Holdings Limited (567), an investment holding company, provides waste management services in Singapore from April 2021 to March 2023. Mr. Tan also served as an independent director in Catalyst-listed Clearbridge Health Limited (1H3), a healthcare company with focus on delivery of precision medicine in Asia and its vision to empower clinicians and healthcare professionals to make more reliable and accurate diagnoses from November 2017 to June 2023 and he served as an independent director in Catalyst-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 from March 2020 to November 2023.

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 52, 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 Fellow 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.

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

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

IRSS Pte. Ltd. (formerly known as Jin Zhao Yu Pte Ltd)

ISDN (Jiangxi) Technologies Co., Ltd.

ISDN (Zhejiang) Precision Technology Co., Ltd.

ISDN Advanced Manufacturing 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.

JM Vision Technologies Co., Ltd

JM Vistec System Pte Ltd

LAA Energy HK Company Limited

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

Gateway Motion (Shanghai) Co., Ltd

JAPV Mechanical Technology (Wujiang) Co., Ltd

Maxon Motor International Trading (Shanghai) Co., Ltd.

Maxon Motor (Suzhou) Co., Ltd

Shanghai DBASIX M&E Equipment Co.,Ltd

Shenzhen Servo Dynamics Co., Ltd

Suzhou PDC Co., Ltd

Su Zhou Servo Dynamics Co. Ltd

Weiyi M&E Equipment (Shanghai) Co., Ltd

Other companies

BOZHON Precision Industry Technology Co., Ltd

Soh Beng Keng

Group companies

ISDN Holdings Limited

Tan Soon Liang

Group companies

ISDN Holdings Limited

Other companies

ACH Investors Pte Ltd

Allin Holdings Pte Ltd

Choo Chiang Holdings Limited

Omnibridge Capital Ltd

Omnibridge Capital Pte Ltd

Omnibridge Investments Ltd

Omnibridge Investments Pte Ltd

Omnibridge Investment Partners Pte Ltd

Spectra Secondary School

Ti Investment Holdings Pte Ltd

Ti Ventures Pte Ltd

ValueMax Group Limited

Toh Hsiang-Wen Keith

Group companies

ISDN Holdings Limited

Partner

Novo Tellus Capital Partners

Other companies

TD Connex Global Pte Ltd (Chairman)

SP Manufacturing Pte Ltd (Chairman)

KEY MANAGEMENT*

Mr. Lau Choon Guan (劉俊源),
aged 59, 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 61, 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 55, Vice President in sales
(industrial computing, hardware) of
our Group.
(Resigned on 14 December 2023)

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 56, 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 49, 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 Rules Governing the Listing of Securities on the SEHK ("SEHK Listing Rules").

MANAGEMENT DISCUSSION AND ANALYSIS

“ The Group continued to maintain a robust balance sheet position, with cash and bank balance standing at S\$60.0 million as of 31 December 2023. ”

BUSINESS REVIEW

Revenue and profitability for FY2023 were heavily impacted by the global semiconductor and electronics downcycle in 2023. However, six months ended 31 December 2023 (“2H2023”) saw sequential improvement in sales, providing cautious early traction towards a cyclical recovery.

After analysing the components of ISDN’s business performance in 2023, management believes the Group gained market share in our largest core market in Industrial Automation in China during the year. With this informed confidence in our competitiveness, ISDN elected to maintain steady operational expenses and investment level in 2023, to ensure continued commitment to building strategic capabilities for long-term growth.



Despite the cyclical headwinds, ISDN made excellent progress building its business in 2023:

- In ISDN’s core **industrial automation business**, the Group built out its capabilities further in industrial cloud, AI and software, enabling it to offer “full stack” integrated solutions that include components, machinery, software and intelligence in a single solution for customers.
- In ISDN’s **clean energy business**, the Group reached full commercialisation for all 3 of its mini-hydropower plants, demonstrating a clear return on equity invested in the projects, as well as a high-quality, recurring stream of annual net cash income of approximately S\$8 million a year.
- In ISDN’s **industrial solutions business**, the Group continued to incubate commercial solutions using ISDN’s full-stack technology capabilities. Each of these solutions requires low cash investment, and allows ISDN to realise synergies through contributing technical, sales, manufacturing, or other full stack capabilities to help realise a commercial market entry.

Review of ISDN revenue

ISDN’s **China industrial automation business** (73% of revenue) grew 6.6% year-on-year (“yoy”) in FY2023 on a constant-currency basis, and 2.4% on an as-reported basis (given the devaluation of the Renminbi (“RMB”) currency during the year). This performance represents market share gain for ISDN against the China industrial automation market which declined 2.0% in FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

ISDN's **Southeast Asia industrial automation business** (21% of revenue) experienced significant decline of 28.3% in FY2023. 90.8% of this decline was concentrated in the semiconductor sector, which experienced widespread cyclical decline in Southeast Asia. ISDN has not lost any of its semiconductor customers and believes it has not lost any significant market share in Southeast Asia. Consequently, the Group believes its Southeast Asia business should recover alongside the broader industrial and manufacturing sector in the region.

ISDN's **hydropower business** (2% of revenue) reached key commercialisation milestones in FY2023 with tariff income of S\$8.8 million for the year.

Review of ISDN expenses and profitability

Gross margin for the year declined by 1.9 percentage points, reflecting the impact of mix-shift from higher-margin sectors such as semiconductors and electronics which experienced industry downcycles in FY2023. The Group believes the gross margin impact is cyclical rather than structural in nature, and margins began to recover sequentially in 2H2023.

ISDN reduced operating expenses modestly by S\$1 million in FY2023. As noted above, this operating expense level reflects ISDN's confidence in investing to grow capabilities through the downcycle, as the Group gained share while competitors face market weakness.

Other operating income increased by 39.1% yoy to S\$4.8 million for FY2023, mainly driven by an increase in compensation claims of S\$1.2 million for non-performance by the engineering, procurement, and construction ("EPC") contractor on the hydropower plant projects, an increase in government grant of S\$0.3 million, and an increase in technical service income of S\$0.1 million.

Finance costs grew by 26% yoy to S\$4.4 million, resulting from the increased bank borrowings and higher interest rates during the reporting period.

Net profit and net profit to shareholders declined significantly in FY2023, driven almost entirely by the cyclical impact to revenue and gross margin described above.

The Group continued to maintain a robust balance sheet position, with cash and bank balance standing at S\$60.0 million as of 31 December 2023.

Declaration of dividends

The Group is encouraged by its growing industrial capabilities, its market share growth in 2023, and its view of long term growth prospects. ISDN is declaring a final dividend of 0.28 Singapore cents per share for FY2023, reaffirming its confidence in profitability and growth for the Group.

BUSINESS OUTLOOK

While the Group remains cautious about predicting a recovery, it notes that:

- ISDN saw significant cyclical impact in six months ended 30 June 2023 ("1H2023") followed by sequential improvement in growth in 2H2023, persisting through the early 2024;
- China's Manufacturing PMI index crossing the benchmark of 50 points into growth territory in December 2023 and January 2024; and
- There is growing evidence in an emerging recovery for the global semiconductor sector, which tends to lead broader recovery for electronics, with the semiconductor industry association SEMI projecting a cyclical recovery in 2024¹.

The Group remained steadfast in its focus on long-term growth, capitalising on a weaker economy to grow capabilities to capture more market access and share going forward. In 2023, ISDN grew its advanced software and cloud capabilities, expanded its software market presence in China, delivered "full stack" hardware/software/cloud solutions to customers, made good progress developing exciting new commercial solutions, and completed commercialisation of 3 mini-hydropower plants.

ISDN believes that (1) a slowing cyclical headwind; (2) continued demand for industrial automation in Asia; and (3) the growth of the Group's strategic capabilities, position the Group well to capitalise on cyclical recovery and long-term growth in industrial automation.

¹ <https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-manufacturing-industry-poised-for-2024-expansion-semi-reports>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin	FY2023 S\$'000	FY2022 S\$'000	% change + / (-)
Industrial Automation Solutions			
Revenue	335,081	363,137	-7.7%
Gross profit	85,003	105,322	-19.3%
Gross profit margin	25.4%	29.0%	-3.6 ppt
Renewable Energy			
Revenue	6,685	7,642	-12.5%
Construction income	-	7,642	n.m.
Operating income	3,052	-	n.m.
Finance income	3,633	-	n.m.
Gross profit	6,131	566	n.m.
Construction income	-	566	n.m.
Operating income	2,498	-	n.m.
Finance income	3,633	-	n.m.
Gross profit margin	91.7%	7.4%	84.3 ppt
Construction income	-	7.4%	n.m.
Operating income	81.8%	-	n.m.
Finance income	100.0%	-	n.m.
Total			
Revenue	341,766	370,779	-7.8%
Gross profit	91,134	105,888	-13.9%
Gross profit margin	26.7%	28.6%	-1.9 ppt

n.m.: Not meaningful

The Group's revenue decreased by approximately S\$29.0 million or 7.8% from S\$370.8 million in FY2022 to S\$341.8 million in FY2023.

RMB had depreciated by about 3.9% in FY2023 as compared to FY2022. On a constant currency basis, the Group's industrial automation solutions revenue would be S\$345.1 million in FY2023, which resulted in a slight decrease by 5.0%.

For renewable energy, the revenue recognised in FY2022 was related to construction revenue before it was commercialised. The Group's hydropower plant,

Lau Biang 1, commenced commercial operations on 31 December 2022 followed by another two hydropower plants, Anggoci and Sisira, commenced commercial operations on 15 June 2023. In FY2023, the Group recognised S\$3.1 million operating income and S\$3.6 million finance income as revenue for the three hydropower plants. A total of S\$8.8 million was billed to PT PLN (Persero) ("**PLN**") for FY2023 and received as of January 2024.

Gross profit for FY2023 decreased by S\$14.8 million or 13.9% as compared to corresponding period last year. Gross profit margin of the Group in FY2023 decreased

MANAGEMENT DISCUSSION AND ANALYSIS



The gross profit margin for renewable energy grew from 7.4% to 91.7% in FY2023, as a result of the commercialisation of three hydropower plants.

by 1.9 percentage point from 28.6% to 26.7%. In FY2023, the gross profit and gross profit margin for the industrial automation solutions segment fell by S\$20.3 million and 3.6 percentage points, respectively. This decline in sales to higher profit margin customers can be attributed to the weakness in cyclical sectors such as semiconductors and electronics, which affected the Group's sales mix. As a result, the Group experienced a notable decrease in its gross profit margin. The gross profit margin for renewable energy grew from 7.4% to 91.7% in FY2023, as a result of the commercialisation of three hydropower plants.

Other operating income

For FY2023, other operating income increased by S\$1.3 million, or 39.1% to S\$4.8 million. The increase was mainly due to claims for compensation for non-performance from the EPC contractor totalling S\$1.2 million for the construction of our hydropower plant projects in Indonesia, increase in government grant of S\$0.3 million and increase in technical service income of S\$0.1 million; partially offset by decrease in commission income of S\$0.1 million, decrease in interest income of S\$0.1 million and decrease in miscellaneous income of S\$0.1 million.

Distribution costs

For FY2023, distribution costs decreased by \$2.4 million, or 8.3% to S\$26.3 million. The decrease was mainly due to decrease in staff and related costs of S\$1.2 million arising from lower staff commission to sales personnel, decrease in sales and marketing expenses of S\$1.2 million which is in line with the decrease in revenue and decrease in office and other expenses of S\$0.4 million. This was partially offset by the increase in travelling expenses of S\$0.4 million due to the easing of business travel restriction in our business segments.

Administrative expenses

For FY2023, administrative expenses increased by S\$1.3 million, or 3.2% to S\$40.4 million. The increase was mainly due to increase in staff and related costs of S\$1.5 million mainly arising from the consolidation of new subsidiaries incorporated in 2H2022, increase in office and other expenses of S\$0.6 million mainly arising from the increase in withholding tax upon receiving the dividend income from overseas subsidiaries, increase in traveling expenses of S\$0.3 million and increase in professional fees of S\$0.2 million. This was partially offset by the decrease in performance bonus for executive Directors of S\$1.3 million which is in line with the decrease of the Group's business performance.

Net impairment (losses)/gain on financial assets

Net impairment loss on financial assets of S\$1.6 million in FY2023 was primarily attributable to an impairment loss for a customer whose business is inactive and the guarantors have filed bankruptcy. The Group had been following up with the customer on collection

MANAGEMENT DISCUSSION AND ANALYSIS

prior to the guarantors filing for bankruptcy and was informed that the overdue balances would be paid once the government grants were received. However, the amount owed remained unpaid. In light of the guarantor's bankruptcy filing and out of prudence, the overdue amount has been reserved for the full receivable amount.

Other operating expenses

In FY2023, other operating expenses decreased by S\$3.7 million, or 50.1% to S\$3.7 million. The decrease was mainly due to decrease in net foreign exchange loss of S\$3.4 million and decrease in allowance for inventories obsolescence of S\$0.5 million; partially offset by the increase in bad debts written off of S\$0.1 million.

Finance costs

Finance costs increased by S\$0.9 million in FY2023, as a result of increase in bank borrowings and higher bank interest rates.

Share of (loss)/profit of associates, net

Due to the decline in business activity of our associated companies, the Group recorded a share of loss of associates of S\$0.7 million in FY2023, compared to a share of profit of S\$1.2 million in FY2022.

Income tax expense

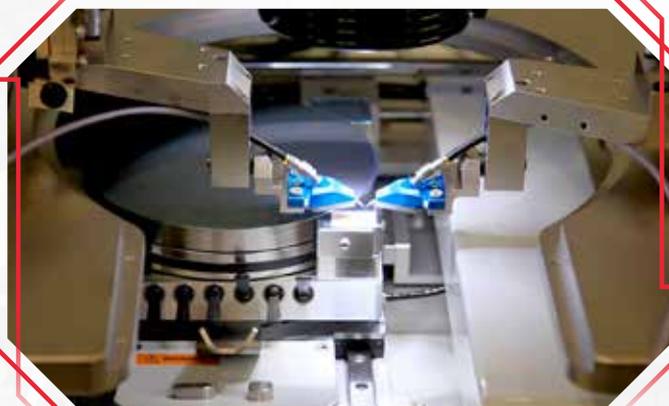
Income tax expense decreased by S\$1.2 million, or 13.9% to S\$7.7 million for FY2023. The decrease was mainly due to lower taxable profits.

Property, plant and equipment

Property, plant and equipment decreased by S\$0.1 million, or 0.1% as at 31 December 2023. The decrease was mainly due to depreciation charge of S\$5.6 million, translation loss of S\$1.3 million arising from the weakening of RMB against S\$ in FY2023. This was partially offset by the increase in capital expenditure of S\$1.5 million for construction of a new building in our Wujiang office, China, recognition of right-of-use assets of S\$2.4 million, purchase of plant and machinery of S\$1.2 million, purchase of furniture and fitting of S\$0.9 million, renovation of leasehold properties of S\$0.5 million and purchase of motor vehicles of S\$0.3 million.

Associates

Interests in associates decreased by S\$1.0 million, or 16.0% as at 31 December 2023 mainly due to share of loss of associates of S\$0.7 million and declaration of dividend from associates of S\$0.3 million.



Service concession receivables (current and non-current)

Service concession receivables decreased by S\$3.5 million, or 4.5% to S\$73.5 million as at 31 December 2023. Service concession 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. In FY2023, a total of S\$2.0 million in service concession receivables were derecognised upon invoicing to PLN for Lau Biang 1 and Anggoci. Furthermore, due to the United States Dollar ("USD") depreciation against the Indonesian Rupiah ("IDR"), a foreign exchange revaluation loss of S\$0.6 million was recognised as well as a translation loss of S\$0.9 million resulting from the strengthening of S\$ against IDR.

Inventories

Inventories decreased by S\$8.2 million or 10.1% to S\$73.0 million as at 31 December 2023 primarily due to decrease in revenue in FY2023.

Trade and other receivables and contract assets

Trade and other receivables and contract assets increased by S\$9.5 million or 9.4% to S\$110.6 million as at 31 December 2023 mainly due to increase in advances to trade suppliers of S\$7.9 million, which predominately result from advances made to the EPC for the construction of mini-hydropower plants, Lau Biang 2 and 3, increase in trade receivables of S\$1.3 million, increase in contract assets of S\$0.5 million, increase in prepayment of S\$0.4 million; partially offset by the decrease in sundry debtors of S\$0.4 million, and amount owing from non-controlling interest ("NCI") of S\$0.2 million.

Subsequent receipt of about S\$21.9 million was received from customers as at 31 January 2024. The collection represented approximately 25.0% of trade receivables as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

Trade and other payables decreased by S\$30.5 million or 32.0% to S\$64.6 million as at 31 December 2023, which was mainly due to the payment of S\$23.4 million to EPC contractor for Lau Biang 1, decrease in accrued salaries and bonuses of S\$9.3 million for the payment of performance bonus to the executive Director, and decrease in trade payables of S\$1.8 million. This was partially offset by increase in loan from NCI of S\$3.7 million and increase in accrued operating expenses of S\$0.3 million.

Contract liabilities

The decrease in contract liabilities of S\$7.2 million or 39.9% to S\$10.8 million was mainly due to decrease in advances received from customers for sales of goods largely from our China 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 increased by S\$41.8 million to S\$75.7 million as at 31 December 2023. The increase was primarily due to proceeds from bank borrowings of S\$66.1 million offset by repayment of bank borrowings (inclusive of trust receipts) of S\$24.3 million. The Group has successfully secured a green loan amounting to S\$25.3 million for the refinancing of Lau Biang 1 in FY2023.

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

On 4 January 2023, the Group dissolved two Malaysian subsidiaries, SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd.. For more information, please refer to Company's announcement entitled "Dissolution of Malaysian Subsidiaries" dated 5 January 2023.

On 17 March 2023, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") acquired 6,000 ordinary share representing 3% of the issued and paid-up share capital of NovaPeak Pte. Ltd. ("**NovaPeak**") from a minority shareholder at a consideration of S\$1.00. Following the completion of the acquisition, the Company's effective interest in NovaPeak increased from 87% to 90%.

On 5 May 2023, the Company's indirect 49%-owned subsidiary, Dirak Asia had made a capital injection of USD570,000 (equivalent to S\$767,000) in a wholly-owned subsidiary, Suzhou D Snap Technologies Co., Ltd ("**Suzhou D Snap**") for working capital purpose. Following the completion of the capital injection, the total registered and paid-up share capital of Suzhou D Snap increased from USD750,000 to USD1,320,000 (100%) of the total registered and paid-up share capital of Suzhou D Snap.

On 16 June 2023, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") had made additional capital injection of RMB800,000 (equivalent to S\$153,000) in a 70%-owned subsidiary, ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") for working capital purposes. Following the completion of additional capital injection, the total paid-up share capital of ISDN Nanjing increased from RMB2,450,000 to RMB3,250,000.

On 21 August 2023, the Company's indirect 75%-owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd ("**Dbasix Shanghai**") incorporated a wholly-owned subsidiary in China known as Dbasix Suzhou Co.,Ltd. ("**Dbasix Suzhou**") with a registered capital of RMB1,000,000 (equivalent to approximately S\$186,000). Dbasix Suzhou is principally engaged in the develop, design and manufacture advanced manufacturing equipment and provide consultancy and technical services.

On 31 August 2023, the Company's indirect wholly-owned subsidiary, Suzhou Servo Dynamics Co., Ltd. ("**Suzhou Servo**") had subscribed for an aggregate consideration of RMB1,500,000 (equivalent to S\$279,000) in its 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ("**Beijing Bei Cheng**") by way of declaration of final dividend for the financial year ended 31 December 2022 to Suzhou Servo. Following the capital injection by way of final dividend, the total paid-up share capital of Beijing Bei Cheng increased from RMB2,000,000 to RMB5,000,000 and the Group's effective interest in Beijing Bei Cheng remains unchanged at 50%.

On 7 September 2023, the Company's direct wholly-owned subsidiary, ISDN Investments had made a capital injection of USD300,000 (equivalent to S\$408,000) in a wholly-owned subsidiary, ISDN (Zhejiang) Precision Technology Co., Ltd. ("**ISDN Zhejiang**") for working

MANAGEMENT DISCUSSION AND ANALYSIS

capital purpose. Following the completion of the capital injection, the total paid-up share capital of ISDN Zhejiang increased from USD1,000,000 to USD1,300,000.

On 12 September 2023, the Company's indirect 49%-owned subsidiary, Dirak Asia had made a capital injection of USD430,000 (equivalent to S\$585,000) in a wholly-owned subsidiary, Suzhou D Snap for working capital purpose. Following the completion of the capital injection, the total registered and paid-up share capital of Suzhou D Snap increased from USD1,320,000 to USD1,750,000 (100%) of the total registered and paid-up share capital of Suzhou D Snap.

On 3 October 2023, the Company's indirect wholly-owned subsidiary, ISDN Resource Pte Ltd ("**ISDN Resource**") acquired 870 ordinary shares in Jin Zhao Yu Pte. Ltd. ("**Jin Zhao Yu**") from two minority shareholders at a consideration of S\$0.50 each. Following the completion of the acquisition, the Group's effective interest in Jin Zhao Yu increased from 51% to 80%.

On 5 October 2023, the Company's direct wholly-owned subsidiary, MCG acquired 2,400 ordinary shares from ISDN Resource and 600 ordinary shares from a minority shareholder for a total consideration of S\$1.00 each in the capital of Jin Zhao Yu. MCG and ISDN Resource are wholly-owned subsidiaries of the Company. Following the completion of the acquisition, the Group's effective interest in Jin Zhao Yu increased from 80% to 100%. The company name of Jin Zhao Yu had changed to IRSS Pte. Ltd. ("**IRSS**") subsequently.

On 19 October 2023, the Company's direct wholly-owned subsidiary, MCG entered into a joint venture with a minority shareholder for an additional subscription of 197,000 ordinary shares in IRSS. MCG had subscribed 127,000 ordinary shares at a subscription price of S\$1 per share for an aggregate cash consideration of S\$127,000 and the minority shareholder had subscribed 70,000 ordinary shares at the subscription price of S\$1 per share for an aggregate cash consideration of S\$70,000 (the "**Capital Injection**"). Following the completion of the Capital Injection, the Group's effective interest in IRSS decreased from 100% to 65%.

On 31 October 2023, the Company's indirect wholly-owned subsidiary ISDN Software had made a capital injection of RMB3,750,000 (equivalent to S\$703,000) in a 70%-owned subsidiary, ISDN Nanjing for working capital purpose. Following the completion of the

In ISDN's core industrial automation business, the Group built out its capabilities further in industrial cloud, AI and software, enabling it to offer "full stack" integrated solutions that include components, machinery, software and intelligence in a single solution for customers.

Capital Injection, the total paid-up share capital of ISDN Nanjing will be RMB7,000,000 (equivalent to approximately S\$1,354,000).

On 8 November 2023, the Company indirect wholly-owned subsidiary, SDHK (Shenzhen) Technology Co., Ltd. ("**SDHK Shenzhen**"), a company incorporated under the laws of China, has been placed under members' voluntary liquidation under the laws of China, and the voluntary liquidation has been completed on 6 November 2023 (the "**Liquidation**"). The voluntary liquidation of SDHK Shenzhen comports with the Group's overall approach to increasing the simplicity and focus of its corporate structure over time. The voluntary liquidation 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 current financial year ended 31 December 2023.

On 8 December 2023, the Company's direct wholly-owned subsidiary, ISDN Investments incorporated a wholly-owned subsidiary in China known as ISDN

MANAGEMENT DISCUSSION AND ANALYSIS

(Jiangxi) Technologies Co., Ltd (“ISDN Jiangxi”) with a registered capital of USD20,000,000 (equivalent to S\$26,872,000). ISDN Jiangxi is principally engaged in the technology development, provide consultancy and technology service, seal and hardware products manufacturing.

On 26 December 2023, the Company’s direct wholly-owned subsidiary, MCG incorporated a wholly-owned subsidiary in Malaysia known as Servo Technologies Sdn. Bhd. (“**Servo Technologies**”), with an issued and paid-up share capital of MYR1 for 1 ordinary shares. Servo Technologies is principally engaged in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions.

On 27 December 2023, the Company capitalised a loan sum of S\$35,507,000 being part of the existing loan owed by its wholly-owned subsidiary, ISDN Investments to the Company, to be applied towards the Company’s additional capital injection in ISDN Investments (the “**Capitalisation of Loan**”). Following the completion of the Capitalisation of Loan, the issued and paid-up share capital of ISDN Investments increased from S\$13,757,000 to S\$49,264,000, representing 100% of the total issued and paid-up capital of ISDN Investments.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2023, the Group’s working capital was financed by both internal resources and bank borrowings. As at 31 December 2023, cash and bank

balances amounted to approximately S\$60.0 million increased by approximately 6.2% as compared from S\$56.6 million as at 31 December 2022. The quick ratio of the Group was approximately 1.7 times (31 December 2022: 1.1 times).

As at 31 December 2023, the Group has long and short-term bank borrowings of approximately S\$75.7 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$19.7 million (31 December 2022: S\$23.8 million) while the bank borrowings due after one year amounted to approximately S\$56.0 million (31 December 2022: S\$10.1 million).

As at 31 December 2023, the weighted average effective interest rates on bank borrowings is 5.2% (31 December 2022: 4.5%) 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. In addition, the Group obtained a loan from financial institution of S\$0.4 million with fixed interest rate of 4.25% per annum in FY2023 (31 December 2022: nil). Other than the above, the Group does not have fixed rate bank borrowings as at 31 December 2023 and 31 December 2022. Together with the obligation under finance leases of approximately S\$0.1 million (31 December 2022: S\$0.2 million), the Group’s total borrowings amounted to S\$75.7 million (31 December 2022: S\$34.1 million).



MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

During FY2023, the gearing ratio of the Group was about 38.2% (31 December 2022: 17.2%) which was calculated on the Group's total borrowings (including total borrowings and finance lease but excluding trade and other payables) to total Shareholders' equity (excluding NCI).

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the FY2023. 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 FY2023, 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 China 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 FY2023, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

During FY2023, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$4,361,000 (2022: S\$2,282,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, there were 1,149 (2022: 1,124) 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.

On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022. 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.

On 13 March 2023, an aggregate of 2,830,000 new Shares were granted and vested under 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.

As of 31 December 2023, there are no outstanding share awards issued under the ISDN PSP 2022.

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 FY2023.

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 FY2023.

Charge on the Group's Assets

As at 31 December 2023, the Group's bank deposits, service concession receivables, net book value of property, plant and equipment and land use rights of approximately S\$0.8 million, S\$73.5 million, S\$18.4 million and S\$1.0 million, respectively (31 December 2022: S\$2.4 million, S\$77.0 million, S\$19.6 million and S\$1.1 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 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per ordinary share for FY2023. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Tuesday, 30 April 2024 (the "AGM") at 9:30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on or about Monday, 26 August 2024 to the Shareholders whose names shall appear on the register of members of the Company on Monday, 8 July 2024.

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 Wednesday, 17 July 2024. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Monday, 26 August 2024.

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, FCPA (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: 5

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 FY2023 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 C1 (formerly known as Appendix 14) to the SEHK Listing Rules. The Group has complied with the HK CG Code for the FY2023.

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.

CORPORATE GOVERNANCE REPORT

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.

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	65	28/12/2004	29/04/2022	Executive Director, Managing Director and President
Kong Deyang	63	26/09/2005	30/04/2021	Executive Director
Toh Hsiang-Wen Keith	49	10/05/2019	28/04/2023	Non-executive Director
Lim Siang Kai	67	26/09/2005	30/04/2021	Independent Non-executive Director and Chairman
Soh Beng Keng	70	26/09/2005	28/04/2023	Independent Non-executive Director
Tan Soon Liang	51	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.

CORPORATE GOVERNANCE REPORT

Following the retirement of Mr. Lim and Mr. Soh, and in accordance with Regulation 91 of the Constitution, the following individuals are proposed to be appointed as Independent Non-executive Directors at the Annual General Meeting (“AGM”):

- (1) Mr. Sho Kian Hin
- (2) Ms. Heng Su-Ling Mae

Proposed Independent Non-executive Director: Mr. Sho Kian Hin

Mr. Sho Kian Hin (“**Mr. Sho**”), aged 54, is proposed to be appointed as an Independent Non-executive Director at the AGM. Subject to the passing of the relevant resolution by the Shareholders at the AGM, Mr. Sho shall become an Independent Non-executive Director with effect from the date of passing of the relevant resolution at the AGM.

Mr. Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation. Mr. Sho started off his professional training with Victor & Company in 1990. From 1995 to 2002, Mr. Sho was with Ernst & Young as an Assurance and Advisory Business Service Manager.

From 2007 to 2013, Mr. Sho was appointed as executive director and chief financial officer of China Farm Equipment Pte. Ltd. (previously known as China Farm Equipment Limited, delisted from SGX-ST since 22 February 2013) (“**China Farm Equipment**”), a company principally engaged in designs, develops and produces farm equipment and diesel engines. He was responsible for, amongst other things, the planning and management of China Farm Equipment’s financial and taxation matters. He acted as the key liaison person with the SGX-ST, supervised compliance with corporate governance, and handled investor relations, regional roadshows as well as funding options for China Farm Equipment. Mr. Sho remains as a director of China Farm Equipment since February 2013. After China Farm Equipment was privatised in 2013, Mr. Sho was appointed as a corporate development director in Hunan Longzhou Farm Equipment Holdings Co., Ltd, a subsidiary of China Farm Equipment. He involved in the corporate exercise to list its assets in China until 2017.

Mr. Sho serves 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 November 2018. He is also serving as an independent director in Catalist-listed Quantum Healthcare Ltd (V8Y), a healthcare company that strategically leverages resources and experiences in dental services, medical equipment, and wellness to research and development since September 2015. Mr. Sho also serves as an independent non-executive director in Catalist-listed OUE Healthcare Limited (5WA) (previously known as OUE Lippo Healthcare Limited), a Pan-Asian healthcare group that owns, operates and invests in quality healthcare assets and operations in high-growth Asian markets, since January 2017. Mr. Sho serves as a director in Hartanah Kencana Sdn Bhd., an investment holding company in Malaysia since August 2013.

CORPORATE GOVERNANCE REPORT

Mr. Sho served as an independent director in Catalist-listed Sim Leisure Group Ltd, a well-established designer, developer and operator of theme park from June 2022 to April 2023, and as an independent director in Versalink Holdings Ltd., a Malaysia's leading office furniture manufacturer and exporter from September 2021 to July 2023.

Mr. Sho is a Fellow Membership of the Association of Certified Chartered Accountants (FCCA).

As at the date of this annual report, Mr. Sho did not have an interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Sho does not (i) hold any directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) have any other major appointments or professional qualifications; (iii) hold any position in the Company or any of its subsidiaries; and (iv) does not have any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

As far as the Directors are aware, save as disclosed above, there is no other information relating to Mr. Sho which is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, nor are there any other matters concerning Mr. Sho that need to be brought to the attention of Shareholders.

Proposed Independent Non-executive Director: Ms. Heng Su-Ling Mae

Ms. Heng Su-Ling Mae ("**Ms. Heng**"), aged 53, is proposed to be appointed as an Independent Non-executive Director at the AGM. Subject to the passing of the relevant resolution by the Shareholders at the AGM, Ms. Heng shall become an Independent Non-executive Director with effect from the date of passing of the relevant resolution at the AGM.

Ms. Heng has over 16 years of experience working at Ernst & Young Singapore. She serves as an independent non-executive director of Rex International Holding Limited (5WH) since May 2022, a multinational oil exploration and production company which is listed on the Mainboard of the SGX-ST. She is also serving as an independent non-executive director of Grand Venture Technology Limited (JLB) since January 2019, a manufacturing solutions and service provider for the semiconductor, analytical life sciences, electronics, aerospace, medical and other industries, which is listed on the Mainboard of the SGX-ST.

Ms. Heng serves as an independent non-executive director of Chuan Hup Holdings Limited (C33) since April 2018, an investment company with a diversified portfolio of strategic investments listed on the Mainboard of the SGX-ST. She also serves as a lead independent non-executive director of HRnetGroup Limited (CHZ) since May 2017, a recruitment and consulting company based in Singapore which is listed on the Mainboard of the SGX-ST. Ms. Heng serves as an independent non-executive director of Ossia International Limited (O08) since April 2010, a regional distributor and retailer of lifestyle, outdoors, and accessories products company listed on the Mainboard of the SGX-ST. She also holds directorships in Drew & Lee group of family-owned investment holding companies.

CORPORATE GOVERNANCE REPORT

Ms. Heng was a lead independent non-executive director in Catalist-listed Asiatravel.com Holdings Ltd since April 2012 to February 2018, an independent non-executive director in Pacific Star Development Limited since August 2017 to June 2019 as well as an independent non-executive director of Apex Healthcare Berhad (a company listed on Bursa Malaysia) since November 2008 to May 2023. She also served as an independent non-executive director at Novo Tellus Alpha Acquisition (NTA) since January 2022 to February 2024, a SGX-listed acquisition company (delisted from SGX-ST since 22 February 2024).

Ms. Heng holds a Bachelor of Accountancy from the Nanyang Technological University of Singapore. She is a fellow member of the Institute of Singapore Chartered Accountants (ISCA) and a member of ASEAN Chartered Professional Accountant (ASEAN CPA).

As at the date of this annual report, Ms. Heng did not have an interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Ms. Heng does not (i) hold any directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) have any other major appointments or professional qualifications; (iii) hold any position in the Company or any of its subsidiaries; and (iv) does not have any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

As far as the Directors are aware, save as disclosed above, there is no other information relating to Ms. Heng which is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, nor are there any other matters concerning Ms. Heng that need to be brought to the attention of Shareholders.

CORPORATE GOVERNANCE REPORT

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 FY2023, the Directors were provided information and updates on the 2018 Code and the Practice Guidance.

The shares of the Company have been dual listed on the SEHK for trading on 12 January 2017, and the Company is required to fully comply with the SEHK Listing Rules. In order to comply with Code Provision 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 FY2023. All the Directors have provided their training records for FY2023 to the Company.

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.

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 FY2023:

Executive Directors

Teo Cher Koon	Reading materials
Kong Deyang	Reading materials

Non-executive Director

Toh Hsiang-Wen Keith	Reading materials
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Independent Non-executive Directors

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

CORPORATE GOVERNANCE REPORT

Board Committees

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

The details of the Board Committees are set out below:

- (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 FY2023 are as follows:

Name of Director	Board Committees									
	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teo Cher Koon	5	5	4	4	2	2	1	1	1	1
Kong Deyang	5	3	4	2	2	2	1	1	1	1
Lim Siang Kai	5	5	4	4	2	2	1	1	1	1
Soh Beng Keng	5	5	4	4	2	2	1	1	1	1
Tan Soon Liang	5	5	4	4	2	2	1	1	1	1
Toh Hsiang-Wen Keith	5	5	4	4	2	2	1	1	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/her 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.

CORPORATE GOVERNANCE REPORT

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 (5) regular Board meetings. Pursuant to code provision C.5.1 of the HK CG Code, the board should meet regularly, and board meetings should be held at least four (4) times a year at approximately quarterly intervals. Board meetings were held to consider and approve, among other things, the annual results and interim results of the Group.

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 his/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.

CORPORATE GOVERNANCE REPORT

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	28/04/2023	-	-	-	-
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	28/04/2023	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.

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

CORPORATE GOVERNANCE REPORT

Rule 210(5)(d)(iv) of the SGX-ST Listing Manual provides that a Director will not be independent if he 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) will take 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.

Pursuant to Transitional Practice Note 4 Transitional Arrangements Regarding the Tenure Limit for Independent Directors, during the transitional period between 11 January 2023 and the date of the issuer's annual general meeting for the financial year ending on or after 31 December 2023, directors who have served for more than nine (9) years can remain as independent directors so long as they meet the requirements in Listing Rules 210(5)(d)(i) and 210(5)(d)(ii). As Mr. Lim Siang Kai and Mr. Soh Beng Keng were appointed as Independent Non-executive Directors on 26 September 2005, they have served as Independent Non-executive Directors for more than 18 years. Accordingly, Mr. Lim Siang Kai and Mr. Soh Beng Keng will no longer considered independent and will be required to step down from the Board or be designated as Non-Independent Directors no later than at the AGM to be held in April 2024. Mr. Lim Siang Kai has indicated that he will not be seeking re-election at the AGM. Mr. Soh Beng Keng has indicated that he will be retiring from his position as an Independent Non-executive Director of the Company at the AGM to be held in April 2024.

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/her 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.

CORPORATE GOVERNANCE REPORT

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.

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/her 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 FY2023. 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 three (3) Independent Non-executive Directors and at least one (1) 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 (2) months, but in any case not later than three (3) 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.

Following the conclusion of the forthcoming AGM, Mr. Lim Siang Kai and Mr. Soh Beng Keng as the Independent Non-executive Directors will step down from the Board. In order to fulfil the requirement of Rule 3.10 and Rule 3.10A of the SEHK Listing Rules and Rule 210(5)(c) of the SGX-ST Listing Manual as mentioned above, two individuals are nominated as the new Independent Non-executive Directors for election at the forthcoming AGM. The information required to be disclosed under the SEHK Listing Rules and SGX-ST Listing Manual will be set out on the AGM Circular which will be published later.

CORPORATE GOVERNANCE REPORT

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.

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 FY2023. Details of employees' diversity is disclosed in the section headed B.1 Employment of the 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 at the forthcoming AGM.

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 FY2023. 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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2023, the NC held two (2) meetings 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; (iii) recommended to the Board for consideration the re-appointment of the retiring Director at the forthcoming AGM; and (iv) evaluated the qualifications and work experience of the new proposed Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

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.

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/she 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. Kong Deyang and Mr. Lim Siang Kai (collectively, the "**Retiring Directors**") shall retire at the forthcoming AGM. Mr. Kong Deyang will be seeking re-election while Mr. Lim Siang Kai will not. Mr. Soh Beng Keng will be retiring at the forthcoming AGM.

The NC recommended that Mr. Sho Kian Hin and Ms. Heng Su-Ling Mae be nominated for election at the forthcoming AGM to replace the retirement of Mr. Soh Beng Keng and Mr. Lim Siang Kai. In reviewing the nomination of Mr. Sho Kian Hin and Ms. Heng Su-Ling Mae, the NC evaluated their professional experience and credentials.

CORPORATE GOVERNANCE REPORT

The NC recommended that Mr. Kong Deyang be nominated for re-election at the forthcoming AGM. In reviewing the nomination of Mr. Kong Deyang, the NC evaluated his performance and contributions during FY2023, having considered his 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 Mr. Kong Deyang, being eligible, offers himself for re-election at the forthcoming AGM. For good corporate governance, Mr. Kong Deyang has abstained from voting at the relevant Board meeting on the respective resolutions in relation to his re-election as Director.

Please refer to pages 63 to 79 of this annual report for the detailed information as required under Appendix 7.4.1 of the SGX-ST Listing Manual on Mr. Kong Deyang who will be standing for re-election at the AGM and Mr. Sho Kian Hin and Ms. Heng Su-Ling Mae who will be appointed at the AGM.

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 FY2023 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 FY2023.

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/her performance as a Director of the Company, and not the number of board representations he/she 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.

CORPORATE GOVERNANCE REPORT

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/her duties as a Director of the Company based on internal guidelines. The NC takes into account the results of the assessment of the effectiveness of each individual Director and the respective Directors' actual conduct on the Board in making the determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties, notwithstanding their multiple board representations in other listed companies.

Company Secretaries

The joint company secretaries of the Company (the "**Joint Company Secretaries**") are Ms. Gn Jong Yuh Gwendolyn ("**Ms. Gn**") and Ms. Tung Wing Yee Winnie ("**Ms. Tung**") during FY2023. 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 Fellow Certified Practising Accountant of the CPA Australia, was appointed as one of the Joint Company Secretaries with effect from 28 February 2020.

For FY2023, 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 for keeping the 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.

CORPORATE GOVERNANCE REPORT

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 FY2023. No external facilitator was used in the evaluation process.

CORPORATE GOVERNANCE REPORT

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/her associates is involved in deciding his/her 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;
- (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.

CORPORATE GOVERNANCE REPORT

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 FY2023 is set out below:

	2023	2022
	Number of Individual	
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	3	2
S\$500,001 to S\$600,000	-	1
	5	5

Details of the remuneration of each Director and the five (5) individuals with the highest emoluments in the Group for FY2023 are set out in Note 9 of the 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 FY2023, the RC held one (1) meeting 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 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/her associates was involved in deciding his/her own remuneration.

In setting the remuneration packages, the RC considers the remuneration and employment conditions within the industry. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. The expenses arising from external professional advice (if any) shall be borne by the Company. No remuneration consultants were engaged by the Company during FY2023.

CORPORATE GOVERNANCE REPORT

Principle 7: Level and Mix of Remuneration

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

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

The Non-executive Director and Independent Non-executive Directors receive Directors' fees, in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. The Directors' fees for FY2023 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 five (5) key management personnel (who are not Directors or the Managing Director and the President).

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

CORPORATE GOVERNANCE REPORT

The Directors and senior management met their respective performance conditions for FY2023 relating to their remuneration packages.

Details of the level and mix of the remuneration and fees paid to the Directors for FY2023 are set out below:

	Basic Salary	Director Fees	Bonus	Other Benefits	Retirement benefit scheme contribution	Fair value share of options granted	Total
	%	%	%	%	%	%	%
Executive Directors							
S\$2,500,000 to S\$3,000,000							
Teo Cher Koon	47	-	50	2	1	-	100
S\$650,001 to S\$700,000							
Kong Deyang	9	-	84	7	-	-	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) FY2023 Director's fee was paid to New Earth Group 2 Ltd.

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

CORPORATE GOVERNANCE REPORT

For FY2023, 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 FY2023 is disclosed below:

	Salary	Bonus	Director Fees ⁽¹⁾	Other Benefits	Total
	%	%	%	%	%
<u>S\$350,001 to S\$400,000</u>					
Lau Choon Guan ⁽¹⁾	88	4	6	2	100
<u>S\$300,001 - S\$350,000</u>					
Ho Ting Wai Christine	73	27	-	-	100
Cheng Hock Kiang ^{(1) (2)}	50	3	44	3	100
<u>S\$200,001 - S\$250,000</u>					
Tay Geok Kee	90	7	-	3	100
<u>S\$150,001 - S\$200,000</u>					
Wong Kwok Whye Peter	94	-	-	6	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.
- (2) Mr. Cheng Hock Liang resigned as the Vice President – Sales (industrial computing, hardware) on 14 December 2023.

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\$1,401,000 in FY2023. 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 China, 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.

CORPORATE GOVERNANCE REPORT

Details of the remuneration of the Directors and the five (5) highest paid employees as required to be disclosed pursuant to rule 25 as set out in Appendix D2 (formerly known as Appendix 16) to the SEHK Listing Rules are set out in Note 9 of the 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 FY2023.

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 FY2023:

	Salary	Bonus	Director Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin ⁽¹⁾	80	15	-	5	100

Note:

- (1) Ms. Thang Yee Chin is a Director of twenty-eight (28) 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\$400,001 to S\$450,000 for FY2023.

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 FY2023.

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 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 at the market price of S\$0.49 (equivalent to HK\$2.85, based on the exchange rate of S\$0.1721: HK\$1 as at 10 March 2023) to 67 selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). 100% of the awards were vested on the date of grant. The awards were granted without any performance or vesting conditions attached, but the shares granted are subject to a selling moratorium of six months from 13 March 2023.

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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that 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;
- (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.

CORPORATE GOVERNANCE REPORT

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 of 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.

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.

CORPORATE GOVERNANCE REPORT

During FY2023, 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 2023.

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;
- (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;

CORPORATE GOVERNANCE REPORT

- (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 FY2023 till the date of this annual report, there were no reports received through the whistleblowing mechanism.

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 FY2023 is disclosed under Note 8 of the financial statements. There were no non-audit fees paid or payable to the Company's auditors during FY2023. The AC has reviewed the audit services rendered by the external auditors for FY2023 as well as the fees paid, and is satisfied that the independence of the external auditors has not been impaired.

CORPORATE GOVERNANCE REPORT

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.

In reviewing the nomination of Moore Stephens for re-appointment for the financial year ending 31 December 2024, the AC has considered the adequacy of the resources, experience and competence of Moore Stephens, and has taken into account the Accounting and Corporate Regulatory Authority's (ACRA) Audit Quality Indicators Disclosure Framework relating to Moore Stephens at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and its ability to deliver their services professionally and within agreed timelines.

On the basis of the above, the AC is satisfied with the standard and quality of work performed by Moore Stephens. It has recommended to the Board the nomination of Moore Stephens for re-appointment as external auditors of the Company, subject to the shareholders' approval at the forthcoming AGM.

During FY2023, 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 FY2023, 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 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 FY2023 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 FY2023, 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 2024.

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 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.

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The Directors' attendance at the general meetings of the Company held in FY2023 are set out in the table below:

Name of Director	AGM		EGM	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Teo Cher Koon	1	1	1	1
Kong Deyang	1	-	1	-
Toh Hsiang-Wen Keith	1	1	1	1
Lim Siang Kai	1	1	1	1
Soh Beng Keng	1	1	1	1
Tan Soon Liang	1	1	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 FY2023, the Company has declared a first and final tax-exempt (one-tier) dividend of 0.28 Singapore cents (equivalent to approximately 1.63 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. The Board reviewed the investor relations policy and considered the policy has been properly implemented during the FY2023 and such policy remains effective.

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 Company 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 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.

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The detailed investor relation calendar for the 2023 fiscal year is set out in the table below:

Period	Event
1 st Quarter 2023 (January – March 23)	<ul style="list-style-type: none">• 2022 Full Year Financial Results Announcement, and Press Release• Conference calls, meetings with analysts and investors• EGM• Grant of share awards under the ISDN PSP 2022
2 nd Quarter 2023 (April – June 23)	<ul style="list-style-type: none">• AGM• Annual and Environmental, Social and Governance (ESG) Report 2022• Conference calls, meetings with analysts and investors
3 rd Quarter 2023 (July – September 23)	<ul style="list-style-type: none">• 1H2023 Financial Results Announcement and Press Release• Conference calls, meetings with analysts and investors• Payment of 2022 Final Dividend by cash and scrip dividend
4 th Quarter 2023 (October – December 23)	<ul style="list-style-type: none">• Use of proceeds

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 FY2023 or, if not then subsisting, entered into since the end of the previous financial year except for related party transactions and Director's remuneration as disclosed in the financial statements.

Interested Person Transactions ("IPTs")

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

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 FY2023, 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 FY2023.

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

The disclosure of related party transactions in Note 33 of the financial statements is in accordance with the requirements set out in Singapore Financial Reporting Standards (International) which is varying with the requirements of Chapter 9 of the SGX-ST Listing Manual and Chapter 14A of the SEHK Listing Rules.

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 C3 (formerly known as 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 FY2023.

The Company, 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 also refrained from dealing in the Company's securities on short-term considerations.

The Company, 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.

CORPORATE GOVERNANCE REPORT

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**”).

As disclosed in the announcement of the Company dated 7 July 2023 in relation to the change of use of proceeds from placement of shares, the Company intends to re-allocate the unutilised net proceeds from the Placement, which was originally allocated for working capital requirements of the mining-related business of the Group, in particular for coal trading to funding for construction and working capital requirement of the renewal energy business of the Group. As there is a change in the business plan of the Company from mining to renewal energy business, the Company intends to re-allocate the amount of unutilised proceeds of S\$6,100,000 to renewal energy business.

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 S\$'000	Amount utilised as at the date of re-allocation 7 July 2023 S\$'000	Amount unutilised prior to re-allocation S\$'000	Amount re-allocated S\$'000	Amount utilised from 08/05/2013 to 31/12/2023 S\$'000	Amount utilised during FY2023 S\$'000	Amount unutilised as at 31/12/2023 S\$'000	Expected timeline of full utilisation of unutilised proceeds
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	615	-	1,815	615	-	N/A
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	6,100	(6,100)	500	-	-	N/A
Funding for construction and working capital requirement of the renewal energy business	-	-	-	6,100	1,074	1,074	5,026	December 2026
Exploration of power plant opportunities	2,000	2,000	-	-	2,000	-	-	N/A
Total	10,415	3,700	6,715	-	5,389	1,689	5,026	

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.

CORPORATE GOVERNANCE REPORT

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	Amount utilised during	Amount unutilised as at	Expected timeline of full utilisation of unutilised proceeds
		27/02/2019 to 31/12/2023	FY2023	31/12/2023	
	S\$’000	S\$’000	S\$’000	S\$’000	
Business development	4,770	3,032	2,743 ⁽¹⁾	1,738	December 2026
General working capital	530	530	-	-	N/A
Total	5,300	3,562	2,743	1,738	

Note:

- ⁽¹⁾ Capital injection in the following subsidiaries for business expansion purposes.
- USD1,000,000 (equivalent to S\$1,352,000) in Suzhou D Snap Technologies Co., Ltd.;
 - RMB4,550,000 (equivalent to S\$856,000) in ISDN-NJ Software Business Co., Ltd.;
 - USD300,000 (equivalent to S\$408,000) in ISDN (Zhejiang) Precision Technology Co., Ltd.; and
 - S\$127,000 in IRSS Pte. Ltd..

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:

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

CORPORATE GOVERNANCE REPORT

Inside Information

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

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

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

Changes in the Company’s Constitutional Documents

An extraordinary general meeting was held on 31 January 2023, a special resolution was passed regarding the proposed amendments to the Constitution. The proposed amendments to the Constitution are set out in the circular of the Company dated 22 December 2022.

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

CORPORATE GOVERNANCE REPORT

Additional Information on Director Seeking Re-election

Details	Kong Deyang
Date of Appointment	26/09/2005
Date of last re-appointment (if applicable)	30/04/2021
Age	63
Country of principal residence	China
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. Kong Deyang, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Executive Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Executive Director. Mr. Kong Deyang is in charge of all aspects of our business operations in China, from charting and developing growth policies for our China businesses to managing the day-to-day operations of our subsidiaries in China
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director
Professional qualifications	Degree in Optical Engineering from Beijing Technical University
Working experience and occupation(s) during the past 10 years	<p>ISDN Holdings Limited Executive Director (September 2005 – Present)</p> <p>Beijing Junyizhicheng Technology Developing Co., Ltd Director (May 2002 – Present)</p> <p>BOZHON Precision Industry Technology Co., Ltd Director (December 2023 – Present)</p> <p>Excel Best Industries (Suzhou) Co., Ltd Director (June 2007 – Present)</p> <p>Gateway Motion (Shanghai) Co., Ltd Director (March 2008 – Present)</p> <p>JAPV Mechanical Technology (Wujiang) Co, Ltd Director (July 2008 – Present)</p>

CORPORATE GOVERNANCE REPORT

Details	Kong Deyang
	<p>Maxon Motor International Trading (Shanghai) Co., Ltd Director (October 2004 – Present)</p> <p>Maxon Motor (Suzhou) Co., Ltd Director (August 2001 – Present)</p> <p>Shanghai DBASIX M&E Equipment Co., Ltd Director (January 2008 – Present)</p> <p>Shenzhen Servo Dynamics Co., Ltd Director (May 2002 – Present)</p> <p>Suzhou PDC Co., Ltd Director (July 2007 – Present)</p> <p>Su Zhou Servo Dynamics Co. Ltd Director (August 2002 – Present)</p> <p>Weiyi M&E Equipment (Shanghai) Co., Ltd Director (June 2007 to Present)</p>
Shareholding interest in the listed issuer and its subsidiaries	Mr Kong Deyang holds 2,050,000 ordinary shares in the capital of ISDN Holdings Limited
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
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Details	Kong Deyang
Other Principal Commitments Including Directorships	<p><u>Past (for the last 5 years)</u></p> <p>Nil</p> <p><u>Present</u></p> <p>ISDN Holdings Limited Executive Director (September 2005 – Present)</p> <p>Beijing Junyizhicheng Technology Developing Co., Ltd Director (May 2002 – Present)</p> <p>BOZHON Precision Industry Technology Co., Ltd Director (December 2023 – Present)</p> <p>Excel Best Industries (Suzhou) Co., Ltd Director (June 2007 – Present)</p> <p>Gateway Motion (Shanghai) Co., Ltd Director (March 2008 – Present)</p> <p>JAPV Mechanical Technology (Wujiang) Co, Ltd Director (July 2008 – Present)</p> <p>Maxon Motor International Trading (Shanghai) Co., Ltd Director (October 2004 – Present)</p> <p>Maxon Motor (Suzhou) Co., Ltd Director (August 2001 – Present)</p> <p>Shanghai DBASIX M&E Equipment Co., Ltd Director (January 2008 – Present)</p> <p>Shenzhen Servo Dynamics Co., Ltd Director (May 2002 – Present)</p>

CORPORATE GOVERNANCE REPORT

Details		Kong Deyang
		<p>Suzhou PDC Co., Ltd Director (July 2007 – Present)</p> <p>Su Zhou Servo Dynamics Co. Ltd Director (August 2002 – Present)</p> <p>Weiyi M&E Equipment (Shanghai) Co., Ltd Director (June 2007 to Present)</p>
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
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

CORPORATE GOVERNANCE REPORT

Details		Kong Deyang
c.	Whether there is any unsatisfied judgment against him?	No
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
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
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

CORPORATE GOVERNANCE REPORT

Details		Kong Deyang
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
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
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
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
	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
	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

CORPORATE GOVERNANCE REPORT

Details		Kong Deyang
	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
	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?	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?		Not applicable. This is in relation to a re-appointment of Director.
If yes, please provide details of prior experience.		Not applicable
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

CORPORATE GOVERNANCE REPORT

Additional Information on Appointment of Independent Non-Executive Directors

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
Date of appointment	30/04/2024	30/04/2024
Date of last re-appointment (if applicable)	Not applicable	Not applicable
Age	54	53
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of the Company, having reviewed and considered the Nominating Committee's assessment of Mr. Sho Kian Hin's qualifications and work experience, is of the view that Mr Sho Kian Hin possesses the requisite experience and capabilities to assume the responsibilities as an Independent Non-executive Director of the Company.</p> <p>Mr. Sho Kian Hin is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.</p>	<p>The Board of the Company, having reviewed and considered the Nominating Committee's assessment of Ms Heng Su-Ling Mae's qualifications and work experience, is of the view that Ms Heng Su-Ling Mae possesses the requisite experience and capabilities to assume the responsibilities as an Independent Non-executive Director of the Company.</p> <p>Ms Heng Su-Ling Mae is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.</p>
Whether appointment is executive, and if so, the area of responsibility	Appointment: Independent Non-Executive Director	Appointment: Independent Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-executive Director, member of the Audit Committee, Risk Management Committee, and Chairman of the Nominating Committee and Remuneration Committee.	Independent Non-executive Director, member of the Nominating Committee, Remuneration Committee, and Chairman of the Audit Committee and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
Professional qualifications	Fellowship of the Association of Certified Chartered Accountants (FCCA)	Bachelor of Accountancy from the Nanyang Technological University of Singapore Fellow Chartered Accountant of Singapore Member of ASEAN Chartered Professional Accountant (ASEAN CPA)
Working experience and occupation(s) during the past 10 years	<p>Hartanah Kencana Sdn. Bhd. Director (August 2013 - Present)</p> <p>Choo Chiang Holdings Limited Independent Director (November 2018 - Present)</p> <p>Quantum Healthcare Ltd Independent Director (September 2015 - Present)</p> <p>OUE Healthcare Ltd (previously known as OUE Lippo Healthcare Limited) Independent Non-executive Director (January 2017 - Present)</p> <p>China Farm Equipment Pte. Ltd. (previously known as China Farm Equipment Limited, delisted from SGX-ST since 22 February 2013) Executive Director and Chief Financial Officer (October 2007 - February 2013) Director (October 2007 - Present)</p> <p>Sim Leisure Group Ltd Independent Director (June 2022 - April 2023)</p>	<p>Rex International Investments Pte. Ltd. Non-executive Director (December 2023 - Present)</p> <p>Rex International Holding Limited Independent Non-executive Director (May 2022 - Present)</p> <p>Grand Venture Technology Limited Independent Non-executive Director (January 2019 - Present)</p> <p>Chuan Hup Holdings Limited Independent Non-executive Director (April 2018 - Present)</p> <p>HRnetGroup Limited Lead Independent Non-executive Director (May 2017 - Present)</p> <p>Ossia International Limited Independent Non-executive Director (April 2010 - Present)</p>

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
	<p>Versalink Holdings Ltd Independent Director (September 2021 – July 2023)</p> <p>Hunan Longzhou Farm Equipment Holdings Co., Ltd Corporate Development Director (February 2013 – December 2017)</p> <p>Ernst & Young Assurance and Advisory Business Service Manager (March 1995 – September 2002)</p> <p>Victor & Company Audit Senior (June 1990 – December 1994)</p>	<p>Drew & Lee Investment (Private) Limited Non-executive Director (November 2008 – Present)</p> <p>Drew & Lee Holding (Private) Limited Non-executive Director (November 2008 – Present)</p> <p>Drew & Lee Land Pte. Ltd. Non-executive Director (November 2008 – Present)</p> <p>Novo Tellus Alpha Acquisition (delisted from SGX-ST since 22 February 2024) Independent Non-executive Director (January 2022 – Present)</p> <p>Apex Healthcare Berhad Independent Non-executive Director (November 2008 - May 2023)</p> <p>Pacific Star Development Limited Independent Non-executive Director (August 2017 - June 2019)</p> <p>Asiatravel.com Holdings Ltd Lead Independent Non-executive Director (April 2012 – February 2018)</p> <p>Ernst & Young Singapore Senior Manager (June 1992 – November 2008)</p>
Shareholding interest in the listed issuer and its subsidiaries	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
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	No	No
Other Principal Commitments Including Directorships	<p>Past (for the last 5 years)</p> <p>Sim Leisure Group Ltd Independent Director (June 2022 – April 2023)</p> <p>Versalink Holdings Ltd Independent Director (September 2021 – July 2023)</p> <p>Ernst & Young Assurance and Advisory Business Service Manager (March 1995 – September 2002)</p> <p>Victor & Company Audit Senior (June 1990 – December 1994)</p>	<p>Past (for the last 5 years)</p> <p>Novo Tellus Alpha Acquisition (delisted from SGX-ST since 22 February 2024) Independent Non-executive Director (January 2022 – February 2024)</p> <p>Apex Healthcare Berhad Independent Non-executive Director (November 2008 - May 2023)</p> <p>Pacific Star Development Limited Independent Non-executive Director (August 2017 - June 2019)</p> <p>Asiatravel.com Holdings Ltd Lead Independent Non-executive Director (April 2012 – February 2018)</p> <p>Ernst & Young Singapore Senior Manager (June 1992 – November 2008)</p>

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
	<p>Present</p> <p>Hartanah Kencana Sdn. Bhd. Director (August 2013 – Present)</p> <p>Choo Chiang Holdings Limited Independent Director (November 2018 – Present)</p> <p>Quantum Healthcare Ltd Independent Director (September 2015 – Present)</p> <p>OUE Healthcare Ltd (previously known as OUE Lippo Healthcare Limited) Independent Non-executive Director (January 2017 – Present)</p> <p>China Farm Equipment Pte. Ltd. (previously known as China Farm Equipment Limited, delisted from SGX-ST since 22 February 2013) Executive Director and Chief Financial Officer (October 2007 – February 2013) Director (October 2007 – Present)</p>	<p>Present</p> <p>Rex International Investments Pte. Ltd. Non-executive Director (December 2023 – Present)</p> <p>Rex International Holding Limited Independent Non-executive Director (May 2022 – Present)</p> <p>Grand Venture Technology Limited Independent Non-executive Director (January 2019 – Present)</p> <p>Chuan Hup Holdings Limited Independent Non-executive Director (April 2018 – Present)</p> <p>HRnetGroup Limited Lead Independent Non-executive Director (May 2017 – Present)</p> <p>Ossia International Limited Independent Non-executive Director (April 2010 – Present)</p> <p>Drew & Lee Investment (Private) Limited Non-executive Director (November 2008 – Present)</p> <p>Drew & Lee Holding (Private) Limited Non-executive Director (November 2008 – Present)</p> <p>Drew & Lee Land Pte. Ltd. Non-executive Director (November 2008 – Present)</p>

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Sho Kian Hin	Heng Su-Ling Mae
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
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

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Sho Kian Hin	Heng Su-Ling Mae
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
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

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Sho Kian Hin	Heng Su-Ling Mae
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
	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?		

CORPORATE GOVERNANCE REPORT

Details		Name of Director	
		Sho Kian Hin	Heng Su-Ling Mae
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
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.		<p>Choo Chiang Holdings Limited Independent Director (November 2018 – Present)</p> <p>Quantum Healthcare Ltd Independent Director (September 2015 – Present)</p> <p>OUE Healthcare Ltd Independent Non-executive Director (January 2017 – Present)</p> <p>China Farm Equipment Pte. Ltd. (previously known as China Farm Equipment Limited, delisted from SGX-ST since 22 February 2013) Executive Director and Chief Financial Officer (October 2007 – February 2013) Director (October 2007 – Present)</p> <p>Sim Leisure Group Ltd Independent Director (June 2022 – April 2023)</p>	<p>Rex International Holding Limited Independent Non-executive Director (May 2022 – Present)</p> <p>Grand Venture Technology Limited Independent Non-executive Director (January 2019 – Present)</p> <p>Chuan Hup Holdings Limited Independent Non-executive Director (April 2018 – Present)</p> <p>HRnetGroup Limited Lead Independent Non-executive Director (May 2017 – Present)</p> <p>Ossia International Limited Independent Non-executive Director (April 2010 – Present)</p>

CORPORATE GOVERNANCE REPORT

Details	Name of Director	
	Sho Kian Hin	Heng Su-Ling Mae
	<p>Versalink Holdings Ltd Independent Director (September 2021 – July 2023)</p>	<p>Novo Tellus Alpha Acquisition (delisted from SGX-ST since 22 February 2024) Independent Non-executive Director (January 2022 – February 2024)</p> <p>Apex Healthcare Berhad Independent Non-executive Director (November 2008 - May 2023)</p> <p>Pacific Star Development Limited Independent Non-executive Director (August 2017 - June 2019)</p> <p>Asiatravel.com Holdings Ltd Lead Independent Non-executive Director (April 2012 – February 2018)</p>
<p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>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).</p>	Not applicable.	Not applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

In today's rapidly evolving industrial landscape, digitalisation has emerged as a prominent trend that is shaping the future of manufacturing companies, thus accelerating the transition towards a sustainable future. The Group recognises the significance of embracing digital transformation to stay at the forefront of technological advancements, as it opens up new avenues for innovation and growth. The Group will pursue with the global trend thus create enormous benefits simultaneously in this new era.

The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change ("COP28") once again reminded the world on the significance of embracing sustainability and addressing the pressing challenges of climate change. The Group is committed to playing a pivotal role in driving the transition towards a more sustainable future, as it believes that harnessing the power of technology and automation is crucial in achieving this objective. As a prominent leader in the automation industry, the Group recognises the influential role that enterprises and the business community play in driving meaningful change in the world. Understanding the urgency of climate action, the Group is committed to fulfilling its responsibility and acknowledging the significance of its role in addressing climate challenges.

The Group acknowledges the emergence of Industry 4.0 as a significant opportunity, wherein technology-driven advancements offer improved solutions to address sustainability challenges. Sustainability has always been ingrained in the Group's management philosophy, with a focus on integrating economic, environmental and social considerations into its business development and operations. By embracing digitalisation, sustainability and the fight against climate change as integral components of its business strategy, the Group remains committed to resource efficiency and contributing to sustainable development through continuously optimising its business model and investing in renewable energy development.

As a leading integrated engineering solution provider specialising in industrial automation and innovation, the Group embraces smart manufacturing solutions through automation. It strives to leverage advanced technological innovations and analytical techniques, propelling itself into a digitally enabled future. The Group is dedicated to advancing its automation and artificial intelligence technologies, seeking optimal solutions to address global climate-related issues that affect everyone, as the impacts continue to grow. Leveraging its expertise in technological innovations, the Group upholds its core value and vision, establishing itself as a responsible enterprise committed to 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 FY2023 to demonstrate its approach and performance in terms of ESG management and corporate sustainable development.

This report was prepared in compliance with the requirements under Appendix C2 - 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. To align with the international reporting framework in disclosing the Group's sustainability performance, the report was also prepared with reference to the Global Reporting Initiatives ("**GRI**") Standards and Task Force on Climate-related Financial Disclosures ("**TCFD**"). Some of the information suggested in GRI 2: General Disclosures can be found either in the Group's Annual Report 2023 or its ESG Report. A complete content index with GRI linkage tables is provided at the end of the ESG report for readers' convenience to check its integrity.

Reporting Scope

The Group adopts the 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, China, Malaysia, Vietnam, Taiwan, Indonesia, Philippines, Thailand and Cambodia, and (ii) manufacturing operation, which comprises manufacturing plants and warehouses in Wujiang, Suzhou, China.

The reporting period of this ESG Report is FY2023, from 1 January 2023 to 31 December 2023, unless specifically stated otherwise. Please refer to the Group's Annual Report 2023 for the Corporate Governance Report.

Reporting Principles

The ESG Report has been prepared in accordance with the Reporting Principles outlined in the ESG Reporting Guide issued by the SEHK, namely Materiality, Quantitative, Balance and Consistency. The following description highlights how these principles have been applied throughout the ESG Report.

Materiality:

The Group understands the importance of evaluating and prioritising its ESG impacts on a regular basis, thus the Group conducts an annual materiality assessment for collecting feedback from various stakeholders on their concerns and expectations regarding the Group's sustainable development. For more information, please refer to the sections **Stakeholder Engagement** and **Materiality Assessment**.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. ABOUT THIS REPORT (cont'd)

Quantitative:

The ESG Report includes quantitative data and Key Performance Indicators (“KPI”) as a numeric presentation of the Group’s environmental and social performance. Footnote of each performance table specifies the corresponding calculation methods, assumptions and conversion factors used.

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 ESG Report follows a consistent reporting methodology and framework, as the Group regards ensuring information being presented in a standardised manner is of paramount importance to its stakeholders. To allow meaningful comparisons, the reporting techniques, including the calculation of Greenhouse Gas (“GHG”) emissions, are aligned with the Group’s previous ESG Reports. 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.

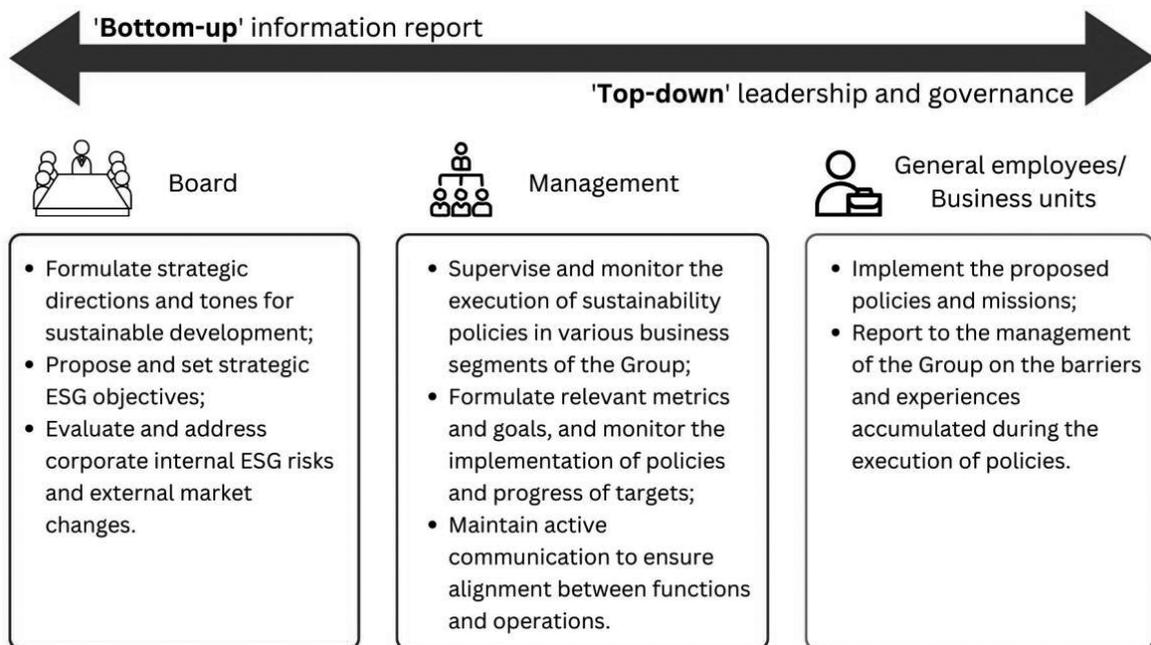
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. SUSTAINABILITY GOVERNANCE

The Group consistently updates and upholds a robust corporate governance system, adhering to widely accepted corporate governance principles and benchmarking against globally recognised practices. The Board oversees and has the ultimate responsibility towards the Group’s ESG matters. To achieve Board gender diversity, the Group is contemplating to appoint at least one female director on the Board at the forthcoming Annual General Meeting.

In line with the Integrated Approach, the Board has formed a RMC to oversee the Group’s ESG risk management activities, monitor relevant material sustainability risks, and manage issues within each business division that are key to the Group’s capabilities of creating value to all. To ensure that ESG policies can be implemented effectively, a dedicated team of staff members has been assigned responsibilities for enforcing and overseeing such execution on a daily basis, including but not limited to ESG data collection and training arrangement.

Moreover, to facilitate the timely identification and effective resource allocation for addressing underlying risks, the Group has been undertaking a two-way approach in its governance framework. This approach enables the Group to maximise the value of clear communication regarding regulatory requirements across the entire organisation and enhance the awareness of the Group’s sustainability initiatives and efforts among all.



The Group understands that performance measurement and relevant performance initiatives are essential for forming an effective policy and operational response to sustainability risks and opportunities. As such, it has adopted the SGX’s phased approach and regularly evaluates the feasibility, effectiveness and appropriate ways to set objectives that are linked to the Group’s ESG performance.

Although no ESG-related training was provided to the Board in FY2023, the Group will continue to keep Board members updated with the latest requirements and reporting guidelines on sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2023.

Our ESG Management Approach

The definition of sustainability may vary, but our fundamental belief is to enhance people's quality of life through our business activities. We are committed to ensuring that our management and business activities align with the society, emphasizing transparency, fairness and justice.

To articulate our purpose, mission and existence, the Board takes on the responsibility of overseeing the Group's ESG issues. This includes addressing the most critical challenges posed by material ESG-related issues, which are identified and prioritised using the annual materiality assessment. We actively engage in dialogues with a wide range of stakeholders to gather their inputs and incorporate their perspectives into our strategic decision-making.

In order to keep the Board well-informed about the latest ESG developments, including regulatory updates and industry practices, we invite external professionals to provide comprehensive ESG training during general meetings. This training equips the Board members with knowledge of current ESG reporting rules and sustainability trends in Asia, ensuring that "ESG" remains a prominent topic on the Board's Agenda and empowering them to lead the organisation towards a more sustainable future.

Identifying and managing risks at an early stage is a crucial element of our ESG practices. We place great emphasis on the identification and evaluation of existing and potential risks, with a simple and efficient process. Our ESG-related risks management strategies categorise risks based on their nature and relevance. Also, the management is responsible for identifying and reporting the risks to the Board as outlined in the materiality assessment, which highlights the most significant ESG-related issues faced by the Group.

Furthermore, we implemented a significant change in our approach to managing ESG-related data and information in 2022. By transitioning from traditional methods to an online system, we aimed to enhance data quality and improve the effectiveness of ESG management. To facilitate the transition, we enlisted the expertise of a third-party consultant to develop a robust system that enables faster and more flexible ESG data collection and management. We believe that this advancement will enable us to effectively monitor our ESG performance, leading to more informed decision-making when developing future targets and strategies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. MESSAGE FROM THE BOARD (cont'd)

Our ESG Goals

We believe that establishing measurable metrics and targets is essential for driving sustainability improvements. With this in mind, we have defined a set of environmental and social targets, taking into consideration our business nature, current and historical performances, as well as industry benchmarks. To ensure that we stay on course to achieve our ESG goals, both the management and the Board will regularly review and monitor our progress. For detailed information on our ESG goals and their alignment with our business, please refer to the respective sections in this report.

Climate Resilience

Climate change is garnering increasing attention across various sectors, and the COP28 summit has further amplified global interest in accelerating efforts to mitigate climate change and achieve the goals outlined in the Paris Agreement. We remain steadfast in our commitment to effectively identify potential climate-related risks and actively transition into a low-carbon economy. With reference to the recommendations of the TCFD, we have conducted a review of our operations, aiming to identify significant climate-related risks and opportunities that may impact various aspects of the Group's operations, including our 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 & Independent Non-executive Director

15 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT

The Group maintains strong relationships with both internal and external stakeholders, including employees, business partners and clients. These relationships are a cornerstone of effective stakeholder management, enabling the Group to gain a comprehensive understanding of their concerns and expectations. This favours the Group to develop tailored action plans to address stakeholders' needs.

The Group highly values stakeholders' feedback and actively fosters trust and support through multiple platforms as listed in the table below.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders	<ul style="list-style-type: none"> - Return on investments and achievement of targets - Corporate governance and communication - Policy review and performance report - Law and regulation compliance 	<ul style="list-style-type: none"> - Regular reports and announcements - Regular general meetings - Official website
Employees	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Performance reviews - Regular meetings and training - Emails, notice boards, hotline, activities with management
Government and regulatory authorities	<ul style="list-style-type: none"> - Compliance with laws and regulations - Support economic development 	<ul style="list-style-type: none"> - Supervision on compliance with local laws and regulations - Routine reports
Customers	<ul style="list-style-type: none"> - High-quality and reliable products and services - Protect customers' rights - Qualified products in compliance with good environmental indicators 	<ul style="list-style-type: none"> - Customer satisfaction survey - Face-to-face meetings and on-site visits - Customer service hotline and email

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Table 1 Stakeholders Expectations and Communication Channels (cont'd)

Stakeholders	Expectations and Concerns	Communication Channels
Suppliers	<ul style="list-style-type: none"> - Fair and open procurement - Win-win cooperation - Business ethics - Environmental impacts 	<ul style="list-style-type: none"> - Open tendering - Suppliers' satisfactory assessment - Face-to-face meetings and on-site visits - Industry seminars
Professional bodies	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Routine reports - Emails and phone calls
General public	<ul style="list-style-type: none"> - Community involvement - Law and regulation compliance - Environmental protection awareness 	<ul style="list-style-type: none"> - Media conferences and responses to enquiries - Company's website and announcements



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Materiality Assessment

Considering that ESG risks and opportunities are industry-specific and influenced by diverse corporate backgrounds, perspectives and business models, the Group conducts an annual materiality assessment involving internal impact analysis, communications with external stakeholders and the endorsement of the Board that reviews and approves the results that reflected the key issues on which the Group should place great emphasis.

In FY2023, the Group engaged its stakeholders to participate in a materiality assessment survey initiated by a third-party agency to maintain the objectivity of the evaluation. Key internal and external stakeholder representatives, including general and managerial staff of the Group, Board members, suppliers and business partners, 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.

List of Materiality Issues

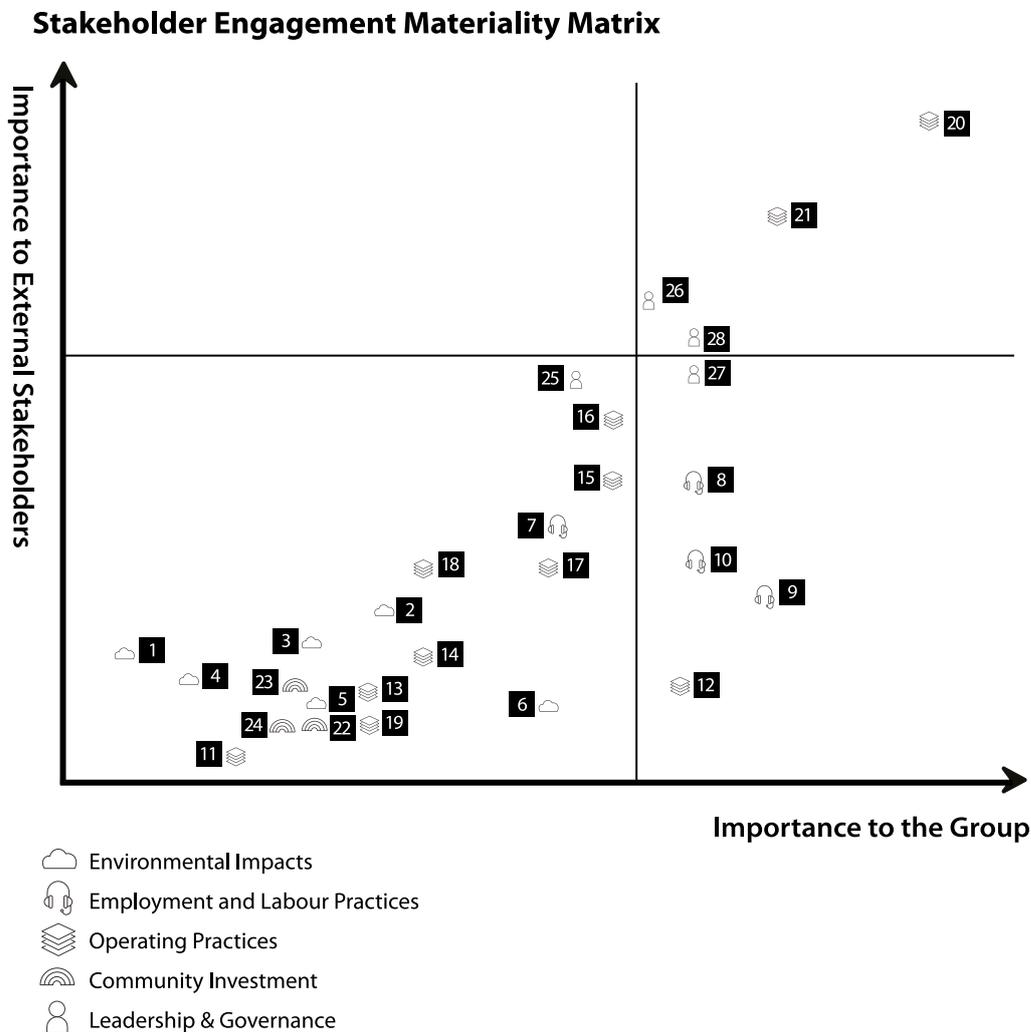
1	GHG Emissions	15	Product/Service Quality and Safety
2	Energy Management	16	Customer Privacy and Data Security
3	Water & Wastewater Management	17	Marketing and Promotion
4	Solid Waste Stewardship	18	Intellectual Property Rights
5	Climate Change Mitigation & Adaptation	19	Labelling Relating to Products/Services
6	Renewable and Clean Energy	20	Business Ethics & 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 & 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 Matrix

In FY2023, the Group further enhanced the methodology of the materiality assessment by applying weightings to the ratings of the ESG issues identified. The weightings were calculated based on the preference and concern of the engaged key stakeholders on the E, S and G pillars. 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 & Anti-corruption, Internal Grievance Mechanism, Systemic Risk Management (e.g. Financial Crisis), and Management of the Legal & 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 the United Nations Sustainable Development Goals

In addition to the list of ESG issues, the Group also gathered its stakeholders' views on the United Nations Sustainable Development Goals ("SDGs") to inform the Group's decision-making process. This approach aims to strengthen the Group's corporate sustainability management while simultaneously raising stakeholders' awareness of its ESG initiatives and global sustainability issues. In response to stakeholders' concerns regarding the SDGs, the Group has developed a list of prioritised SDGs, to which more attention will be paid, and relevant targets have been set for the Group to contribute, thus accomplishing the goals from within the Group. The Group's prioritised SDGs list includes 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). Details of the Group's responses are described below.

Corporate applications of the SDGs

SDG 3: SAFE KEEPING



Policy & Actions

- Providing medical coverage to employees and implementing company programmes aimed at improving health and well-being by facilitating access to healthcare;
- Taking measures to minimise employees' exposure to pollutants, chemicals and harmful substances in the workplace, and limiting emissions that could exacerbate non-communicable diseases and other health concerns.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Corporate applications of the SDGs (cont'd)

SDG 4: NURTURING



Policy & Actions

- Providing internship programmes, funding or grants for projects that align with the Group's business strategy and development directions, with the aim of supporting vocational education and training;
- Implementing cohesive corporate policies that provide management guidance and support for vocational training programmes.

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

- Implementing policies to encourage sustainable water and wastewater management practices in operations;
- Monitoring the progress using well-defined metrics and objectives to assess the effectiveness of policy implementation.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. STAKEHOLDER ENGAGEMENT (cont'd)

Corporate applications of the SDGs (cont'd)

SDG 7: GREEN ENERGY



Policy & Actions

- Actively supporting green energy initiatives through investments in sustainable energy solutions, such as the development of mini-hydropower plants in Indonesia;
- Monitoring and transparently reporting energy consumption data, including the usage 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

SDG 9: TECHNOLOGY AND INNOVATIONS



Policy & Actions

- Facilitating the development of industrial products through cost-saving processes to minimise the negative environmental impacts, while also investing in technological innovations in robotics to enhance the precision and efficiency of routine tasks;
- Promoting public awareness of industrial robotics by introducing robot courses in primary schools and adult learning centres.

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

Stakeholders' Feedback

Striving for excellence, the Group welcomes stakeholders' feedback especially on the material issues identified. Readers are also welcome to share their views with the Group at info@isdnholdings.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY

The Group is dedicated to safeguarding the environment and generating sustainable values as both an obligation to future generations and a fundamental aspect of responsible business practices. In FY2023, the Group strictly abided by relevant environmental laws and regulations in its operating regions, 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 the year under review.

A.1 Emissions

In FY2023, the Group complied with relevant environmental laws concerning 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. To contribute towards the target of achieving carbon neutrality by 2060, the Group has implemented a series of 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. No hazardous waste was recorded. The vehicles for business affairs is the major source of air pollutants emitted by the Group, including sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM"). The Group's GHG emissions profile in FY2023 is similar to that of FY2022, with Scope 2 (Energy Indirect Emissions) dominating 66% of its total GHG emissions. The table below is a summary of the Group's total emissions in FY2023:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Table 2 Total Emissions by the Group in FY2023⁹

Emission Category	KPI	Unit	Amount in FY2023	Intensity ¹ (Unit/S\$ million) in FY2023	Amount in FY2022	Intensity ¹ (Unit/S\$ million) In FY2022)
Air Emissions²	SO _x	kg	6.5	-	3.8	-
	NO _x	kg	425.0	-	313.8	-
	PM	kg	35.0	-	26.7	-
GHG Emissions	Scope 1 ³ (Direct Emissions)	Tonnes of CO ₂ e	1,094.5	3.2	830.4	2.2
	Scope 2 ⁴ (Energy Indirect Emissions)	Tonnes of CO ₂ e	2,511.1	7.3	3,364.5	9.1
	Scope 3 ⁵ (Other Indirect Emissions)	Tonnes of CO ₂ e	185.7	0.5	106.2	0.3
	Total (Scope 1 & 2 & 3) ⁶	Tonnes of CO ₂ e	3,788.8	11.1	4,298.8	11.6
Non-hazardous Waste	Solid Waste ⁷	Tonnes	27.6	0.1	0.8	0.002
	Wastewater ⁸	m ³	22,173.7	64.9	30,389.0	82.0

- Intensity was calculated by dividing the amount of air, GHG and other emissions by revenue of the Group in FY2023 and FY2022, which was S\$341.8 million and S\$370.8 million respectively;
- Air emissions included the air pollutants in the exhaust gas from vehicles for transportation and the stationary combustion of gaseous fuel;
- 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 Liquid Petroleum Gas ("LPG") in the factories;
- The Group's Scope 2 (Energy Indirect Emissions) included only the emissions arose from electricity consumption;
- 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;
- The total amount of GHG emissions included the carbon offset by the 105 trees (2022:97 trees) planted by the Group;
- The solid waste of the Group covered waste from the factories and property buildings where the Group's employees worked and paper consumption occurred;
- 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; and
- 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 FY2022 is provided to display changes and progress made by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Business Operation

The GHG emissions arose from electricity consumption, plus commercial solid waste and sewage serve as the major emissions of the Group's business operations. The Group monitors the condition of its equipment and undertakes retrofitting measures as needed to uphold their efficiency. Additionally, opting to repair instead of replacing equipment not only contributes to the promotion of a circular economy but also minimises unnecessary waste.

To encourage activities that reflect a strong commitment to environmental awareness and yield notable results in resource conservation, the Group has introduced an Eco-Office initiative with the goal of creating a pleasant working environment for its employees, while maintaining optimal energy efficiency in the offices. Some of the measures are highlighted as below:

1. Upgrade

- o Enhancing office equipment and systems by upgrading heating systems, maintaining air-conditioning units and implementing automated lighting controls;
- o Adopting high-efficiency lighting solutions by replacing electricity-intensive fixtures; and
- o Investing in and exploring the potential of utilising renewable energy sources, such as solar energy.

2. Training

- o Promoting energy-saving awareness and encouraging emission reduction through internal seminars, educational courses and engaging activities. Employees and experts can communicate on the techniques and motivation in emission control and the conservation of natural resources; and
- o Organising and fostering participation in green activities (e.g., tree planting).

In adherence to the company-wide waste management guideline, the Group ensures that all waste is properly sorted, classified and handed over to professional parties for disposal. To enhance the management of its commercial solid waste, the Group has implemented several measures. For instance, a centralised garbage bin has been installed in the office to facilitate waste collection. The sorted municipal solid waste is handled by the property management of the building and disposed of at landfills by the government.

As part of its commitment to sustainable waste management, the Group has undertaken additional actions, which are outlined below:

- Maximising solid waste recycling through a systematic classification approach;
- Advocating the reuse of office stationeries; and
- Promoting the concept of a paperless office and reducing the frequency of printing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Business Operation (cont'd)

Meanwhile, the wastewater generated from the Group's offices was directly discharged into the municipal sewage network and handled by the building property management during the year under review. The Group acknowledges that the amount of wastewater highly depends on the amount of freshwater used, therefore it has taken a number of measures to reduce its water consumption, which will be further described in the later sections.

Manufacturing Operation

In FY2023, the major emissions from the Group's manufacturing operation included air and GHG emissions, wastewater, solid waste and noise. To control these emissions efficiently, the Group has established effective policies and adopted a range of advanced methods.

Air and GHG Emissions

In this segment, the primary air emissions consist of volatile organic compounds ("VOCs") generated during the production process, as well as air pollutants emitted from vehicles' exhaust gas. The Group has implemented a system of collection ducts to capture the VOCs. Prior to releasing the VOCs into the atmosphere, they are purified by an external air purification unit incorporated into the ventilation system.

The major sources of GHG emission for this segment are the consumption of electricity and fossil fuels. In order to comply with the Integrated Emission Standard for Air Pollutants (《大氣污染物綜合排放標準》), the Group has developed a series of internal policies to control its air emissions, manage its energy consumption and optimise its operations, so as to minimise the environmental damage caused by air and GHG emissions.

Wastewater

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.1 Emissions (cont'd)

Manufacturing Operation (cont'd)

Solid Waste

Commercial solid waste and food waste were the types of solid waste produced by the Group in FY2023. The Group ensures that commercial waste was well-sorted, recycled and handled by certified municipal departments. As the concept of “lifecycle thinking” gains global prominence, the Group is committed to minimising its environmental footprint by taking a comprehensive approach to the entire product lifecycle. This includes incorporating considerations for design, manufacturing and disposal of end-of-life products. Through developing manufacturing processes and solutions which prioritise resource efficiency, material reuse and the recycling of end-of-life products, the Group aims to create a closed-loop recycling business model as a contribution to its commitment. Meanwhile, hazardous waste (including electronic waste) was treated by qualified professional organisation for recycling.

In addition, the Group is actively engaged in waste recycling. In FY2023, more than 36 tonnes of waste metal have been recycled.

Noise

The primary source of noise generation for this segment is the operational machinery used in manufacturing processes. In compliance with national and local regulations regarding noise emissions, such as the 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 implemented a range of noise-reducing facilities and measures. These initiatives aim to minimise the impact of noise on the surrounding environment, and highlights are as below:

- Placing noisy machinery or facilities in areas where there are no workers present;
- Minimising employees’ exposure to occupational health risks associated with noise by implementing policies that regulate the time employees spend in noisy areas and job rotations; and
- Considering noise as a factor in the procurement and maintenance of machinery in factories, and prioritising equipment with better noise control performance.

In FY2023, 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 FY2023, the major resources consumed by the Group were electricity, gasoline, diesel, 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 FY2023

Use of Resources	KPI	Unit	Amount in FY2023	Intensity ¹ (Unit/S\$ million) in FY2023	Amount in FY2022	Intensity ¹ (Unit/S\$ million) in FY2022
Energy	Electricity	MWh	4,189.9	12.3	5,845.1	15.8
	Gasoline	L (MWh)	393,384.0 (3,812.4)	1,151.0 (11.2)	300,470.8 (2,912.0)	810.3 (7.9)
	Diesel	L (MWh)	42,730.1 (457.4)	125.0 (1.3)	40,608.8 (434.6)	109.5 (1.2)
	LPG ²	kg (MWh)	-	-	4,220.0 (58.7)	11.4 (0.2)
	TOTAL	MWh	8,459.7	24.8	9,250.5	24.9
Water	Water	m ³	22,173.7	64.9	30,388.9	82.0
Paper	Paper	Tonnes	12.9	0.04	7.0	0.02
Raw materials	Plastic	Tonnes	0.2	0.001	0.02	4.0×10 ⁻⁵
	Metal	Tonnes	481.2	1.4	353.2	1.0
Packaging materials	Plastic	Tonnes	14.6	0.04	7.0	0.02
	Paper	Tonnes	66.1	0.2	220.3	0.6
	Wood	Tonnes	105.7	0.3	231.2	0.6

1. Intensity was calculated by dividing the amount of natural resources by revenue of the Group in FY2023 and FY2022, which was S\$341.8 million and S\$370.8 million respectively; and
2. The Group did not record any LPG consumption in FY2023 as its subsidiaries no longer consume LPG during manufacturing with the upgrade in machinery.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Electricity

In FY2023, the Group purchased and consumed electricity for regular operations across administrative and manufacturing functions. Both offices and factories have strictly adhered to the regulations and the Group's policy of electricity conservation. The Group has integrated the slogan of "Saving Electricity" into its business strategy to effectively manage its Scope 2 GHG emissions, and encouraged its employees to adopt various practices that support this objective:

- Turning off all idle lights and air conditioners;
- Placing posters reminding employees to conserve energy by saving electricity and turning off lights when leaving;
- Cleaning equipment regularly to ensure their efficiency;
- Using electrical appliances that are certified with energy-saving labels;
- Replacing energy-intensive lamps with LED lighting fixtures in the offices; and
- Encouraging employees to utilise natural sunlight in the office when possible.

In recent years, the Group has been actively engaged in the exploration and investment of clean and renewable energy projects, demonstrating a steadfast commitment to utilising its business influence to drive sustainability. In FY2023, the Group achieved a significant milestone as its 10MW and 4.6MW mini-hydropower plants, Anggoci and Sisira located in North Sumatra, Indonesia have officially started for commercial operation. The successful completion of these plants reinforces the Group's dedication to maintaining a strong corporate sustainability profile within the clean energy sector and advancing its transition towards a low-carbon development model. Additionally, the Group's subsidiaries have also embraced other renewable energy sources, such as solar power, to support their operations.

Other energy resources

The Group consumed gasoline and diesel during the reporting period. These energy resources are consumed mainly for manufacturing and transportation, thus are the main contributors to the Group's Scope 1 GHG emissions.

The Group recognises the significance of accessing secure and reliable energy sources for ensuring the long-term stability of its business. It is committed to optimising its operations by investing in the redesign and retrofitting of machinery to enhance eco-efficiency. Moreover, the Group has set ambitious targets to reduce its consumption of fossil fuels. With consistent business growth and dedicated research and development efforts in renewable energy, the Group has established and implemented energy policies that provide guidance for effective actions that will yield long-term benefits. Outlined below are examples of measures that have been implemented or are planned to improve energy efficiency in transportation:

- Ensuring vehicles are properly maintained to minimise unnecessary fuel consumption;
- Encouraging employees to share vehicles for business affairs when appropriate;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Other energy resources (cont'd)

- Planning driving routes in advance, considering eco-friendly transportation options whenever possible;
- Educating drivers to have good driving habits; and
- Educating staff to commute by public transport to reduce individual carbon footprints.

Water

Water management has always been treated as the core of the Group's environmental strategy together with its carbon strategy, energy targets and corporate social responsibility. The Group's subsidiaries organise a range of meetings, seminars and training programmes to explore and implement more advanced and effective methods of water conservation in their daily operations. Workers and employees are motivated to make every effort to reuse wastewater whenever possible.

To remind employees to adhere strictly to the principle of water conservation, "Saving Water" posters and banners are placed at prominent spaces in offices and factories. Regular email reminders are also sent to all employees to encourage them to turn off water taps when not in use. In addition, the Group has implemented the following practices to enhance the efficient utilisation of water resources, with a particular focus on improving water conservation facilities:

- Setting quotas and targets for water consumption to encourage staff to save water;
- Adjusting the water supply according to the season and rest time;
- Repairing dripping taps immediately once leakage is found;
- Conducting regular leak test on water taps, joint rings and other components of the water supply system;
- Installing recirculating cooling systems; and
- Encouraging the appropriate reuse of wastewater after undergoing scientific treatment.

During the year under review, the Group did not face any problem in sourcing water that was fit for its purpose. The Group will continue to promote the importance of water conservation among its employees and implementing effective policies in preserving such precious natural resources.

Paper

The Group's commitment to promoting a "Paperless Office" and embracing "Office Automation" is deeply ingrained in its organisational culture. The Group consistently endeavours to drive behavioural changes that minimise the use of paper. Some of the initiatives undertaken in this regard include:

- Maximising the use of electronic means, such as email or e-bulletin boards, to publish information whenever 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)

- Promoting the concept of “think before print” by placing posters in offices to remind the staff to avoid unnecessary printing;
- Placing paper tray beside photocopiers to collect single-sided paper for reuse and recycle; and
- Encouraging guests to use electronic invoices.

In line with its commitment to recycling and reusing paper resources, the Group has prioritised the accurate measurement and collection of data, as well as the evaluation of each subsidiary's paper consumption performance. The Group is dedicated to further analysing and monitoring the performance in paper consumption among its subsidiaries, with the goal of implementing more effective measures for paper conservation.

Raw Materials

Through the implementation of industrial robotics and recycling materials, the Group is determined to reduce the use and waste of raw materials, so as to respond towards the global call of shifting from a conventional liner economy to a circular economy.

Packaging Materials

In FY2023, the Group consumed a total of 186.4 tonnes of wooden, paper-made and plastic-made packaging materials. The Group is committed to enhancing its management of packaging materials by directing its efforts towards the procurement process and innovative packaging solutions. The Group's commitment to integrating innovative solutions for greater sustainability is evident in its utilisation of the online Enterprise Resource Planning (ERP) platform, which enables the Group to systematically manage the entire procurement process and optimise corporate resources.

Benchmark

As a prominent integrated engineering solutions provider, the Group maintains a consistent practice of reviewing and benchmarking its ESG performance against a set of criteria. This enables the Group to identify the potential gaps with its peers, accurately position itself in the market and take appropriate corrective actions to strengthen its competitiveness within the industry. In FY2023, the Group's unwavering commitment and ongoing determination to drive and lead sustainable development were demonstrated through its outstanding sustainability performance, which continued to outstand most of its peers across a series of indicators as depicted in Table 4 below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Benchmark (cont'd)

Table 4 Environmental Performance Benchmark between the Group and its peers

KPI	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 ₂ e) ²	Intensity of GHG Emissions ¹ (Unit/employee)	Solid Waste (tonnes)	Intensity of Solid Waste ¹ (Unit/employee)
Peers ^{3,4}										
ISDN	22,174	19.3	4,190	3.6	15,371	13.4	3,603	3.1	28	0.02
Peer 1	19,130,000	45.4	5,334,000	12.7	8,503,200	20.2	717,000	1.7	678,300	1.6
Peer 2	1,109,000	117.6	281,186	29.8	1,055,908	111.9	135,297	14.3	5,246	0.6
Peer 3	14,230,000	44.1	2,924,000	9.1	8,866,800	27.5	1,656,000	5.1	356,000	1.1
Peer 4	4,659,000	163.9	-	-	8,200,000	288.4	366,000	12.9	141,000	5.0
Peer 5	15,270,000	65.4	3,700,000	15.9	3,600,000	15.4	1,839,000	7.9	282,000	1.2
Peer 6	14,260,000	44.6	322,222	1.0	3,525,000	11.0	550,000	1.7	261,200	0.8
Peer 7	253,000	16.8	97,200	6.5	128,313	8.5	43,582	2.9	4,339	0.3

- 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;
- The Group's GHG emissions included the carbon offset by the 105 trees planted by the Group;
- Peers were identified and selected based on the Industry Report 2016 of the Group, including leading international integrated engineering solutions providers in China, Singapore and Malaysia markets. The KPIs were summarised from their latest annual/ESG/sustainability reports as of January 2024 and the data processing was performed by an independent party - 'GreenCo ESG Advisory Limited' for objective and professional benchmarking; and
- Since one of the identified peers did not publish the necessary data for the latest financial year, its performance cannot be compared and thus has been removed from the analysis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.3 The Environment and Natural Resources

Through its robust environmental management system, the Group demonstrates its ability to efficiently identify and adhere to the latest environmental laws and regulations. The system also enables effective management of data related to the direct and indirect environmental impacts of its business activities, and transparently disclose its sustainability progress to its stakeholders. Since 2018, the Group has been monitoring the progress of its ambitious and well-defined environmental goals, and remains committed to pursuing a sustainable, safe and secure future.

In FY2023, the use of paper-made and wood-made packaging materials has been significantly lowered in particular, and the relatively significant environmental impacts of the Group were concentrated on the use of energy resources and GHG emissions. The Group will continue with its effort on monitoring and controlling its emission and consumption of natural resources, while strictly implementing its internal policies. In order to mitigate any potential adverse environmental impacts resulting from its operations, the Group has prioritised the development of diverse solutions, such as equipment upgrades, energy efficiency initiatives and the utilisation of smart innovative tools. These efforts take into consideration on the aspects of connectivity, electrification, renewables, automation and awareness enhancement.

With a steadfast commitment to implementing a circular economy strategy, the Group recognises the importance of adopting a systematic approach to analyse resource consumption and pollutant emissions. To further this goal, the Group has intensified its efforts to standardise its data management process, track performance against each material ESG KPI with established short-term and long-term targets, as well as taking prompt and effective actions.

Table 5 Targets in Environmental Sustainability

Areas	Targets	Actions
Air and GHG emissions	<p><u>Short-term:</u> The Group's GHG emissions slightly decreased in FY2023 with the reduction in the use of electricity. The intensity has slightly decreased for 4%, at 11.1 tonnes per S\$ million.</p> <p>The Group aims to keep lowering its GHG emissions intensity to less than 8.5 tonnes per S\$ million within the next three years.</p> <p><u>Long-term:</u> Taking FY2021 as the baseline year, the Group targets to lower its GHG emissions intensity by 15% by 2030.</p> <p><u>Progress:</u> Although the intensity of the Group's GHG emissions shows a reduction in FY2023, it has yet to reach its long-term target. The Group will continue to reduce its GHG emissions by implementing various initiatives.</p>	<p>The Group is committed to improving its energy efficiency and actively pursuing the shift towards electrification as an alternative to relying on fossil fuels. Furthermore, the Group is increasing its investments in renewable energy projects to mitigate its carbon emissions.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Table 5 Targets in Environmental Sustainability (cont'd)

Areas	Targets	Actions
Solid waste	<p><u>Short-term:</u> Given the strict implementation of the Group's internal policies, the Group's solid waste intensity was 0.1 tonnes per S\$ million in FY2023.</p> <p>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.</p> <p><u>Long-term:</u> Taking FY2021 as the baseline year, the Group targets to lower its solid waste intensity to 0.8 tonnes per S\$ million by 2030.</p> <p><u>Progress:</u> The Group has achieved the target of managing its solid waste intensity and is dedicated to maintaining the intensity at a similar level in the long term.</p>	<p>The Group is dedicated to formulating more focused policies regarding sustainable waste management, integrating sustainability into its business strategies. Moreover, the Group maintains its commitment to waste recycling initiatives.</p>
Electricity	<p><u>Short-term:</u> The Group's electricity consumption has decreased for 28% in FY2023, with the intensity at 12.3 MWh per S\$ million.</p> <p>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 continued to plan to reduce their electricity consumption next year by 10% in a mandatory basis.</p> <p><u>Long-term:</u> 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.</p> <p><u>Progress:</u> Although the intensity of the Group's electricity consumption dropped in FY2023, it has yet to reach its long-term target. The Group strives to reduce its electricity consumption together with its GHG emissions.</p>	<p>Apart from implementing measures to conserve electricity, certain subsidiaries have made plans to replace conventional lights with motion sensor lights in areas such as washrooms, pantries and corridors.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Table 5 Targets in Environmental Sustainability (cont'd)

Areas	Targets	Actions
Energy resources	<p><u>Short-term:</u> The total energy consumption slightly dropped in FY2023 and its intensity remained at a similar level of 24.8 MWh per S\$ million.</p> <p>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. Subsidiaries of the manufacturing segment have planned to reduce their petrol consumption intensity next year by 20% in a voluntary basis.</p> <p><u>Long-term:</u> Taking FY2021 as the baseline year, the Group targets to reduce its intensity of the consumption of fossil fuels by 10% by 2030.</p> <p><u>Progress:</u> The Group has yet to achieved its long-term target set, the Group will continue to explore possible alternatives to reduce its energy consumption in the near future.</p>	<p>The Group is dedicated to gradually introducing electric vehicles (“EVs”) into its business operations, with the goal of replacing conventional vehicles with new energy ones in the near future. Moreover, employees are encouraged to take public transport when visiting clients.</p>
Water	<p><u>Short-term:</u> The Group’s water consumption dropped by 27% in FY2023. Subsidiaries of the manufacturing segment have planned to reduce their water consumption next year by 10% on a voluntary basis. 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.</p> <p><u>Long-term:</u> Taking FY2021 as the baseline year, the Group targets to reduce its water intensity by 10% by 2030.</p> <p><u>Progress:</u> The intensity of the Group’s water consumption dropped to 64.9 m³ per S\$ million in FY2023, thus has achieved its target set on reducing water intensity. The Group will continue to maintain its water intensity and keep up with its good performance.</p>	<p>The Group strives to reduce its freshwater consumption and actively explores opportunities to implement rainwater harvesting systems and innovative water recycling facilities as common practices in its business operations to promote water conservation. In addition, subsidiaries of the manufacturing segment have planned to replace the water taps with high-pressure water saving taps and implement water recycling practices at offices.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

Table 5 Targets in Environmental Sustainability (cont'd)

Areas	Targets	Actions
Paper	<p><u>Short-term:</u> The Group's paper consumption increased in FY2023. Its intensity has reached 0.04 tonnes per S\$ million, still, it has accomplished the target as set in FY2021.</p> <p>The Group aims to maintain the level of its consumption of paper under 0.05 tonnes per S\$ million next year.</p> <p><u>Long-term:</u> Taking FY2021 as the baseline year, the Group targets to reduce its paper use intensity by 33% by 2030.</p> <p><u>Progress:</u> Although the intensity of the Group's paper consumption remained under 0.05 tonnes per S\$ million, its long-term target has yet to be achieved. The Group will continue to educate its employees on paper saving and promote the concept of a "paperless office".</p>	<p>The Group is committed to promoting the strategic goal of establishing a "paperless office" across all offices by providing training and encouraging the adoption of digital technologies for operations.</p>
Packaging materials	<p><u>Short-term:</u> In FY2023, both paper-made and wood-made packaging materials show a decrease in consumption. However, the use of plastic-made packaging materials increased significantly in FY2023.</p> <p>The Group aims to maintain the intensities of paper-made and wood-made packaging materials, and lower the intensity of plastic-made packaging materials to 0.03 tonnes per S\$ million next year.</p> <p><u>Long-term:</u> Taking FY2022 as the baseline year, the Group targets to maintain its intensity of plastic-made packaging materials in 2031.</p>	<p>The Group is dedicated to developing policies that focus on improving packaging efficiency in order to minimise the use of packaging materials and record their usage.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

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

The Group's mini-hydropower plant projects in Indonesia aim to support the remote and rural areas, additionally creating job opportunities to the less developed regions in the country. This project not only helps mitigate the specific impacts associated with climate change, but also contributes to the global sustainable development by empowering the workforce in less developed regions. This initiative aligns with Regulation No. 19 of 2015, issued by The Ministry of Energy and Mineral Resources in Indonesia that advocates more investment and development of relevant projects. In line with its commitment to promoting environmental sustainability, the Group intends to further invest in the development of renewable energy. It will prioritise research and project development in the distribution and storage of renewable energy in Southeast Asia.

A.4 Climate change

In recent decades, the impact of climate change has become increasingly evident, with numerous physical consequences affecting millions of people worldwide. As global concern about climate change grows, it is crucial for businesses to take proactive measures and demonstrate transparency in their efforts to the transition towards a net-zero future.

The Group acknowledges the significant potential impacts posed by climate-related risks. As such, the Group is committed to establishing and maintaining climate resilience, while effectively responding to the relevant challenges, with reference to the guidance of the TCFD recommendation framework. The Group has identified the following risks and opportunities that may affect its operations and business plans.

Risk		Potential Impact
Physical Risk	<ul style="list-style-type: none"> - Increase in severity and frequency of extreme weather events such as typhoons, storms and flood 	<ul style="list-style-type: none"> - The Group's facilities may be damaged by extreme weather events, potentially resulting in financial losses due to temporary operational disruptions and the expenses associated with maintenance and repairs.
Transition Risk	<ul style="list-style-type: none"> - Changing strategies, policies and investments have further increased the environmental requirements towards companies - Increase in pricing of GHG emissions 	<ul style="list-style-type: none"> - An increase in operating and material costs are anticipated due to the rippled effect brought by stricter regulations. For instance, upstream suppliers may pass on their additional cost incurred in managing emissions during production to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VI. ENVIRONMENTAL SUSTAINABILITY (cont'd)

A.4 Climate change (cont'd)

Opportunity	Potential Impact
Transitioning to renewable energy to lower carbon emissions as recommended by national governments	- The Group's subsidiaries have the potential to be assigned to qualified projects, presenting a valuable business opportunity and a first-mover advantage in the renewable energy industry.

Upon conducting a preliminary analysis, the Group has determined that the identified climate-related risks are not expected to have immediate significant impacts on its business operations. Therefore, these risks were considered not material, and as a result, the Group has yet to develop detailed actions plans regarding these climate issues.

Nevertheless, in order to safeguard the Group's assets from potential physical risks associated with climate change, such as flooding, the Group will prioritise water risk assessment when selecting new business locations. Additionally, the Group plans to develop climate scenarios to gain a more comprehensive understanding of a wider range of physical risks and their potential impacts on the business in the near future.

The management of the Group remains attentive to the latest developments in climate-related rules and regulations to proactively prepare and develop corresponding measures to address climate-related risks when their impacts arise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1 Employment

In FY2023, the Group employed a total of 1,149 employees. The Group recognises the integral role of its employees in driving success within the engineering industry. To attract, retain and motivate talented individuals, the Group has developed a competitive compensation and benefits package. Employee remuneration is determined based on factors such as educational qualifications, industry experience and interpersonal skills, ensuring a fair and equitable approach. Salaries and wages are reviewed annually based on performance appraisals, qualifications, experience, position and seniority.

The Group's recruitment process is guided by a continuous analysis of its human resources requirements to align with its business development. In FY2023, qualified candidates were recruited based on the Group's "annual recruitment plan" and through other channels such as the Internet, seminars and intermediaries. Regular evaluations on the capability and performance of employees are performed regularly, thus promotion opportunities are offered to eligible employees in a fair manner. Meanwhile, the termination of employment is based on reasonable and lawful grounds in accordance with the internal policies set forth in the Employee Handbook.

The tables below summarise the detailed breakdown of the Group's employees in FY2023.

Table 6 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2023¹

Unit: Number of employees	Age group					Total
	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	
Gender						
Male	82	273	256	116	50	777
Female	36	117	149	55	15	372
Total	118	390	405	171	65	1,149

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 6 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2023¹ (cont'd)

Unit: Number of employees	Position			Total
	General staff	Middle managerial level	Senior managerial level	
Gender				
Male	625	99	53	777
Female	295	68	9	372
Total	920	167	62	1,149

Employment		
Full time	Part time	Total
1,138	11	1,149

Geographical location	
Locations	Number of employees
China	650
Hong Kong	7
Singapore	113
Others	379
Total	1,149

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 FY2023¹

Unit: Number of employees	Age group					Total
	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	
Gender						
Male	30	76	44	16	13	179
Employee turnover rate (%)	36.6	27.8	17.2	13.8	26.0	23.0
Female	8	31	30	11	1	81
Employee turnover rate (%)	22.2	26.5	20.1	20.0	6.7	21.8
Total	38	107	74	27	14	260
Total employee turnover rate (%)	32.2	27.4	18.3	15.8	21.5	22.6

Locations	Geographical locations	
	Employee turnover	Employee turnover rate (%)
China	175	26.9
Hong Kong	2	28.6
Singapore	33	29.2
Others	50	13.2
Total	260	22.6

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 FY2023 by the number of employees in FY2023. 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 FY2023¹

Unit: Number of employees	Age group					Total
	Aged between 18 and 25	Aged between 26 and 35	Aged between 36 and 45	Aged between 46 and 55	Aged above 55	
Gender						
Male	50	58	28	10	2	148
New hire rate (%)	61.0	21.2	10.9	8.6	4.0	19.0
Female	24	22	10	4	2	62
New hire rate (%)	66.7	18.8	6.7	7.3	13.3	16.7
Total	74	80	38	14	4	210
Total new hire rate (%)	62.7	20.5	9.4	8.2	6.2	18.3

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. The new hire rate was calculated by dividing the number of newly hired employees in FY2023 by the number of employees in FY2023. 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. In FY2023, its total turnover rate was 22.6% (FY2022: 18.9%) and gender ratio was 68:32 (FY2022: 67:33). Aiming for a total turnover rate of 16% and a gender ratio of 65:35, the Group will review its compensation and benefits package to retain employees and hiring policy on achieving gender balance in the workplace.

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
China	The Social Insurance Law of China
	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

The Group adheres to local employment laws where it operates and its internal policies such as the Employee Handbook, which provide clear guidelines on the management of working hours and rest periods for employees. For instance, employee attendance and punctuality are considered as criteria for the annual performance appraisal. If employees need to request leave or arrive late due to accidents, illness or other factors, they are required to inform their direct supervisor in advance. Similarly, if employees need to work overtime, they are required to complete an application form and obtain approval from their supervisors 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

The Group upholds internal policies to ensure equal opportunities for all employees across various aspects, including recruitment, training and development, job advancement, and remuneration and benefits. The Group strictly prohibits any form of discrimination related to gender, ethnicity, religion, colour, age, marital status, family status, pregnancy or any other protected characteristics under applicable laws.

Moreover, cultural diversity is highly valued and appreciated within the Group, thus it employs individuals from a wide range of ages and ethnicities. By fostering a culture of trust and understanding among employees, the Group creates a friendly and harmonious working environment. The Group recognises the importance of diverse perspectives, exceptional skills and professional expertise that cultural diversity brings, as these elements contribute significantly to the company's success.

Other benefits and welfare

In addition to the standard package, the Group offers a range of additional benefits to its employees. These benefits include severance pay, mandatory/central provident fund, employment compensation insurance, medical insurance, unlimited doctor visit reimbursements, body checks, additional remuneration and benefits to recognise and reward high-performing employees. These additional benefits, such as performance-based bonus, commissions and variable annual bonuses are provided at the discretion of the Group. In FY2023, some subsidiaries of the Group organised year end parties as well.

Furthermore, the specific job duties of employees will also be considered when determining the total remuneration and benefits package. Benefits may include allowances for local travel (parking and petrol inclusive), mobile phone, overseas travel and meals, as well as reimbursement for taxi fares incurred during overtime work. The Group is committed to periodically reviewing and enhancing its employee remuneration and benefits packages as a means to motivate and retain talented individuals within the organisation.

Osaka tour of Maxon Taiwan

Demonstrating its commitment to prioritising the well-being of its staff, in October 2023, one of the Group's subsidiaries, Maxon Motor Taiwan Co., Ltd., organised a company tour to Osaka, Japan, for all their employees. This activity not only provided an opportunity for team building and bonding but also demonstrated the company's recognition of the importance of work-life balance and the need for employees to recharge and rejuvenate.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.1 Employment (cont'd)

In FY2023, 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. Placing the wellbeing of its employees as its top priority, the Group provides various occupational health and safety training to its employees, while implementing a set of well-developed instructions and guidelines on ensuring their health and safety to maintain a comfortable working environment for all. To ensure workplace safety, the management of the Group is responsible for the overall health and safety performance of employees. In FY2023, the Group provided trainings regarding occupational health and safety, safety production laws and regulations, and machinery demonstrations, delivered internal safety policies through internal communications and briefings, and organised fire drills in the production plants to promote safety awareness among employees.

In order to improve fire safety and prevent fire hazards, the Group conducts regular drills and ensure fire equipment, including automatic smoke spray system and powder fire extinguishers, are in place. In addition to drills, the Group provides health insurance and organises regular physical examinations for its employees to promote employee wellness and support their health and welfare.

Due to the nature of its operations, the Group provides its employees with suitable safety protective clothing and personal protective equipment, 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:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.2 Health and Safety (cont'd)

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
China	Production Safety Law of China
	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, the Group has received zero reports on work-related fatality under its operations, including the year under review. In FY2023, no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group has been reported. There was one case of work-related injuries reported with 46 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.

Table 11 Number and Rate of work-related fatalities of the Group in past three financial years¹

Year	FY2023	FY2022	FY2021
Number of work-related fatalities	-	-	-
Lost days due to work injury	46	14	-

- 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.3 Development and Training

The employees of the Group have always been recognised as its most valuable asset, enabling the production of high-quality products. To ensure that employees are equipped with professional and qualified skills, the Group regularly provides a series of formal training courses, which are designed to enhance their expertise and proficiency in their respective roles. Furthermore, in line with an outcome-oriented approach, the Group has implemented a systematic induction training for new employees that includes the understanding of 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 FY2023, subsidiaries of the Group offered a range of internal and external training workshops and programmes for its employees, which covered topics ranged from health and safety, management skills, international standards and software applications.

In August 2023, the Corporate Finance team provided a comprehensive power query training session for the finance team in Suzhou. This training aimed to enhance the skills and knowledge of its employees, equipping them with valuable tools and techniques to excel in their roles. By providing vocational training opportunities like this, the Group demonstrates the dedication to fostering a culture of continuous learning and growth within the organisation.

Table 12 Number and Percentage of Employees Trained in the Group by Gender and Position in FY2023¹

Unit: Number of employees	Position			Total
	General staff	Middle managerial level	Senior managerial level	
Gender				
Male	66	23	7	96
% of employees trained	44.3	15.4	4.7	64.4
Female	38	12	3	53
% of employees trained	25.5	8.1	2.0	35.6

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	104	35	10	149
% of employees trained	69.8	23.5	6.7	13.0

- 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 FY2023. 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 in FY2023¹

Unit: Training Hours	Position			Total
	General staff	Middle managerial level	Senior managerial level	
Gender				
Male	2,432.5	885.0	179.5	3,497.0
Average training hours	3.9	8.9	3.4	4.5
Female	992.0	145.5	123.0	1,260.5
Average training hours	3.4	2.1	13.7	3.4
Total	3,424.5	1,030.5	302.5	4,757.5
Average training hours	3.7	6.2	4.9	4.1

- 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.

The Group is committed to achieving a 5% annual increase in the average training hours per employee, thus it focuses on enhancing its measurement of overall training hours and the training time allocated to staff by gender and positions. This ensures transparency and equal opportunities for all employees. In FY2023, the total and average training hours for most of the categories showed a significant increase when compared to FY2022. In particular, the average training hours per employee has rose from 1.2 to 4.1. In the future, the Group also aims to implement a post-training feed system in order to review and access the effectiveness of training programs, and identify areas for improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

EMPLOYMENT AND LABOUR PRACTICES (cont'd)

B.4 Labour Standards

In FY2023, the Group complied with the applicable Employment Act, Labour Laws and Employment Ordinance in the countries where it operates, with regards to the prohibition of child or forced labour. The Group's recruitment process strictly adheres to the guidelines set forth by its Human Resources department, which involves utilising a recruitment questionnaire to collect personal, educational, and employment information from job applicants. Once all necessary employment data (including age) is verified, qualified candidates are selected based on job requirements and the employer's expectations.

In the event that the Group identifies any violations of labour standards, the corresponding employment will be immediately terminated. The Group has zero tolerance towards child or forced labour in its operations, and there were zero reports received in the reporting year. Over the next five years, the Group is committed to maintaining a zero-incident rate of child labour, forced labour or any labour practices that violates the labour-related laws and regulations.

OPERATING PRACTICES

B.5 Supply Chain Management

In order to take into account both environmental and societal impacts, maintaining and managing a sustainable and reliable supply chain is of utmost importance for the Group as a socially responsible enterprise. The Group strictly monitors the quality of its suppliers and their adherence to supply chain practices. Suppliers are required to comply with all the relevant laws and regulations, as well as the Group's own standards and specifications.

Procurement policy

To efficiently manage its supply chain, the Group has established a set of clear procedures for its suppliers, which are mainly overseas manufacturers to follow. For instance, the Procurement Department places a Purchase Order to suppliers and provides shipping instructions. By coordinating with forwarders/couriers, the Group maintains shipment tracking and ensures timely delivery of goods to the warehouses. Upon arrival, the responsible department conducts incoming inspections to assess the condition and quality on the goods. Afterwards, the Sales Administration Department generates a Delivery Order and launches an outgoing inspection process. In the event of identifying any unqualified or defective products, as well as environmental non-compliance risks within the supply chain, an immediate Non-Conformance Report is required. The Sales Administration Department will then initiate negotiations for compensation or replacement in accordance with the terms outlined in the agreement or contract with the support from other technical departments. The Group acknowledges that occasional disruptions to the supply chain, such as raw material shortages and flight cancellations, can present challenges. However, the Group remains committed to overcoming these challenges by continuously adjusting its procurement process and enhancing resilience capacity, in order 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 effectively manage potential social and environmental risks in the supply chain, the Group recognises the significance of collaborating with reputable suppliers who can provide reliable and cost-effective products that comply with regulatory standards while meeting the technical requirements of its diverse customer base. The Group serves customers across various industries such as medical equipment, robots, mobile phones and transportation. When selecting suppliers, in addition to conducting due diligence, the Group also prioritises the suitability and value of components, parts and readily available products that align with customers' specifications.

The Group has implemented a standardised supplier assessment survey with a set of strict criteria to assess suppliers' performance. This survey evaluates their performance on financial reliability, stable supply of products, delivery time commitment, price stability and market reputation of the products. Suppliers are also assessed based on reputation, product quality and responsiveness to feedback. Meanwhile, the Sales or Sales Administration Department typically handle the selection of new suppliers, following the criteria stated in the New Supplier Qualification or track record.

At the end of each financial year, the Group conducts an annual assessment of its suppliers. Suppliers who fail to meet the requirements will be brought for discussion in the yearly management review where further actions can be determined. The subsidiaries or branch offices located in China are primarily responsible for sourcing suppliers as the parent companies of such suppliers are usually located in Asia or North America.

The Group maintains a close partnership with its 2,534 suppliers, which 1,261 of them located in China, 17 in Hong Kong, 383 in Singapore, the remaining 873 suppliers are in Germany, Switzerland, Malaysia, Thailand, Vietnam, India, Japan, South Korea, the United States (the "USA"), the United Kingdom, etc. In order to manage its large number of suppliers across various regions, the Group has implemented a set of measures to ensure that its suppliers comply with relevant laws and regulations and strictly stick to their corporate ethics during operations. Details are described as below:

- Engaging in regular communications with suppliers through meetings, emails and telephone calls;
- Maintaining regular and open dialogue with suppliers;
- Ensuring timely payments;
- Cultivating good relationships with suppliers' representatives;
- Avoiding rush orders wherever possible;
- Addressing any issues of concern promptly raised by suppliers;
- Reporting damaged or faulty goods to suppliers timely with supporting documents; and
- Being willing to review, renegotiate and adjust the terms of trade with suppliers as needed.

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 primarily utilises computer numerical control (CNC) machines along with sawing and milling machines for die casting or stamping. These machines are typically sourced from manufacturers located in China and the USA to ensure optimal performance and functionality, regular cleaning and maintenance activities are carried out on the machines and equipment, thus ensuring that production will not be adversely affected, while potential insufficiency or failure of machinery and equipment can be prevented. As a result, customers and businesses can rely on the Group's consistent production capabilities without experiencing disruptions caused by machinery issues and equipment failure.

The Group continued to maintain firm and steady relationships with its major suppliers in FY2023, and it did not experience any major difficulty in obtaining adequate supplies for its production. Furthermore, striving to maintain a stable and sustainable supply chain, the Group has developed three short-term targets as listed below.

- Striving for 100% on-time delivery to customers, while simultaneously reducing the inventory turnover rate and improving customer satisfaction level;
- Enhancing the accuracy of freight billing processes; and
- Maintaining inventory turnover within a 90-day period.

Green procurement

The Group recognises that the materials purchased through the supply chain can significantly impact its sustainability performance and the ecosystem. Therefore, the Group defines environmentally preferable products as those suppliers manufactured with a focus on energy efficiency, strict adherence to relevant environmental standards and minimal adverse environmental impacts. The Procurement Department is responsible for implementing and monitoring the Group's procurement process, which prioritises eco-friendly products and has incorporated environmental compliance and eligibility as criteria for supplier selection.

The Procurement Department monitors the effective implementation of the supplier engagement processes, supply chain risk management processes and green procurement processes mentioned above, which apply to all of the Group's suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility

The Group has maintained a steadfast commitment to meeting the present and future needs of its customers. It sources and recommends the best products around the world and provides high-quality after sales services. To ensure the highest standards of quality, the Group has developed and implemented its own internal quality management approaches, with reference to ISO 9001:2015 (Quality Management Systems) published by the International Organisation for Standardization ("ISO") and its Quality Manual. Moreover, the Group strives to effectively demonstrate its capability to offer reliable and safe products and services that meet customers' requirements and applicable regulatory standards, such as Restriction of Hazardous Substances (RoHS). Additionally, the Group aims to foster long-term cooperation with its customers through effective monitoring and after-sales support.

In FY2023, the Group complied with the relevant laws, 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 takes on the responsibility of assisting customers with complaints and product-related problems. They are dedicated to providing timely and effective support, actively listening to customers and working towards resolving their complaints. The Group encourages open communication channels to facilitate quick and efficient complaint resolution, thus aims to foster long-term customer loyalty and satisfaction through its exceptional customer service.

Meanwhile, in case of a product fault that is attributed to the suppliers, the Group does not offer a warranty, while repair service or replacement options for the defective component or system are available instead.

During the reporting year, there were no product recalls, product quality issues or customer complaint received.

Innovation

As the world enters the new Industrial 4.0 era, clean energy technologies and robotic business are emerging with the significant rise in demand for automatic business solutions. In line with its commitment to providing the best solutions to clients, the Group remains dedicated to exploring and innovating new solutions, thus actively engaging in research and design processes to develop new products and solutions that not only align with market demands but also set the pace for the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

Quality control

To ensure that the Group's engineering solutions remain consistent and high-quality, while complying with the standards of the ISO, the Quality Control Department has implemented a comprehensive quality assurance and control system. The system focuses on comprehending customers' needs and expectations, enhancing operations and services, introducing the latest technology and products, developing the skills, competency and commitment of its employees, and establishing strategic relationships with suppliers. The Group is dedicated to delivering engineering solutions that are tailored and suitable, accompanied by quality service that consistently fulfil customers' requirements.

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	4 January 2027

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

Quality control (cont'd)

The Group's procurement policy serves as the foundation of the quality of its products and services. This policy governs the screening, selection and assessment of suppliers who provide the highest quality products for production. Throughout the production process of the engineering solutions, in-process quality assurance measures are implemented at each stage to identify and correct any defects in accordance with internal policies. To meet customers' specific requirements and needs, all prototypes must undergo a series of stress tests and simulation runs. Once the engineering systems are assembled, another quality inspection will be performed before they are being packed and labelled according to strict internal packing standards, and delivered to customers.

Furthermore, as an integral part of the total quality management (TQM) approach, the Group's management has implemented continuous improvement processes across its business operations. These processes are aimed at enhancing all aspects of operations, including the implementation of internal controls that adhere to preferred financial practices and procedures, such as inventory and accounts receivable management. In the event that any material defect is reported after shipment, immediate corrective actions, including recalls, are initiated following internal procedures. The recall procedures consist of several phases, including raising awareness of the importance of recall readiness, investigating the cause of defect, promptly communicating the issue and proposed responses to stakeholders, and identifying flaws in the development and operational processes that contributed to the product defect.

Inventory control

The Group utilises ERP systems to maintain appropriate inventory levels and ensure sufficient product availability. All products are barcoded to facilitate efficient tracking of product flow within the warehouses. To validate the accuracy of the inventory system, monthly stock counts are conducted at random locations. In addition, a comprehensive stock check is performed annually to ensure the stable availability of raw materials and products, while minimising the presence of obsolete stocks in the inventory at the same time.

Intellectual property

The Group possesses various trademarks, patents and domain names in Singapore, China, and Hong Kong. In FY2023, no significant instances of intellectual property rights infringement were reported. The Group is confident that effective policies are available to provide guidance on measures to prevent any infringement of its own intellectual property rights, and is committed to safeguarding its own interests and maintaining a zero-tolerance approach towards any infringement of its own intellectual property rights in the next five years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.6 Product Responsibility (cont'd)

Consumer data protection

The Information Technology and Human Resource Departments are responsible for monitoring company computers and servers, which are protected with access passwords. The Group's employees are required to ensure that all data is collected, stored and handled properly and securely, as well as instructed of the risks involved with malpractice. In FY2023, the Group complied with the Personal Data (Privacy) Ordinance of Hong Kong, the Personal Data Protection Act 2012 of Singapore, the Personal Data Protection Act 2010 of Malaysia, and other relevant regulations in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety. The Group did not receive any report on customer privacy breaches or sensitive data leakage, and is committed to maintain its target of zero incident rate in the coming five years.

Advertising

Committed to ensuring the product descriptions and information, including the labelling of the Group's products and services, comply with relevant laws and regulations, the Group strictly prohibits any misrepresentation in its marketing materials or exaggeration of offerings. Furthermore, the Group's legal counsel reviews the sales and marketing materials before they are being released to the public in order to prevent violations of advertising-related laws and regulations.

B.7 Anti-corruption

The Group complies with the laws and regulations relating to anti-corruption and bribery at its areas of operations, such as the Prevention of Corruption Act (Singapore) and the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong). It is dedicated to fostering the highest standards of good corporate practices, upholding the values of integrity and accountability, and conducting business with transparency and honesty. In order to prevent any practice related to bribery, extortion, fraud and money laundering in the company, the Group has developed internal policies to regulate the following procedures:

- All financial transactions must be accurate, complete and fairly recorded in accordance with internal accounting controls; and
- The Group's internal audit should be conducted by independent or external professional firms, and any weaknesses or potential risk areas identified have to be reported to the Group's management for investigation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VII. SOCIAL SUSTAINABILITY (cont'd)

OPERATING PRACTICES (cont'd)

B.7 Anti-corruption (cont'd)

The Group has established confidential whistleblowing channels to enable reporting on bribery, extortion, fraud, money laundering, conflict of interest, criminal offences, illegal or injustice practices, health or safety endangerment and concealment behaviour. Whistleblowers can submit reports without fear of reprisals or victimisation, as strict confidentiality will be maintained. The whistleblowing policy outlines multiple channels for reporting, including direct communication with superiors, email to any of the Group's Managing Directors and President, or the Chairman of the Audit Committee, and the option to report by post are also available as a more convenient method regarding concerns on reporting through email or direct communication.

All reported cases will be thoroughly investigated by the Group's Audit Committee, external or internal auditors, forensic professionals or the police, depending on the nature of the concern raised. The Group encourages whistleblowers to provide their identity when raising a concern or providing information to facilitate the investigation process. The Group ensures that any employee who makes a genuine report will be treated fairly, while any mischievous or malicious allegations will be subject to disciplinary action in accordance with the Group's Disciplinary Procedures.

The Group's Employee Handbook clearly outlines the relevant regulations and employees are required to sign an acknowledgement indicating their understanding and acceptance of these requirements. Although no anti-corruption trainings were held in FY2023, the Group intends to explore potential collaborations with competent professional experts and organisations to offer relevant programmes for its management and employees in the near future.

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

COMMUNITY

B.8 Community Investment

As a socially responsible company, the Group is dedicated to fostering healthy and sustainable development in the communities where it operates. In alignment with the current technology trend and to support the advancement of the automation industry, the Group donated S\$100,000 to the Singapore University of Technology and Design for the purpose of organising a drone workshop and racing programme during the year under review.

Moving forward, the Group will actively seek additional opportunities to organise outreach programmes that extend assistance to those in need. Furthermore, the Group will encourage its employees to participate in charitable activities, thereby promoting a culture of giving back to the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	96
	KPI A1.1	The types of emissions and respective emissions data.	GRI 305-1, 305-2, 305-3, 305-6, 305-7	97
	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	97
	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)	96

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
	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)	97
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 305-5	106
	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	98-100, 107
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)	102
	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	101
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303-5	101
	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	107-108
	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	103, 108
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301-1	101

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
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)	106
	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	106
Aspect 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)	110
	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	110-111
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)	116
	KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	GRI 2-7 (a, c), GRI 405-1 (b)	112-113
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401-1 (b)	114

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
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	118-119
	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	119
	KPI B2.2	Lost days due to work injury.	N/A	119
	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	118
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)	120
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	120
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404-1	120

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
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)	122
	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)	122
	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)	122
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 3-3 (c)	122-123
	KPI B5.1	Number of suppliers by geographical region.	GRI 2-6 (b-ii)	123
	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	122-123
	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	123
	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)	124

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
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	125
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	125
	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	125
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	127
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	126-127
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	GRI 3-3 (c)	128
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	128
	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	129

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
	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	129
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	GRI 205-2	129
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)	129
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203-1 (a)	129
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201-1(a-ii)	129

*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

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SGX:

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	97
	Emission intensities by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	GRI 305-4	97
Energy Consumption	Total energy consumption	GRI 302-1	101
	Energy consumption intensity	GRI 302-3	101
Water Consumption	Total water consumption	GRI 303-5	101
	Water consumption intensity	N/A	101
Waste Generation	Total waste generated	GRI 306-3	97
2. Social			
Gender Diversity	Current employees by gender	GRI 405-1	112
	New hires and turnover by gender	GRI 401-1	114-115
Age-Based Diversity	Current employees by age groups	GRI 405-1	112
	New hires and turnover by age groups	GRI 405-1	114-115
Employment	Total turnover	GRI 401-1	114
	Total number of employees	N/A	112
Development & Training	Average training hours per employee	GRI 404-1	121
	Average training hours per employee by gender	GRI 404-1	121

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Topic	Metric	Framework Alignment	Page/Remarks
Occupational Health & Safety	Fatalities	GRI 403-9	119
	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	119
	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 contemplating to appoint at least one female director on the Board at the forthcoming Annual General Meeting.
Management Diversity	Women in the management team	GRI 2-9 (v), GRI 405-1	113
Ethical Behaviour	Anti-corruption disclosures	GRI 205-1, GRI 205-2 and GRI 205-3	128-129
	Anti-corruption training for employees	GRI 205-2	129
Certifications	List of relevant certifications	N/A	126
Alignment with Frameworks	Alignment with frameworks and disclosure practices	N/A	84
Assurance	Assurance of sustainability report	N/A	The sustainability reporting process has been reviewed by the internal auditor in FY2022, as there is no change in the sustainability reporting process, hence the review has been carried out by the management internally in FY2023.

* This table was extracted and adopted from the list of Core ESG Metrics published by SGX, 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 2023

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Group for the FY2023 and the statement of financial position of the Company as at 31 December 2023.

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 2023 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 FY2023, 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 sections 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 FY2023.

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 FY2023 and as of the date of this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 FY2023 are set out in the consolidated statement of comprehensive income.

Subsequent to the reporting year end, a tax-exempt (one-tier) final dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per share of the Company (the "**Share**") in respect of the FY2023 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 is available to the Shareholders together with the form of election for scrip dividend by electronic means via publication on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>, SEHK at the URL <https://www.hkexnews.hk/> and may be accessed at the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> on or about Wednesday, 17 July 2024.

4 Financial Summary

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 Investment Properties

Details of movement in the investment properties of the Group during the FY2023 are set out in Note 13 to the consolidated financial statements.

6 Property, Plant and Equipment

Details of movement in the property, plant and equipment of the Group during the FY2023 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 2023 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 FY2023 are set out in Note 22 to the consolidated financial statements.

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

During the FY2023 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 FY2023 are set out in Note 23 to the consolidated financial statements, respectively.

Distributable reserves of the Company as at 31 December 2023 amounted to S\$40,062,000 (2022: S\$30,375,000).

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 Directors

The Directors during the FY2023 and up to the date of this statement were:

Executive Directors

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

Non-executive Director

Mr. Toh Hsiang-Wen Keith

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 sections headed "Board of Directors" and "Key Management" of this annual report.

12 Confirmation of Independence of Independent 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).

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 FY2023 are set out in Note 9 to the consolidated financial statements.

15 Employee and Remuneration Policies

As at 31 December 2023, there were 1,149 (2022: 1,124) 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.

On 31 January 2023, the Company has adopted a new share incentive scheme, namely, the ISDN PSP 2022 as incentives to the Directors and other eligible participants.

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 FY2023 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 2023

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 2023, 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 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 FY2023 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 1.1.2023	As at 31.12.2023	As at 1.1.2023	As at 31.12.2023
The Company				
- ISDN Holdings Limited				
Mr. Teo Cher Koon (" Mr. Teo ")	-	-	141,189,015	143,949,181
Mr. Kong Deyang (" Mr. Kong ")	2,050,000	2,050,000	-	-
Mr. Toh Hsiang-Wen Keith (" Mr. Toh ")	-	-	37,556,134	38,280,107
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 FY2023 and 21 January 2024.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

Under Hong Kong Law

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

Name of Directors	Capacity	Number of Shares			Approximate percentage of the issued Shares ⁽³⁾
		Personal interests	Corporate interests	Total	
Mr. Teo ⁽¹⁾	Interest of controlled corporation	-	143,949,181	143,949,181	32.28%
Mr. Kong	Beneficial owner	2,050,000	-	2,050,000	0.46%
Mr. Toh ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%

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 143,949,181 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP SPV VI ("**NTSP**"). Novo Tellus PE Fund 2, L.P. ("**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. New Earth Group 2 Ltd ("**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 446,000,209 Shares in issue as at 31 December 2023.

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

As at 31 December 2023, 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 (cont'd)

Save as disclosed above, as at 31 December 2023, 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 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.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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) NTSP¹ 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% 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 or 13,380,006 Shares (assuming no Share is allotted and issued or repurchased after the latest practicable date of the 2024 AGM circular and up to the passing of the resolution relating to the ISDN PSP 2022 annual mandate in the forthcoming AGM).
- (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.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

Other salient information relating to the ISDN PSP 2022 is set out below (cont'd):

- (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 2023

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.

Details of the Shares awarded and granted pursuant to the ISDN PSP 2022 to the grantees during FY2023 are set out below:

Participant	Date of Award	Number of Award Shares	Award Price	Closing price of the shares immediately before the date on which the Awards were granted	Vesting Date	Unvested as at 1 January 2023	Granted during FY2023	Vested during FY2023	Lapsed during FY2023	Cancelled during FY2023	Unvested as at 31 December 2023
67 Selected employees of the Group	13 March 2023	2,830,000	S\$0.49 (equivalent to HK\$2.85, based on the exchange rate of S\$0.1721: HK\$1 as at 10 March 2023)	S\$0.49 (equivalent to HK\$2.85, based on the exchange rate of S\$0.1721: HK\$1 as at 10 March 2023)	13 March 2023	Nil	2,830,000	2,830,000	Nil	Nil	Nil

The number of Shares available for grant under the ISDN PSP 2022 as at 1 January 2023 is 43,863,853 (representing 10% of the Shares in issue as at the date of approval of the ISDN PSP 2022) and 41,033,853 as at 31 December 2023.

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

The shares granted under the ISDN PSP 2022 are subject to six (6) months selling moratorium from 13 March 2023.

Since the commencement of the ISDN PSP 2022 to the financial year ended 31 December 2023, an aggregate of 2,830,000 (2022: nil) shares have been granted.

During the financial year ended 31 December 2023, an aggregate of 2,830,000 (2022: nil) shares have been granted under the ISDN PSP 2022.

Since commencement of the ISDN PSP 2022, no shares awards were granted under ISDN PSP at a discount.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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;
- 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 Audit Committee (cont'd)

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

The AC having reviewed the external auditors' non-audit services, was of the 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 the audited consolidated financial statements of the Group for the FY2023. The consolidated financial statements have been audited by the External Auditor.

20 Arrangements to Purchase Shares or Debentures

Other than the warrant holdings disclosed above, at no time during the FY2023 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 FY2023 or at any time during the FY2023.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22 Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed below in 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 FY2023 or at any time during the FY2023.

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 FY2023.

24 Continuing Connected Transactions

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

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

Continuing Connected Transactions exempt from circular, independent financial advice and Shareholders' approval requirements

1. License agreement with Maxon Motor

We have entered into a license agreement on 21 October 2016 (and supplemented by a letter 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 China, 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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)

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 China, 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.

Termination: The 2021 Renewal Supply Agreement 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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)

Historical transaction amount

For the financial years ended 31 December 2023 and 2022, the total purchase amount paid and payable by the Group to Maxon Motor amounted to S\$64,448,000 and S\$59,392,000, respectively.

Proposed annual cap and basis

For the financial year ending 31 December 2024, pursuant to the 2021 Renewal Supply Agreements, the total purchase amount payable by the Group to Maxon Motor is not expected to exceed S\$144,893,000. In arriving at the annual cap, 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.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24 Continuing Connected Transactions (cont'd)

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

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

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 2023 and 2022, the total service fee paid and payable by the Group to Maxon Motor amounted to S\$391,000 and S\$340,000, respectively.

Proposed annual cap and basis

For the financial year ending 31 December 2024, pursuant to the 2021 Renewal Service Agreements, the total service fees payable by the Group to Maxon Motor are not expected to exceed S\$859,000. In arriving at the annual cap, 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 2023

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 China ("**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 of 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 agreement, 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; and
- (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 2023

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 2024 and 2025, the total purchase price payable by the Dirak Group to the Group is not expected to exceed 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 financial years ending 31 December 2025; and (ii) the expected demand of Dirak Group for Product A for the financial years ending 31 December 2025.

In respect of Product B, for the financial years ending 31 December 2024 and 2025, the total purchase price payable by the Group to the Dirak Group is not expected to exceed 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 financial years ending 31 December 2025; (iii) the expected increase in the Group's production capacity for the 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 2023 and 2022, the total transaction amount of Product A amounted to approximately S\$6,883,000 and S\$9,464,000, respectively.

For the financial years ended 31 December 2023 and 2022, the total transaction amount of Product B amounted to approximately S\$870,000 and S\$976,000, respectively.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023

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

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.

Pursuant to Rule 14A.55 of 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 FY2023.

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 2023

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

As at 31 December 2023, the persons who (other than a Director or the Chief Executive) or entities which have interests or short positions in the Shares and underlying Shares which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity	Number of Shares			Approximate percentage of the issued Shares ⁽³⁾
		Personal interests	Corporate interests	Total	
Assetraise ⁽¹⁾	Beneficial owner	143,949,181	-	143,949,181	32.28%
Ms. Thang ⁽¹⁾	Interest of controlled corporation	-	143,949,181	143,949,181	32.28%
NTSP ⁽²⁾	Interest of controlled corporation	38,280,107	-	38,280,107	8.58%
Mr. Loke Wai San ("Mr. Loke") ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%
NEG 2 ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%
NT Fund 2 ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%
Tuas Fund Investments Pte Ltd ("TF") ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%
Fullerton Fund Investments Pte Ltd ("FF") ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%
Temasek Holdings (Private) Limited ("TH") ⁽²⁾	Interest of controlled corporation	-	38,280,107	38,280,107	8.58%

Notes:

1. Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 143,949,181 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 2023

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 38,280,107 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 38,280,107 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 446,000,209 (2022: 438,638,533) Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, 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 2023

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 FY2023.

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 FY2023, the Group sold less than 30.0% of its goods and services to its 5 largest customers.

For the FY2023, purchases attributable to the Group's largest supplier accounted for approximately 23.2% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 54.5% 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 2023

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\$102,000 (2022: S\$3,000) during the FY2023.

34 Directors' Interests in a Competing Business

During the FY2023 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 FY2023 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 FY2023 and up to the date of this annual report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

36 Equity-Linked Agreement

Other than the ISDN PSP 2022 disclosed above, no equity-linked agreements were entered into by the Company during the FY2023 or subsisted at the end of the FY2023, 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
Managing Director and President

.....
LIM SIANG KAI
Chairman

Singapore
15 March 2024

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 2023, 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 material accounting policy information.

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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p>Service concession arrangements</p> <p>We refer to Note 3(t), 3(u), 4(ii)(a), Note 5, Note 19 and Note 29 to the financial statements.</p> <p>The Group achieved commercialisation for its three mini-hydropower plants and had applied SFRS(I) INT 12 Service Concession Arrangements in its recognition of service concession arrangement and revenue from these arrangements.</p> <p>As at 31 December 2023, the Group has service concession receivables of S\$73.5 million arising from existing service concession arrangements and has recognised S\$3.1 million of operating income and S\$3.6 million of finance income in relation to the service concession arrangements.</p> <p>We have determined the accounting treatment of service concession arrangements and their revenue recognition as a key audit matter because of the significant judgement and estimation involved in measuring the service concession receivables and the related revenue.</p> <p>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.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ Assessed the Group's process in evaluating the applicability of SFRS(I) INT 12 and reviewed the associated agreements to assess whether these agreements are appropriately identified as service concession arrangements within the scope of SFRS(I) INT 12. ▪ Obtained an understanding of the management process for measuring service concession receivables as well as the operating income and finance income from these service concession arrangements. ▪ Reviewed and challenged management's estimation in determining the fair values of the service concession receivables and revenue 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 disclosure made relating to service concession arrangements in the financial statements. ▪ Reviewed the input for the operating income and finance income, and assessed the accounting entries made by the management. <p>Based on our audit procedures performed, we found the judgement applied and estimations used by management in the determination of service concession receivables and related revenue to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of goodwill</p> <p>We refer to Note 4(ii)(b) and Note 15 to the financial statements.</p> <p>The Group has goodwill amounting to S\$12.2 million arising from its various past acquisitions as at 31 December 2023. The goodwill has been allocated to the relevant cash generating unit (“CGU”) as disclosed in Note 15 to the financial statements.</p> <p>The Group performs the annual impairment testing of goodwill by preparing 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.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ Held discussions with senior management to obtain an understanding of Group’s planned strategies on revenue growth and cost initiatives for these CGUs. ▪ Reviewed the cash flow forecasts of each CGU by evaluating management’s assumptions applied in the cash flow forecasts based on 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 the 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. <p>Based on our audit procedures performed, we found that the estimations used in the VIU calculations were reasonable and the relevant disclosures made in the financial statements to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of trade and other receivables</p> <p>We refer to Note 4(ii)(c) and (d), Note 19 and Note 34(a) to the financial statements.</p> <p>As at 31 December 2023, the carrying amount of the Group's trade and other receivables, net of allowance for expected credit loss ("ECL") of S\$7.9 million amounted to S\$110.6 million.</p> <p>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 the 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.</p> <p>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.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ 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. ▪ Considered 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. <p>Based on available evidence, we found management's assessment of the allowance for expected credit loss for trade and other receivables to be reasonable and the disclosures in the financial statements to be appropriate.</p>

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 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Notes	Group	
		2023 S\$'000	2022 S\$'000
Revenue	5	341,766	370,779
Cost of sales		(250,632)	(264,891)
Gross profit		91,134	105,888
Other operating income	6	4,795	3,448
Distribution costs		(26,318)	(28,710)
Administrative expenses		(40,396)	(39,129)
Net impairment (losses)/gains on financial assets	34	(1,571)	296
Other operating expenses		(3,711)	(7,441)
Finance costs	7	(4,391)	(3,486)
Share of (loss)/profit of associates, net		(669)	1,161
Profit before income tax	8	18,873	32,027
Income tax	10	(7,701)	(8,948)
Profit for the year		11,172	23,079
Other comprehensive income, net of tax			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
- Net fair value changes on cash flow hedge		-	(31)
- Exchange differences on translation		(4,918)	(10,288)
Total comprehensive income for the year		6,254	12,760
Profit for the year attributable to:			
Equity holders of the Company		4,952	14,620
Non-controlling interests		6,220	8,459
		11,172	23,079
Total comprehensive income for the year attributable to:			
Equity holders of the Company		1,073	7,046
Non-controlling interests		5,181	5,714
		6,254	12,760
Earnings per share (Singapore cents):	11		
Basic		1.12	3.33
Diluted		1.12	3.33

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	Group	
		2023 S\$'000	2022 S\$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	63,189	63,249
Investment properties	13	396	417
Land use rights	14	1,041	1,104
Goodwill	15	12,227	12,227
Associates	17	5,272	6,278
Service concession receivables	19	73,243	76,960
Other financial assets	20	900	900
Deferred tax assets	26	281	384
Total non-current assets		156,549	161,519
Current Assets			
Inventories	18	73,011	81,181
Trade and other receivables and contract assets	19	110,593	101,116
Service concession receivables	19	253	-
Cash and bank balances	21	60,033	56,554
Total current assets		243,890	238,851
Total Assets		400,439	400,370
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	84,755	81,487
Reserves	23	113,867	116,342
		198,622	197,829
Non-controlling interests	16	42,043	44,771
Total Equity		240,665	242,600
Non-current Liabilities			
Bank borrowings	24	56,025	10,066
Lease liabilities	25	5,035	4,860
Deferred tax liabilities	26	568	676
Total non-current liabilities		61,628	15,602
Current Liabilities			
Bank borrowings	24	19,659	23,809
Lease liabilities	25	1,368	1,322
Trade and other payables	27	64,624	95,101
Contract liabilities	5	10,811	18,003
Current tax liabilities		1,684	3,933
Total current liabilities		98,146	142,168
Total Liabilities		159,774	157,770
Total Equity and Liabilities		400,439	400,370

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	Company	
		2023 S\$'000	2022 S\$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	613	656
Subsidiaries	16	87,304	50,410
Total non-current assets		87,917	51,066
Current Assets			
Other receivables	19	735	804
Amount owing by subsidiaries	16	37,406	67,963
Dividend receivable		-	1,400
Cash and bank balances	21	1,845	2,030
Total current assets		39,986	72,197
Total Assets		127,903	123,263
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	84,755	81,487
Reserves	23	39,884	30,197
Total Equity		124,639	111,684
Non-current Liabilities			
Lease liabilities	25	618	640
Total non-current liabilities		618	640
Current Liabilities			
Lease liabilities	25	22	21
Other payables	27	2,624	10,571
Current tax liabilities		-	347
Total current liabilities		2,646	10,939
Total Liabilities		3,264	11,579
Total Equity and Liabilities		127,903	123,263

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Attributable to equity holders of the Company							
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Notes	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	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	-	-	-	-	(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

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The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group	
	2023 S\$'000	2022 S\$'000
Cash Flows from Operating Activities		
Profit before income tax	18,873	32,027
Adjustments for:		
Allowance for impairment loss on trade and other receivables	1,748	127
Allowance for inventories obsolescence	889	1,438
Amortisation of land use rights	32	33
Depreciation of investment properties	19	19
Depreciation of property, plant and equipment	5,558	4,852
Interest expense	4,391	3,486
Interest income	(338)	(404)
Inventories written off	30	49
Gain on disposal of property, plant and equipment, net	(8)	(24)
Property, plant and equipment written off	31	-
Over provision of share-based payment	(358)	-
Share of loss/(profit) of associates, net	669	(1,161)
Trade receivables written off	158	12
Write back of allowance for impairment loss on trade receivables	(177)	(423)
Write back of allowance for inventories obsolescence	(106)	(85)
Foreign currency loss on translation of foreign operations	1,401	4,862
Operating cash flow before working capital changes	32,812	44,808
Changes in working capital:		
Inventories	7,360	(5,049)
Trade and other receivables	(14,407)	10,514
Trade and other payables	(39,574)	(7,214)
Cash (used in)/generated from operating activities before service concession arrangements	(13,809)	43,059
Change in receivables from service concession arrangements	3,464	(7,642)
Cash (used in)/generated from operations after service concession arrangements	(10,345)	35,417
Interest paid	(4,171)	(3,295)
Interest received	338	404
Income tax paid	(9,969)	(9,534)
Net cash (used in)/generated from operating activities	(24,147)	22,992

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group	
	2023 S\$'000	2022 S\$'000
Cash Flows from Investing Activities		
Dividend from associates	309	228
Proceeds from disposal of property, plant and equipment	37	49
Purchase of property, plant and equipment	(4,361)	(2,282)
Net cash used in investing activities	(4,015)	(2,005)
Cash Flows from Financing Activities		
Decrease in fixed deposit pledged and restricted bank deposit	1,626	-
Dividends to equity holders of the Company	(1,667)	(6,408)
Dividends to non-controlling interests	(6,423)	(10,991)
Interest expense on lease liabilities	(220)	(189)
Proceeds from bank loans	57,144	22,106
Repayment from trust receipts and other borrowings, net	(2,832)	(1,555)
Repayments of bank loans	(12,503)	(26,797)
Repayments of lease liabilities	(2,296)	(2,345)
Net cash generated from/(used in) financing activities	32,829	(26,179)
Net increase/(decrease) in the cash and cash equivalents	4,667	(5,192)
Cash and cash equivalents at the beginning of the year	54,128	59,021
Effect of currency translation on the cash and cash equivalents	467	299
Cash and cash equivalents at the end of the year (Note 21)	59,262	54,128

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023, 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.

Amendments to SFRS(I) 1-1: Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information must not obscure material accounting policy information. The amended SFRS(I) Practice Statement 2 explains and demonstrates the application of the materiality process to accounting policy disclosures. The Group has applied materiality guidance in SFRS(I) Practice Statement 2 in identifying its material accounting policies for disclosures in the related notes. The previous term ‘Significant Accounting Policies’ used throughout the financial statements has been replaced with ‘Material Accounting Policies’.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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:

Description		Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1	<i>Presentation of Financial Statements: Classification of liabilities as Current or Non-current</i>	1 January 2024
Amendments to SFRS(I) 1-1	<i>Presentation of Financial Statements: Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7	<i>Statement of Cash Flows and Financial Instruments Disclosures: Supplier Finance Arrangements</i>	1 January 2024
Amendments to SFRS(I) 16	<i>Leases: Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to SFRS(I) 1-21	<i>Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</i>	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28	<i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred indefinitely, early application is still permitted

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material 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 2023

3 Material 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 of interests in subsidiaries to non-controlling interests without loss of control are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material 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 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 2023

3 Material 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 purposes 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 entity, 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 2023

3 Material 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 net investment in foreign operations, are recognised in the other comprehensive income and accumulated in the currency 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; 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.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of hyperinflationary economy) 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 rate 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 case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(c) Foreign Currencies (cont'd)

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

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 on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(d) Property, Plant and Equipment

(i) Measurement

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

(ii) Subsequent expenditure

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair 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 their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold properties	remaining lease period of 19 years to 37 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
Hydropower plant	20 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

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

(iii) Depreciation (cont'd)

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

The residual value, useful life and depreciation method are reviewed at each financial year and adjusted as appropriate at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

(iv) Disposal

An item of 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 on the disposal or retirement of an item of property, plant and equipment 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 measured initially at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over their estimated remaining useful lives of 45 years to 50 years.

The residual value, useful life and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date. 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 2023

3 Material Accounting Policies (cont'd)

(e) Investment Properties (cont'd)

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 recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

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

(f) Land Use Rights

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

(g) Goodwill

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

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(h) Government Grants

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

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

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost are determined using the weighted average method.

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 for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for slow-moving and obsolete items.

(j) 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 2023

3 Material Accounting Policies (cont'd)

(j) 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 2023

3 Material Accounting Policies (cont'd)

(j) 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 2023

3 Material Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(ii) Impairment

At each reporting date, the Group assesses ECLs on the following financial instruments:

- financial assets that are debt instruments measured at amortised costs and FVOCI;
- contract assets (as defined in SFRS(I) 15); and
- financial guarantee contracts.

ECLs is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all shortfalls between the cash flows due to the Group in accordance with contractual terms, and the cash flows that the Group actually expects to receive. ECLs is discounted at the effective interest rate of the financial asset. The Group records allowances on financial assets based on either the:

- 12-month ECLs – representing the ECLs that results from default events that are possible within the 12 months after the reporting date (or the expected life of the instrument if shorter); or
- Lifetime ECLs – representing the ECLs that results from all possible default events over the expected life of the contract.

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

Simplified approach - Trade receivables

For all trade receivables (including service concession receivables), the Group adopts a simplified approach whereby an allowance for lifetime ECLs is assessed upon initial recognition. The Group estimates lifetime ECLs using a provision matrix based on historical credit loss experience, adjusted for various factors including debtor-specific factors, forward-looking information such as industry and economic forecasts, and other as appropriate.

General approach – Other financial instruments and financial guarantee contracts (“FGC”)

For all other financial instruments on which ECLs is assessed, an allowance for 12-month ECL is recorded upon initial recognition. The allowance is increased to lifetime ECLs if the credit risk at each reporting date has increased significantly as compared to the credit risk at initial recognition. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(ii) Impairment (cont'd)

General approach - Other financial instruments and financial guarantee contracts ("FGC")
(cont'd)

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 regards the following as events of default:

- events that make it unlikely for the borrower to repay in full unless the Group undertakes actions to recover the assets (e.g., exercising rights over collateral or other credit enhancements); or
- the financial instrument has become overdue in excess of 90 days.

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 2023

3 Material Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(ii) Impairment (cont'd)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial instrument on which ECLs assessment is required has become credit-impaired. This is the case when one or more events have occurred that are considered to be detrimental to the estimated future cash flows of the instruments.

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

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event (e.g., more than 90 days past due);
- other lenders granting concessions (such as loan restructuring) to the borrower due to economic or contractual reasons, that would not have been considered in the absence of the borrower's financial difficulty;
- increasing likelihood that the borrower will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for the borrower's securities due to financial difficulties.

For credit-impaired financial assets, interest income is determined by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of ECLs allowance).

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, such as when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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 2023

3 Material Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(iii) Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions. All regular way purchases and sales of financial assets are recognised on trade-date, which is 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 that is a debt instrument, the difference between the asset's carrying amount and the sum of the consideration received and the receivable is recognised in profit or loss. In addition, for a financial asset that is a debt instrument 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 equity instrument at FVPL, the difference between the asset's carrying amount and the sum of the consideration received and the receivable is recognised in profit or loss. For equity investments at FVOCI, the difference is instead recognised directly in equity as part of retained earnings. Cumulative gains or loss previously accumulated in equity are also transferred directly to retained earnings upon derecognition of FVOCI equity investments.

(k) 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.

(l) Cash and Cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are charged to equity, net of any tax effects.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Dividends to Company's Shareholders

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

(p) Financial Guarantees

The Company has issued 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.

Financial guarantee in the separate financial statements

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL, and do not arise from a transfer of a financial asset, 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 2023

3 Material Accounting Policies (cont'd)

(p) Financial Guarantees (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.

(q) Financial Liabilities

(i) Financial liabilities

The Group recognises financial liability on its statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instruments.

Financial liabilities (including bank borrowings and trade and other payables) are recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

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 have expired. The difference between the carrying amount of the financial liability that has been derecognised and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(r) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

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

Non-financial assets other than goodwill are tested for impairment whenever there is any objective evidence or 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(t) Revenue Recognition (cont'd)

(i) Goods and services sold

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

Revenue from sale of goods and services in the ordinary course of business is recognised when the control of the goods and services has transferred, being when the goods and services are delivered to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled performance obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has not 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.

(ii) Service concession arrangements

Construction income

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.

Operating income

The Group recognise revenue from renewable energy when the related services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(t) Revenue Recognition (cont'd)

(ii) Service concession arrangements (cont'd)

Finance income

Finance income is recognised using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the service concession period.

(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.

(u) 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(j) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(u) 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.

(v) Employee Benefits

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

(i) Defined contribution plans

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

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 2023

3 Material Accounting Policies (cont'd)

(v) 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:

Countries	Rate of Contribution	The Floor and Ceiling of Mandatory Provident Funds Contribution			Name of Defined Contribution Scheme
	Employer	Minimum monthly income	Maximum monthly income	Additional income ceiling	
Singapore	7.5% - 17%	SGD 51 ^[1]	SGD 6,000 – SGD 6,300	SGD 102,000 minus total monthly income subject to contributions for the year	Central Provident Fund
China	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	Badan Penyelenggara Jaminan Social
Vietnam	21.5%	VND 3,250,000 ^[1]	VND 29,800,000 – VND 36,000,000	Not applicable	Social Security Fund
Thailand	5.0%	THB 1,650 ^[1]	THB 15,000	Not applicable	Social Security Fund
Taiwan	6.0%	No limit	NTD 147,901 – NTD 150,000	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(v) Employee Benefits (cont'd)

(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

The Group operates an equity-settled share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

When the options are exercised, the proceeds received (net of transaction costs) and the related balances previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued to the employees.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(w) Leases (cont'd)

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(w) Leases (cont'd)

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

Short-term lease and lease of low-value assets

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

(ii) When the Group is a lessor

Leases in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Sub-lease arrangements where the Group acts as an intermediate lessor are classified as finance or operating leases 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 lease exemption to the head lease, then the sub-lease will be classified as an operating lease.

(x) Income Tax

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

(i) Current tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(x) Income Tax (cont'd)

(ii) Deferred tax (cont'd)

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 assets and liabilities are not recognised if the temporary difference arises from (i) initial recognition of goodwill or (ii) initial recognition of assets and liabilities in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable profit, and does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(x) Income Tax (cont'd)

(ii) Deferred tax (cont'd)

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

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

(iii) Current and deferred tax for the period

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

(y) Related Parties

A related party is defined as 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 the Group and Company if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3 Material Accounting Policies (cont'd)

(y) Related Parties (cont'd)

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

(z) Segment Reporting

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

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

(i) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(a) Allowance for 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\$783,000 (2022: S\$1,353,000) (Notes 6 and 8). In addition, certain inventories which were determined to be obsolete and unusable amounting to S\$30,000 (2022: S\$49,000) (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 2023 are set out in Note 18.

(ii) Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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

(a) Service concession arrangements (cont'd)

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 Group recognises operating income when the related operating services in relation to the mini-hydropower plants are rendered. Finance income is recognised using the effective interest rate method by applying the rate to discount the estimate future cash receipts over the expected life of service concession arrangements.

The information about the service concession arrangements is disclosed in Note 29. The operating income and the finance income recognised for the current financial year is disclosed in Note 5. The carrying amount of the Group's service concession receivables as at 31 December 2023 is disclosed in Note 19.

(b) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. The recoverable amount of the CGU to which goodwill has been allocated is based on a VIU calculation. VIU is based on a cash flow forecast, the preparation of which requires management to use assumptions and estimates relating to budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. 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 2023 are set out in Note 15.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 (cont'd)

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 2023 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 2023 are disclosed in Note 19.

(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\$7,701,000 (2022: S\$8,948,000) (Note 10) for the financial year ended 31 December 2023.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2023 are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 Revenue and Contract Liabilities and Contract Assets

(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	Other specialised engineering solutions	Industrial computing solutions	Renewable Energy	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2023						
Geographical markets						
Singapore	23,259	3,582	4,723	-	771	32,335
China	192,341	56,599	196	-	-	249,136
Hong Kong	6,583	13	-	-	-	6,596
Malaysia	10,668	939	6	-	12	11,625
Indonesia	346	45	-	6,685	7	7,083
Vietnam	16,339	99	71	-	1	16,510
Others	10,623	7,553	305	-	-	18,481
Total revenue from contracts with customers	260,159	68,830	5,301	6,685	791	341,766
Goods or services transferred at a point in time	259,015	67,711	4,514	-	791	332,031
Services transferred over time	1,144	1,119	787	3,052	-	6,102
Finance income from service concession arrangements	-	-	-	3,633	-	3,633

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

(a) Disaggregation of Revenue (cont'd)

Segments	Engineering Solutions	Other specialised engineering solutions	Industrial computing solutions	Renewable Energy	Others	Total
	- Motion control S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2022						
Geographical markets						
Singapore	43,691	3,319	10,949	-	673	58,632
China	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	7,642	684	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

Details of revenue from renewable energy are set out as follows:

	2023 S\$'000	2022 S\$'000
Construction income	-	7,642
Finance income	3,633	-
Operating income	3,052	-
	6,685	7,642

(b) Contract Liabilities

	Group	
	31 December 2023 S\$'000	1 January 2022 S\$'000
Contract liabilities	10,811	19,475

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

(b) Contract Liabilities (cont'd)

Contract liabilities

	Group	
	2023 S\$'000	2022 S\$'000
Revenue recognised in the current year that was included in the contract liabilities at the beginning of the year	16,632	17,690
Changes due to cash received, excluding amount recognised as revenue during the year	9,440	16,218

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 China subsidiaries.

(c) Contract Assets

	Group		
	31 December 2023 S\$'000	2022 S\$'000	1 January 2022 S\$'000
Contract assets	509	-	-

	Group	
	2023 S\$'000	2022 S\$'000
<i>Contract assets</i> (Note 19) Recognised during the year	509	-

Contract assets relate to revenue representing the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 Other Operating Income

	Group	
	2023	2022
	S\$'000	S\$'000
Interest income	338	404
Commission income	40	135
Gain on disposal of property, plant and equipment, net	8	24
Government grants	522	258
Operating lease rental income:		
- investment properties	52	63
- sub-let of office/warehouse premises	405	425
Property management income	526	499
Technical service income	629	507
Write back of allowance for inventories obsolescence*	106	85
Miscellaneous income**	2,169	1,048
	4,795	3,448

* 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.

** Included in the miscellaneous income is the claims of S\$1.2 million (2022: nil) for compensation for non-performance from the engineering, procurement, and construction ("EPC") contractor for the construction of hydropower plant projects in Indonesia.

7 Finance Costs

	Group	
	2023	2022
	S\$'000	S\$'000
Interest expense on:		
- bank loans	2,000	1,201
- trust receipts	243	168
- leases liabilities	220	189
- others	1,928	1,928
	4,391	3,486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 Profit before Income Tax

	Group	
	2023	2022
	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	32	33
Audit fees paid to:		
- auditors of the Company and other firms affiliated with Moore Global Network Limited*	356	377
- other auditors	159	147
Audit related services fee - Company's auditor	5	5
Depreciation of property, plant and equipment		
- recognised in cost of sales	1,291	778
- recognised in distribution costs	378	423
- recognised in administrative expenses	3,889	3,651
	5,558	4,852
Depreciation of investment properties	19	19
Other operating expenses included:		
- trade receivables written off	158	12
- allowance for inventories obsolescence	889	1,438
- property, plant and equipment written off	31	-
- inventories written off	30	49
- realised foreign exchange losses	1,126	1,039
- unrealised foreign exchange losses	1,401	4,862
Operating lease rental expense	258	203

* There was no non-audit fee paid/payable to the Company's auditors during the financial years ended 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 Employee Benefits

	Group	
	2023 S\$'000	2022 S\$'000
Directors' fees	216	216
Directors' remuneration		
- salaries and related costs	3,418	4,756
- defined contribution plans	19	21
Key management personnel (other than directors)		
- salaries and related costs	1,326	1,573
- defined contribution plans	75	75
Other than directors and key management personnel		
- salaries and related costs	34,827	34,755
- defined contribution plans	4,611	4,083
	44,492	45,479

Details of Directors' emoluments are set out as follows:

	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 2023						
Independent non-executive 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	-	1,311	57	1,393	19	2,780
- Kong Deyang	-	55	48	554	-	657
	216	1,366	105	1,947	19	3,653

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2022						
Independent non-executive 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

(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 2023 and 2022.

(b) Directors' waived emoluments

None of the Directors waived or agreed to waive any emoluments during the financial years ended 31 December 2023 and 2022.

(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 2023 and 2022.

(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 2023 and 2022.

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 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023 and 2022.

- (f) 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.

Five highest paid individuals

For the financial years ended 31 December 2023 and 2022, 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 2023 and 2022 are set out below.

	Group	
	2023	2022
	S\$'000	S\$'000
Salaries, allowance and benefits in kind	655	787
Discretionary bonuses	594	166
Retirement scheme contributions	64	55
	1,313	1,008

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

	Group	
	2023	2022
	Number of individuals	
S\$300,001 to S\$400,000	1	3
S\$400,001 to S\$500,000	1	-
S\$500,001 to S\$600,000	1	-
S\$600,001 to S\$700,000	1	-
S\$700,001 to S\$800,000	-	1
S\$2,500,001 to S\$3,000,000	1	-
S\$4,000,001 to S\$4,500,000	-	1
	5	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 Income Tax

	Group	
	2023	2022
	S\$'000	S\$'000
Current income tax		
- Singapore	438	1,611
- China	6,443	6,865
- Outside Singapore and China	529	940
- Under/(Over) provision in respect of prior years	308	(292)
	7,718	9,124
Deferred taxation (Note 26)		
- Withholding tax on the profits of the Group's subsidiaries	(120)	(114)
- Under/(Over) provision in respect of prior years	103	(62)
	(17)	(176)
	7,701	8,948

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	
	2023	2022
	S\$'000	S\$'000
Profit before income tax	18,873	32,027
Income tax calculated at applicable tax rates	5,330	8,213
Non-deductible expenses	1,662	1,673
Non-taxable income	(1,102)	(1,697)
Singapore statutory stepped income exemption and tax rebate	(52)	(70)
Deferred tax assets not recognised	1,537	1,149
Share of results of associates	35	148
Withholding tax on undistributed earnings of certain of the Group's China subsidiaries	(120)	(114)
Under/(Over) provision in respect of prior years:		
- income tax	308	(292)
- deferred income tax	103	(62)
	7,701	8,948

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 Income Tax (cont'd)

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

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore is 17% (2022: 17%). The corporate tax rate applicable to those entities of the Group incorporated in Malaysia is 24% (2022: 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 China, China 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 enterprises 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.

Unrecognised tax losses

As at 31 December 2023, the Group has unutilised tax losses of approximately S\$34.2 million (2022: S\$25.1 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\$34.2 million (2022: S\$25.1 million) has not been recognised in accordance with the Group's accounting policy stated in Note 3(x). The deferred tax asset not recognised is estimated to be S\$5.8 million (2022: S\$4.3 million).

The unutilised tax losses of Singapore entities of the Group have no expiry date, while the unutilised tax losses of China 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 Income Tax (cont'd)

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 China entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules.

As at 31 December 2023, deferred tax liabilities of S\$512,000 (2022: S\$632,000) (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 China in the foreseeable future. No deferred tax has been recognised on the undistributed earnings of the remaining Group’s subsidiaries in China 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\$41.5 million (2022: S\$39.4 million). The deferred tax liability not recognised is estimated to be S\$2.1 million (2022: S\$2.0 million).

11 Earnings Per Share

	Group	
	2023	2022
	Singapore cents per share	Singapore cents per share
Basic earnings per share	1.12	3.33
Fully diluted earnings per share	1.12	3.33

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 Earnings Per Share (cont'd)

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	
	2023	2022
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the Company	4,952	14,620
Weighted average number of ordinary shares for the purposes of basic earnings per share	442,511,892	438,638,533

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 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 Property, Plant and Equipment

Group 2023 Cost	Freehold land	Leasehold properties	Leasehold improvements	Motor vehicles	Plant and equipment	Hydro power plant	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	S\$'000
At 1 January	4,913	34,509	5,550	4,149	11,287	-	6,984	23,256	90,648
Additions	-	2,402	486	332	1,184	-	922	1,552	6,878
Reclassification	-	-	-	-	-	17,578	-	(17,578)	-
Disposals	-	-	-	(136)	(58)	-	(178)	-	(372)
Written off	-	(365)	(41)	-	(50)	-	(21)	-	(477)
Translation adjustment	(89)	(1,096)	(139)	(98)	(387)	-	(180)	(290)	(2,279)
At 31 December	4,824	35,450	5,856	4,247	11,976	17,578	7,527	6,940	94,398
Accumulated depreciation									
At 1 January	-	9,653	2,556	2,934	6,879	-	5,377	-	27,399
Depreciation for the year	-	2,644	525	405	964	439	581	-	5,558
Reclassification	-	-	-	42	-	-	(42)	-	-
Disposals	-	-	-	(129)	(51)	-	(163)	-	(343)
Written off	-	(365)	(31)	-	(30)	-	(20)	-	(446)
Translation adjustment	-	(433)	(95)	(58)	(235)	-	(138)	-	(959)
At 31 December	-	11,499	2,955	3,194	7,527	439	5,595	-	31,209
Net book value									
At 31 December	4,824	23,951	2,901	1,053	4,449	17,139	1,932	6,940	63,189

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 Property, Plant and Equipment (cont'd)

Group 2022 Cost	Freehold	Leasehold	Leasehold	Motor	Plant and	Hydro	Furniture,	Total	
	land	properties	improvements	vehicles	equipment	power	and office		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 Property, Plant and Equipment (cont'd)

	Leasehold properties S\$'000	Furniture, fittings and office equipment S\$'000	Total S\$'000
Company			
<u>2023</u>			
Cost			
At 1 January	685	57	742
Addition	-	3	3
At 31 December	685	60	745
Accumulated depreciation			
At 1 January	41	45	86
Depreciation for the year	33	13	46
At 31 December	74	58	132
Net book value			
At 31 December	611	2	613
<u>2022</u>			
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12 Property, Plant and Equipment (cont'd)

The Group's leasehold properties are set out below.

Description and location	Gross Area (approximately)	Use	Encumbrance
Leasehold properties			
No. 1128 Jiangxing East Road Wujiang Economic Development Zone China	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 2023, the net book value of the leasehold properties set out above that are mortgaged to secure the Group's bank borrowings was S\$18,408,000 (2022: S\$19,610,000) (Note 24).

As at 31 December 2023, the net book value of motor vehicle and plant and equipment of the Group held under lease liabilities was S\$405,000 (2022: S\$433,000).

Following the commercialisation of one of the mini hydropower plants on 15 June 2023, the construction cost of the aforesaid plant was reclassified to the category of "hydropower plant". As at 31 December 2023, the Group's remaining construction in progress was in relation to the construction of a new building in Wujiang, Suzhou, China office.

During the current financial year, the Group acquired right-of-use assets under leasing arrangements amounting to S\$2,402,000 (2022: S\$1,753,000). 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.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$6,878,000 (2022: S\$4,133,000), of which S\$2,402,000 (2022: S\$1,753,000) relates to right-of-use assets and S\$115,000 (2022: S\$98,000) were acquired by means of finance lease. Cash payments of S\$4,361,000 (2022: S\$2,282,000) were made to purchase property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13 Investment Properties

	Group	
	2023 S\$'000	2022 S\$'000
Cost		
Balance at 1 January	951	959
Translation adjustment	(6)	(8)
Balance as at 31 December	945	951
Accumulated depreciation		
Balance at 1 January	534	519
Depreciation for the year	19	19
Translation adjustment	(4)	(4)
Balance at 31 December	549	534
Net book value		
Balance at 31 December	396	417

The Group applies the cost model for its investment properties. The market value of these investment properties approximates S\$578,000 (2022: S\$850,000) 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
<u>Freehold building</u>				
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johor, Malaysia	270 sq. m	Freehold building	Leased out to third party	None
<u>Leasehold properties</u>				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	95 sq. m	60 years expiring December 2041	Leased out to third party	None
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	170 sq. m	60 years expiring December 2041	Leased out to third party	None

Investment properties are leased to third parties. During the financial year, rental income from these investment properties amounted to S\$52,000 (2022: S\$63,000); and direct operating expenses amounted to S\$31,000 (2022: S\$30,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 Land Use Rights

	Group	
	2023	2022
	S\$'000	S\$'000
Cost		
Balance at 1 January	1,555	1,671
Translation adjustment	(45)	(116)
Balance at 31 December	<u>1,510</u>	<u>1,555</u>
Accumulated amortisation		
Balance at 1 January	451	450
Amortisation for the year	32	33
Translation adjustment	(14)	(32)
Balance at 31 December	<u>469</u>	<u>451</u>
Net book value		
Balance at 31 December	<u><u>1,041</u></u>	<u><u>1,104</u></u>
Amount to be amortised:		
- not later than one year	32	33
- later than one year but not later than five years	128	132
- later than five years	881	939
	<u><u>1,041</u></u>	<u><u>1,104</u></u>

The land use rights relate to two parcels of state-owned land situated in China. The land use rights have a remaining tenure of 33 years (2022: 34 years).

As at 31 December 2023 and 2022, 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 2023

15 Goodwill

	Group	
	2023	2022
	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	
	2023	2022
	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
Renewable Energy		
- Aenergy Holdings Company Limited (" Aenergy ")	541	541
	<u>12,227</u>	<u>12,227</u>

The Group assessed the recoverable amount of each CGU based on value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates. The growth rates used are based on the average historical growth rate of each CGU and past experience and with reference to the long-term average growth rates of the industries and markets in which the CGUs operate. The discount rate was a pre-tax measure based on the Group's weighted average cost of capital, adjusted for certain adjustment factors to reflect specific risks relating to the CGU. The pre-tax discount rates used, 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 2023

15 Goodwill (cont'd)

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

	Group	
	2023	2022
Engineering Solutions – Motion Control		
Growth rates	3.0% to 5.0%	0.0% to 5.0%
Perpetual growth rate	2.0% to 3.0%	2.0%
Pre-tax discount rate	10.6% to 10.9%	11.2% to 11.3%
Other Specialised Engineering Solution		
Growth rates	0.0% to 10.0%	0.0% to 10.0%
Perpetual growth rate	3.0%	5.0%
Pre-tax discount rate	12.7%	14.4%
Renewable Energy		
Revenue estimate	Estimates based on the mini-hydropower plant capacity of 4.6 and 10 megawatts	
Pre-tax discount tax	10.6%	15.4%

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% (2022: 1%), respectively, the relevant excess of recoverable amount over carrying amount would decrease to S\$1,295,000, S\$17,437,000 and S\$16,633,000 (2022: S\$426,000, S\$10,136,000 and S\$12,424,000) for engineering solutions – motion control, other specialised engineering solution and renewable energy 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 2023

16 Subsidiaries

	Company	
	2023	2022
	S\$'000	S\$'000
Non-current assets		
Unquoted equity shares, at cost	36,783	36,783
Issue of ordinary shares related to share award	1,387	-
Capital injection by way of capitalisation of loan (Note 16 (I))	35,507	-
Loans to subsidiaries	13,627	13,627
	<u>87,304</u>	<u>50,410</u>
Current assets		
Amounts owing by subsidiaries	39,050	69,821
Less: Allowance for impairment loss	(1,644)	(1,858)
	<u>37,406</u>	<u>67,963</u>

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

The Group has effective equity interest in certain subsidiaries of less than 50%. In assessing whether the Group has control over the entities where it holds less than a majority of voting rights, the Group has concluded that it holds the substantive rights to direct the entities' relevant activities (i.e. financing and operating activities) and/or there are strong operational barriers or incentives that would prevent (or deter) the other third parties from exercising their rights, and/or has majority of the board representatives. As the Group has determined to have control over these entities, they are accordingly accounted for as subsidiaries.

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

	Company	
	2023	2022
	S\$'000	S\$'000
Balance at the beginning of the year	1,858	1,715
Allowance for impairment on the amount owing by subsidiaries	-	143
Write back of allowance for impairment loss on amount owing by subsidiaries	(214)	-
Balance at the end of the year	<u>1,644</u>	<u>1,858</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
<u>Held by the Company</u>					
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
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\$49,263,908	100	100	Investment holding
<u>Held by Motion Control Group Pte. Ltd.</u>					
Precision Motion Control Pte Ltd ⁽¹⁾	Singapore	S\$300,000	100	100	Motion control solutions
Servo Technologies Sdn. Bhd. ⁽⁶⁾	Malaysia	MYR1	100	-	Motion control solutions
Servo Dynamics (Thailand) Company Limited ⁽⁴⁾	Thailand	THB16,900,000	59.7	59.7	Motion control solutions
Servo Engineering Sdn Bhd ⁽⁴⁾	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)}	China	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 ⁽⁴⁾	Malaysia	MYR3	100	100	Motion control solutions
Excel Best Industries (Suzhou) Co., Ltd ^{(2) (4) (8)}	China	US\$6,000,000	100	100	Properties holding

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by Motion Control Group Pte. Ltd. (cont'd)					
Weiyi M&E Equipment (Shanghai) Co., Ltd ^{(2) (4) (11)}	China	US\$140,000	51	51	Inactive
IRSS Pte. Ltd. ^{(1) (12)} (formerly known as Jin Zhao Yu Pte. Ltd.)	Singapore	S\$200,000	65	-	Motion control solutions
Suzhou PDC Co., Ltd ^{(2) (4) (8)}	China	US\$4,800,000	100	100	Properties holding
Gateway Motion (Shanghai) Co., Ltd ^{(2) (4) (8)}	China	US\$210,000	100	100	Motion control solutions
JAPV Mechanical Technology (Wu Jiang) Co., Ltd ^{(2) (4) (11)}	China	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)}	China	US\$100,000	100	100	Investment holding
Accel Technologies (China) Co., Ltd ^{(2) (4) (8)}	China	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)}	China	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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by <u>Motion Control Group Pte. Ltd.</u> (cont'd)					
NovaPeak Pte. Ltd. ⁽²⁾	Singapore	S\$200,000	90	87	Industrial automation, drone services, big data analytic, consultancy and training services
Held by <u>ISDN Software Business Pte. Ltd.</u>					
ISDN-NJ Software Business Co., Ltd. ^{(2) (4) (10)}	China	RMB7,000,000	70	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)}	China	US\$690,000	50	50	Motion control solutions
Maxon Motor International Trading (Shanghai) Co., Ltd. ^{(2) (4) (5) (10)}	China	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. ⁽⁴⁾	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)}	China	RMB2,000,000	100	100	Motion control solutions
Shenzhen Servo Dynamics Co., Ltd. ^{(2) (4) (9)}	China	RMB6,000,000	100	100	Motion control solutions

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by <u>Su Zhou Servo Dynamics Co., Ltd.</u> (cont'd)					
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁹⁾	China	RMB5,000,000	50	50	Other specialised engineering solutions
Held by <u>Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd</u>					
Bei Cheng Information Technology (Tianjin) Co., Ltd. ⁽²⁾⁽⁵⁾⁽⁹⁾	China	RMB5,000,000	50	50	Other specialised engineering solutions
Held by <u>IGB (H.K.) Co., Ltd</u>					
SEJINIGB (China) Co., Ltd ⁽²⁾⁽⁴⁾⁽⁸⁾	China	US\$510,000	70.9	70.9	Other specialised engineering solutions
Held by <u>DBASIX Singapore Pte. Ltd.</u>					
Shanghai DBASIX M&E Equipment Co., Ltd ⁽²⁾⁽⁴⁾⁽⁸⁾	China	US\$870,000	75	75	Other specialised engineering solutions
DBASIX Malaysia Sdn Bhd ⁽⁴⁾	Malaysia	MYR500,000	75	75	Other specialised engineering solutions
Held by <u>Shanghai DBASIX M&E Equipment Co., Ltd</u>					
Dbasix Suzhou Co., Ltd ⁽⁶⁾⁽⁹⁾	China	RMB1,000,000	75	-	Other specialised engineering solutions
Held by <u>TDS Technology (S) Pte Ltd</u>					
ADL Control (S) Pte. Ltd. ⁽¹⁾⁽⁵⁾	Singapore	S\$100,000	45.9	45.9	Motion control solutions
TDS Technology (Penang) Sdn Bhd ⁽⁵⁾	Malaysia	MYR100,000	48.9	48.9	Motion control solutions
TDS Technology (KL) Sdn Bhd ⁽¹³⁾	Malaysia	MYR100,000	-	48.9	Motion control solutions
SDL Control (Penang) Sdn Bhd ⁽⁵⁾	Malaysia	MYR2	61.2	61.2	Motion control solutions
SDL Control (KL) Sdn Bhd ⁽¹³⁾	Malaysia	MYR2	-	61.2	Motion control solutions
TDS Technology (Thailand) Company Limited ⁽³⁾⁽⁵⁾	Thailand	THB10,000,000	28.2	28.2	Motion control solutions

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by					
ISDN Investments Pte. Ltd. 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
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. ⁽¹⁾	Singapore	S\$100	100	100	Develop, design and manufacture advance manufacturing equipment and provide advance manufacturing services
ISDN (Jiangxi) Technologies Co., Ltd. ^{(6) (8)}	China	USD20,000,000	100	-	Other specialised engineering solutions
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)}	China	US\$1,300,000	100	100	Other specialised engineering solutions
AR Robotics and Automation Pte. Ltd. ⁽¹⁾	Singapore	US\$500,000	100	100	Industrial computing solutions
PT TDS Technology ⁽⁴⁾	Indonesia	IDR878,900,000	67	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. AR Biotech Pte. Ltd. ⁽¹⁾	Singapore	S\$1	100	100	Inactive

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by <u>LAA Energy HK Company Limited</u>					
PT LAA Energy ⁽⁴⁾	Indonesia	IDR140,100,000,000	95	95	Inactive
PT Munte Bumi Energi ⁽⁴⁾	Indonesia	IDR20,000,000,000	90	90	Inactive
Held by <u>Agri Source Pte. Ltd.</u>					
Agri Source Farms Sdn Bhd ^{(2) (4)}	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) (4) (5)}	Malaysia	MYR500,000	49	49	Land holding
Held by <u>Dietionary Farm Holding Pte. Ltd.</u>					
Dietionary Farms Sdn Bhd ^{(2) (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 Energi ⁽⁴⁾	Indonesia	IDR3,600,000,000	53.7	53.7	Renewable energy
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	Renewable energy
PT Galang Hidro Energi ⁽⁴⁾	Indonesia	IDR20,000,000,000	59.1	59.1	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023 %	2022 %	
Held by <u>Aenergy Holdings Company Limited (cont'd)</u>					
PT Alabama Energy ⁽⁴⁾	Indonesia	IDR5,000,000,000	54.4	54.4	Renewable energy
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
Held by <u>ISDN Resource Pte. Ltd.</u>					
IRSS Pte. Ltd. ⁽¹⁾⁽¹²⁾ (formerly known as Jin Zhao Yu Pte. Ltd.)	Singapore	S\$3,000	-	51	Inactive
Held by <u>ISDN Bantaeng Pte. Ltd.</u>					
PT ISDN Bantaeng Corporation ⁽⁴⁾	Indonesia	IDR14,623,000,000	85	85	Inactive
Held by <u>Dirak Asia Pte Ltd.</u>					
Suzhou Dirak Co., Ltd ⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾	China	US\$210,000	49	49	Other specialised engineering solutions
Suzhou D Snap Technologies Co., Ltd ⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾	China	US\$1,750,000	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⁾⁽¹¹⁾	China	RMB5,080,000	49	49	Other specialised engineering solutions
Held by <u>Suzhou Dirak Co., Ltd</u>					
Beijing Dirak Co., Ltd ⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁹⁾	China	RMB500,000	31.9	31.9	Other specialised engineering solutions
Dirak (Tianjin) Group Co., Ltd ⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾	China	RMB100,000	49	49	Other specialised engineering solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
			2023	2022	
			%	%	
Held by <u>Servo Dynamics (H.K.) Limited</u>					
SDHK (Shenzhen) Technology Co., Ltd ⁽¹³⁾	China	RMB1,000,000	-	100	Inactive
Held by <u>Leaptron Engineering Pte. Ltd.</u>					
PT Leaptron Engineering ⁽⁴⁾	Indonesia	IDR4,860,400,000	100	100	Inactive

*Registered paid-up capital as at 31 December 2023, disclosed in the local currency of respective subsidiary

- (1) Audited by Moore Stephens LLP Singapore
- (2) Audited or reviewed by Moore Stephens LLP Singapore for SFRS(I) consolidation purposes
- (3) Audited by member firms of Moore Global Network Limited in the respective countries
- (4) Audited by other firms of certified public accountants for statutory purposes
- (5) Accounted as a subsidiary as the Group has control over the entity
- (6) Incorporated during the financial year
- (7) The other 1% ownership interest is held by the Managing Director and President of the Company
- (8) Wholly owned foreign enterprise registered under China law
- (9) Limited liability company registered under China law
- (10) Jointly owned foreign enterprise registered under China law
- (11) Sino-foreign joint venture
- (12) Shareholdings transferred within the Group
- (13) Liquidated during the year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interests:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
		%	%	S\$'000	S\$'000	S\$'000	S\$'000
Dirak Asia subgroup	Singapore	51	51	340	1,412	11,187	11,583
Maxon Suzhou	China	50	50	4,882	6,703	5,600	7,087
Aenergy Holdings Company Limited subgroup (" Aenergy subgroup ")	Hong Kong	32.9	32.9	(756)	(2,382)	17,178	17,932
Individual immaterial subsidiaries with non-controlling interests				715	(19)	8,078	8,169
Total				5,181	5,714	42,043	44,771

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 China 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%. Aenergy subgroup is 67.1% owned by ISDN Investments, 23.2% by Robert Alexander Stone and 9.7% by SHS Holdings Ltd.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

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

Summarised statement of financial position

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current						
Assets	29,040	31,475	26,395	32,158	29,785	12,217
Liabilities	(10,417)	(12,007)	(15,519)	(18,236)	(36,631)	(58,240)
Net current assets/ (liabilities)	18,623	19,468	10,876	13,922	(6,846)	(46,023)
Non-current						
Assets	5,130	4,191	665	302	97,490	104,001
Liabilities	(1,479)	(947)	(33)	(49)	(38,432)	(3,473)
Share based payment given by ISDN Holdings	(338)	-	(308)	-	-	-
Net non-current assets	3,313	3,244	324	253	59,058	100,528
Net assets	21,936	22,712	11,200	14,175	52,212	54,505

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

Summarised statement of comprehensive income

	Dirak Asia subgroup		Maxon Suzhou		Aenergy subgroup	
	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	33,762	39,605	69,095	74,648	6,685	7,642
Profit/(Loss) before income tax	1,185	2,970	13,180	18,061	(2,298)	(7,239)
Income tax	(518)	(200)	(3,417)	(4,656)	-	-
Profit/(Loss) after tax and total comprehensive income/(loss)	667	2,770	9,763	13,405	(2,298)	(7,239)

Other summarised information

Cash flow (used in)/ generated from operating activities	(467)	1,059	8,376	11,592	328	335
Dividends to non-controlling interests during the year	351	464	6,072	9,154	-	-
Acquisition of property, plant and equipment	877	630	348	76	320	325

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\$7,597,000 (2022: S\$10,812,000) held by Maxon Suzhou and Maxon Shanghai in China are subject to local exchange control regulations. These control regulations place restrictions on the amount of currency being exported other than through dividends.

(a) SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd.

In 2023, the Group dissolved two Malaysian subsidiaries, SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd..

(b) NovaPeak Pte. Ltd.

In 2023, the Company's direct wholly-owned subsidiary, MCG acquired 6,000 ordinary shares representing 3% of the issued and paid-up share capital of NovaPeak Pte. Ltd. ("NovaPeak") from a minority shareholder at a consideration of S\$1.00. Following the completion of the acquisition, the Company's effective interest in NovaPeak increased from 87% to 90%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

(c) Suzhou D Snap Technologies Co., Ltd.

In 2023, the Company's indirect 49%-owned subsidiary, Dirak Asia had made capital injections of USD1,000,000 (equivalent to S\$1,352,000) in a wholly-owned subsidiary, Suzhou D Snap Technologies Co., Ltd. ("**Suzhou D Snap**") for working capital purpose. Following the completion of the capital injection, the total registered and paid-up share capital of Suzhou D Snap increased from USD750,000 to USD1,750,000 (100%) of the total registered and paid-up share capital of Suzhou D Snap.

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

In 2023, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") had made additional capital injections of RMB4,550,000 (equivalent to S\$856,000) in a 70%-owned subsidiary, ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") for working capital purposes. Following the completion of the additional capital injection, the total paid-up share capital of ISDN Nanjing increased from RMB2,450,000 to RMB7,000,000 (equivalent to approximately S\$1,354,000).

(e) Dbasix Suzhou Co., Ltd.

In 2023, the Company's indirect 75%-owned subsidiary, Shanghai Dbasix M&E Equipment Co., Ltd. ("**Dbasix Shanghai**") incorporated a wholly-owned subsidiary in China to be known as Dbasix Suzhou Co., Ltd. ("**Dbasix Suzhou**") with a registered capital of RMB1,000,000 (equivalent to approximately S\$186,000). Dbasix Suzhou is principally engaged in the development, design and manufacture of advanced manufacturing equipment and provides consultancy and technical services.

(f) Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd.

In 2023, the Company's indirect wholly-owned subsidiary, Suzhou Servo Dynamics Co., Ltd. ("**Suzhou Servo**") had capitalised the dividend payment of RMB1,500,000 (equivalent to S\$278,580) from its 50%-owned subsidiary, Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd. ("**Beijing Bei Cheng**") by way of declaration of a final dividend for the financial year ended 31 December 2022 to Suzhou Servo. Following the capital injection by way of final dividend, the total paid-up share capital of Beijing Bei Cheng increased from RMB2,000,000 to RMB5,000,000 and the Group's effective interest in Beijing Bei Cheng remains unchanged at 50%. Upon the completion of capitalisation of the dividend payment, the percentage of Suzhou Servo's interest in the share capital of Beijing Bei Cheng remains unchanged at 50%.

(g) ISDN (Zhejiang) Precision Technology Co., Ltd.

In 2023, the Company's direct wholly-owned subsidiary, ISDN Investments had made a capital injection of USD300,000 (equivalent to S\$408,000) in a wholly-owned subsidiary, ISDN (Zhejiang) Precision Technology Co., Ltd. ("**ISDN Zhejiang**") for working capital purposes. Upon the completion of the Capital Injection, the total paid-up share capital of ISDN Zhejiang will be increased from USD1,000,000 to USD1,300,000.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

(h) IRSS Pte. Ltd.

In 2023, the Company's indirect wholly-owned subsidiary, ISDN Resource acquired 870 ordinary shares in Jin Zhao Yu Pte. Ltd. ("**Jin Zhao Yu**") from two minority shareholders at a consideration of S\$0.50 each. Following the completion of the acquisition, the Company's effective interest in Jin Zhao Yu increased from 51% to 80%.

Thereafter, the Company's direct wholly-owned subsidiary, MCG acquired 2,400 and 600 ordinary shares representing 80% and 20% of the issued and paid-up share capital of Jin Zhao Yu from ISDN Resource and a minority shareholders respectively for a total consideration of S\$1.00 each. MCG and ISDN Resource are wholly-owned subsidiaries of the Company. Following the completion of the acquisition, the Company's effective interest in Jin Zhao Yu increased from 80% to 100%. The name of Jin Zhao Yu had changed to IRSS Pte. Ltd. ("**IRSS**") subsequently.

Subsequent to the change of company name of Jin Zhao Yu, MCG entered into a joint venture with a minority shareholder for an additional subscription of 197,000 ordinary shares in IRSS. MCG had subscribed 127,000 ordinary shares at a subscription price of S\$1 per share for an aggregate cash consideration of S\$127,000 and the minority shareholder had subscribed 70,000 ordinary shares at the subscription price of S\$1 per share for an aggregate cash consideration of S\$70,000 (the "**Capital Injection**"). Following the completion of the Capital Injection, the Group's effective interest in IRSS decreased from 100% to 65%.

(i) SDHK (Shenzhen) Technology Co., Ltd.

In 2023, the Company's indirect wholly-owned subsidiary, SDHK (Shenzhen) Technology Co., Ltd, ("**SDHK Shenzhen**") a company incorporated under the laws of China, has been placed under members' voluntary liquidation under the laws of the China, and the voluntary liquidation has been completed on 6 November 2023 (the "**Liquidation**"). The voluntary liquidation of SDHK Shenzhen comports with the Group's overall approach to increasing the simplicity and focus of its corporate structure over time. The voluntary liquidation does not have a material impact on the net tangible assets per share and the earnings per share of the Company for the current financial year ended 31 December 2023.

(j) ISDN (Jiangxi) Technologies Co., Ltd

In 2023, the Company's direct wholly-owned subsidiary, ISDN Investments incorporated a wholly-owned subsidiary in China to be known as ISDN (Jiangxi) Technologies Co., Ltd ("**ISDN Jiangxi**") with a registered capital of USD20,000,000 (equivalent to S\$26,872,000). ISDN Jiangxi is principally engaged in the technology development, provides consultancy and technology services, seal and hardware products manufacturing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 Subsidiaries (cont'd)

(k) Servo Technologies Sdn. Bhd.

In 2023, the Company's direct wholly-owned subsidiary, MCG incorporated a wholly-owned subsidiary in Malaysia to be known as Servo Technologies Sdn. Bhd., ("**Servo Technologies**") with an issued and paid-up share capital of MYR1 for 1 ordinary share. Servo Technologies is principally engaged in the business of importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions.

(l) ISDN Investments Pte. Ltd.

In 2023, the Company capitalised a loan sum of S\$35,507,000 being part of the existing loan owed by its wholly-owned subsidiary, ISDN Investments to the Company, to be applied towards the Company's additional capital injection in ISDN Investments (the "**Capitalisation of Loan**"). Following the completion of the Capitalisation of Loan, the issued and paid-up share capital of ISDN Investments increased from S\$13,757,000 to S\$49,264,000, representing 100% of the total issued and paid-up capital of ISDN Investments.

17 Associates

	Group	
	2023	2022
	S\$'000	S\$'000
Unquoted equity shares, at cost	1,889	1,889
Share of post-acquisition profits	6,226	6,895
Dividends received	(2,298)	(1,989)
Translation adjustment	9	37
	<u>5,826</u>	<u>6,832</u>
Allowance for impairment loss on investment in associates	(611)	(611)
Loans to associates	57	57
	<u>5,272</u>	<u>6,278</u>

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

As at 31 December 2023, investment in associates includes goodwill of S\$154,000 (2022: S\$154,000).

During the financial year, the Group recognised dividend income of S\$309,000 (2022: S\$228,000) from its investments in associates. The dividend of S\$309,000 (2022: S\$228,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 Associates (cont'd)

Movement in the allowance for impairment is as follows:

	Group	
	2023	2022
	S\$'000	S\$'000
At 1 January and 31 December	611	611

Assessment of impairment

As at 31 December 2023, management carried out an impairment assessment on the Group's investment in associates. Based on management's judgement, no additional allowance for impairment loss was recognised on the investment in an associate (2022: Nil). 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.

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	
	2023	2022
	S\$'000	S\$'000
Current assets	10,500	11,295
Non-current assets	508	690
Current liabilities	(7,174)	(6,396)
Revenue	8,733	17,398
(Loss)/Profit for the year	(1,814)	843
Total comprehensive (loss)/income	(1,814)	843

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

	2023	2022
	S\$'000	S\$'000
Net assets of JM Vistec subgroup	3,834	5,589
Proportion of the Group's ownership	40%	40%
Carrying amount of the Group's interest in JM Vistec subgroup	1,534	2,236

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 Associates (cont'd)

Associates which are individually material (cont'd)

(b) Prestech Industrial Automation Pte. Ltd. ("**Prestech**")

	Prestech	
	2023	2022
	S\$'000	S\$'000
Current assets	4,547	5,864
Non-current assets	3,524	3,822
Current liabilities	(464)	(1,526)
Non-current liabilities	(47)	(89)
Revenue	3,798	8,175
Profit for the year	314	1,702
Total comprehensive income	314	1,702

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

	2023	2022
	S\$'000	S\$'000
Net assets of Prestech	7,560	8,071
Proportion of the Group's ownership	37.5%	37.5%
Carrying amount of the Group's interest in Prestech	2,835	3,027

(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	
	2023	2022
	S\$'000	S\$'000
Assets and Liabilities:		
- total assets	6,781	6,999
- total liabilities	(2,496)	(2,500)
Results:		
- revenue	3,748	5,584
- (loss)/profit for the year	(182)	554
- other comprehensive (loss)/income	(182)	554

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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
		2023 %	2022 %	
Held by <u>Motion Control Group Pte Ltd</u>				
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 <u>JM Vistec System Pte Ltd</u>				
JM Vistec (Suzhou) Co., Ltd ⁽²⁾	China	40	40	Other specialised engineering solutions
JM Vision Technologies Co., Ltd ⁽²⁾	Republic of China (Taiwan)	40	40	Other specialised engineering solutions
JM Vistec System (Thailand) Co., Ltd ⁽²⁾	Thailand	19.6	19.6	Other specialised engineering solutions
SofKore GmbH ^{(2) (3)}	Germany	40	40	Other specialised engineering solutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17 Associates (cont'd)

Name	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Principal activities
		2023	2022	
Held by		%	%	
<u>JM Vistec System Pte Ltd</u> (cont'd)				
Elementary Optomation (S) Pte. Ltd. ⁽¹⁾	Singapore	40	40	Other specialised engineering solutions
Elementary Optomation (Suzhou) Co., Ltd. ⁽²⁾	China	40	40	Other specialised engineering solutions
Held by				
<u>ISDN Resource Pte Ltd</u>				
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⁾ In the process of striking off

18 Inventories

	Group	
	2023	2022
	S\$'000	S\$'000
Components parts	68,336	75,426
Finished goods	10,870	11,589
Work-in-progress	2,540	2,587
Goods-in-transit (finished goods)	1,146	904
Total inventories at cost	82,892	90,506
Less: Allowance for inventories obsolescence	(9,881)	(9,325)
Total inventories at the lower of cost and net realisable value	73,011	81,181
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	249,430	264,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18 Inventories (cont'd)

Movements in the allowance for inventories obsolescence as below:

	Group	
	2023	2022
	S\$'000	S\$'000
Balance at the beginning of the year	9,325	8,773
Add: Allowance for inventories obsolescence	889	1,438
Less: Write back of allowance for inventories obsolescence	(106)	(85)
Less: Written off allowance for inventories obsolescence	(148)	(199)
Translation adjustment	(79)	(602)
Balance at the end of the year	<u>9,881</u>	<u>9,325</u>

19 Trade and Other Receivables and Contract Assets

	Group		Company	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current:</u>				
Service concession receivables (Note 29)	<u>73,243</u>	<u>76,960</u>	-	-
<u>Current:</u>				
Service concession receivables (Note 29)	<u>253</u>	-	-	-
<u>Current:</u>				
Trade receivables, net of impairment (a):				
- note receivables (b)	18,387	10,441	-	-
- trade receivables	67,403	73,386	-	-
- associates	36	10	-	-
- related parties	1,919	2,651	-	-
	<u>87,745</u>	<u>86,488</u>	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 Trade and Other Receivables and Contract Assets (cont'd)

	Group		Company	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Other receivables, net of impairment:				
Advances to associates (c)	31	7	2	3
Advances to related parties (c)	110	101	-	-
Deposits	596	644	17	17
Loans to associates (d)	26	27	-	-
Sundry debtors (e)	3,714	4,061	700	700
Amounts owing from non-controlling interest (f)	1,715	1,878	-	-
	6,192	6,718	719	720
Contract assets (Note 5)	509	-	-	-
Advances paid to suppliers	14,212	6,351	-	-
Prepayments	1,935	1,559	16	84
	110,593	101,116	735	804

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19 Trade and Other Receivables and Contract Assets (cont'd)

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

	Group	
	2023	2022
	S\$'000	S\$'000
Within 30 days	40,995	36,071
31 - 90 days	25,014	31,064
Over 90 days	21,736	19,353
	<u>87,745</u>	<u>86,488</u>

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL as disclosed in the accounting policy Note 3(j)(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	
	2023	2022
	S\$'000	S\$'000
Equity investment measured at fair value through other comprehensive income		
- Unquoted equity share		
At 1 January and 31 December	<u>900</u>	<u>900</u>

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 2023. Information of the fair value measurement is disclosed in Note 34(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21 Cash and Bank Balances

	Group		Company	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Cash and bank balances	46,536	53,893	454	2,030
Fixed deposits	13,497	2,661	1,391	-
	60,033	56,554	1,845	2,030
Effective interest rate per annum	0.1% to 2.6%	0.1% to 1.8%	0.1%	-

The fixed deposits have a maturity period of 1 to 24 months (2022: 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 and the Company'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	
	2023 S\$'000	2022 S\$'000
Cash and bank balances and fixed deposits	60,033	56,554
Less: fixed deposits pledged	(771)	(2,426)
Cash and cash equivalents	59,262	54,128

Included in the fixed deposits pledged is an amount of approximately S\$0.8 million (2022: S\$2.1 million) for banker's performance guarantee issue to the Grantor in relation to the service concession arrangements disclosed in Note 29.

As at 31 December 2023, cash and cash equivalents denominated in Chinese Renminbi amounted to approximately S\$21,592,000 (2022: S\$25,722,000). The Chinese Renminbi is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22 Share Capital

	Group and Company			
	2023		2022	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At 1 January	438,638,533	81,487	438,638,533	81,487
Issue of ordinary shares related to share award	2,830,000	1,387	-	-
Shares issued in lieu of cash for dividend	4,531,676	1,881	-	-
At 31 December	446,000,209	84,755	438,638,533	81,487

On 13 March 2023, the Company issued 2,830,000 new ordinary shares under the ISDN PSP 2022 at an issue price of S\$0.49 (equivalent to HK\$2.85 based on the exchange rate of S\$0.1721: HK\$1 as at 10 March 2023) to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates).

On 24 August 2023, the Company issued 4,531,676 new ordinary shares under the Company's Scrip Dividend Scheme at an issue price of S\$0.415 (for Singapore Shareholders) and HK\$2.403 (for Hong Kong Shareholders).

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.

23 Reserves

	Group		Company	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(9,576)	(5,697)	-	-
Other reserves (c)	6,495	6,194	(178)	(178)
Retained earnings	117,384	116,281	40,062	30,375
	113,867	116,342	39,884	30,197

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

23 Reserves (cont'd)

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

- (a) The merger reserve arose from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation in 2005.
- (b) The exchange translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.
- (c) Other reserves comprise of statutory reserve fund.
 - (i) Statutory reserve fund

In accordance with the relevant laws and regulations of China, the subsidiaries of the Group in China should set aside a statutory reserve fund by way of appropriation of 10% of their profit after tax as reported in China 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 China 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	
	2023	2022
	S\$'000	S\$'000
At 1 January	6,194	6,018
Transfer to other reserves	301	176
At 31 December	<u>6,495</u>	<u>6,194</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24 Bank Borrowings

	Group	
	2023	2022
	S\$'000	S\$'000
Non-current liabilities		
Secured bank loans	51,274	10,066
Unsecured bank loans	4,751	-
	<u>56,025</u>	<u>10,066</u>
Current liabilities		
Secured bank loans	9,691	10,810
Unsecured bank loans	7,461	7,660
Trust receipts	2,507	5,339
	<u>19,659</u>	<u>23,809</u>
Total interest-bearing liabilities	<u><u>75,684</u></u>	<u><u>33,875</u></u>
Repayable:		
- not later than one year	19,659	23,809
- later than one year but not later than two years	9,654	2,693
- later than two years but not later than five years	42,349	5,707
- more than five years	4,022	1,666
	<u><u>75,684</u></u>	<u><u>33,875</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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	
				2023 S\$'000	2022 S\$'000
Secured bank loan	USD	SOFR+4.75%	2028	15,041	8,011
Secured bank loan	SGD	Fixed rate 2.65%	2026	2,872	4,097
Secured bank loan	USD	COF+2.2%	2028	4,582	3,864
Secured bank loan	SGD	SORA+0.2%	2032	3,073	3,333
Secured bank loan	SGD	SORA+0.65%	2025	839	1,338
Secured bank loan	MYR	COF+4.7%	2027	181	233
Secured bank loan	RMB	LPR+4.5%	2033	7,261	-
Secured bank loan	RMB	LPR+4.5%	2026	1,858	-
Secured bank loan	USD	SOFR+2%	2028	25,258	-
Unsecured bank loan	USD	COF+1.75%	2024	632	3,865
Unsecured bank loan	RMB	LPR+1.55%	2023	-	490
Unsecured bank loan	RMB	LPR+3.45%	2024	7,282	1,585
Unsecured bank loan	RMB	LPR+3.5%	2024	892	870
Unsecured bank loan	SGD	COF+1.5%	2024	1,950	550
Unsecured bank loan	SGD	SORA+1.8%	2024	1,150	300
Unsecured bank loan	SGD	Fixed rate 4.25%	2025	306	-
Trust receipt 1	SGD	COF+1.5%	2023	-	754
Trust receipt 2	EURO	COF+1.15%	2024	747	1,818
Trust receipt 3	SGD	COF+2.5%	2024	833	504
Trust receipt 4	SGD	COF+1.15%	2024	86	101
Trust receipt 5	JPY	COF+1.15%	2024	50	141
Trust receipt 6	USD	COF+1.15%	2024	259	260
Trust receipt 7	THB	COF+2.5%	2023	-	1,053
Trust receipt 8	USD	COF+1.2%	2024	272	117
Trust receipt 9	SGD	COF+1.2%	2024	49	591
Trust receipt 10	USD	Fixed rate 6.7%	2024	211	-
Total interest-bearing liabilities				<u>75,684</u>	<u>33,875</u>

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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24 Bank Borrowings (cont'd)

The weighted average effective interest rate of the Group's bank borrowings 5.19% (2022: 4.50%) 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	31 December S\$'000
Group				
<u>2023</u>				
Bank borrowings	28,536	57,144	(12,503)	73,177
Trust receipts	5,339	10,427	(13,259)	2,507
	33,875	67,571	(25,762)	75,684
<u>2022</u>				
Bank borrowings	33,227	22,106	(26,797)	28,536
Trust receipts	6,894	29,810	(31,365)	5,339
	40,121	51,916	(58,162)	33,875

25 Leases Liabilities

	Group		Company	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Non-current liabilities				
- lease liabilities (secured)	68	77	-	-
- lease liabilities (unsecured)	4,967	4,783	618	640
	5,035	4,860	618	640
Current liabilities				
- lease liabilities (secured)	79	108	-	-
- lease liabilities (unsecured)	1,289	1,214	22	21
	1,368	1,322	22	21
Total interest-bearing liabilities	6,403	6,182	640	661

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25 Leases Liabilities (cont'd)

Group as Lessee

(a) Nature of the Group's leasing activities

The Group has lease contracts for leasehold properties, including warehouse and office premises, and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with 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.

(b) Carrying amount of right-of-use assets classified within property, plant and equipment

	Group		
	Leasehold Properties	Motor Vehicle and Plant and Equipment	Total
	S\$'000	S\$'000	S\$'000
2023			
At 1 January	5,886	433	6,319
Additions in the year	2,402	115	2,517
Depreciation	(2,043)	(130)	(2,173)
Translation	(110)	(13)	(123)
At 31 December	6,135	405	6,540
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
	Company		
	Leasehold Properties		
	2023	2022	
	S\$'000	S\$'000	
At 1 January	644	677	
Depreciation	(33)	(33)	
At 31 December	611	644	

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 Accretion of interest S\$'000	31 December S\$'000
Group					
2023					
Lease liabilities	6,182	2,517	(2,516)	220	6,403
2022					
Lease liabilities	6,676	1,851	(2,534)	189	6,182

	1 January S\$'000	Cash flows S\$'000	Non-cash changes Accretion of interest S\$'000	31 December S\$'000
Company				
2023				
Lease liabilities	661	(51)	30	640
2022				
Lease liabilities	680	(50)	31	661

The maturity analysis of lease liabilities is disclosed in Note 34(a).

(d) Amounts recognised in profit or loss

	Group		Company	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Depreciation of right-of-use assets	2,173	1,943	33	33
Short-term lease and low value leases	259	202	-	-
Interest expense on lease liabilities	220	189	30	31
Total amount recognised in profit or loss	2,652	2,334	63	64

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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\$2,516,000 and S\$51,000 (2022: S\$2,534,000 and S\$50,000) respectively in the financial year ended 31 December 2023.

26 Deferred Taxation

	Group	
	2023	2022
	S\$'000	S\$'000
Deferred tax assets		
- to be recovered after one year	281	384
Deferred tax liabilities		
- to be settled after one year	(568)	(676)

	Recognised			
	1 January	in profit	Translation	31 December
	S\$'000	or loss	adjustments	S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
2023				
<u>Deferred tax assets</u>				
Provisions	384	(91)	(12)	281
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(632)	120	-	(512)
Others	(44)	(12)	-	(56)
	(676)	108	-	(568)
2022				
<u>Deferred tax assets</u>				
Provisions	350	62	(28)	384
<u>Deferred tax liabilities</u>				
Withholding tax on distributable earnings	(746)	114	-	(632)
Others	(44)	-	-	(44)
	(790)	114	-	(676)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27 Trade and Other Payables

	Group		Company	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Trade payables (a):				
- trade payables	27,166	33,861	-	-
- associates	36	90	-	-
- related parties	8,384	9,586	-	-
	<u>35,586</u>	<u>43,537</u>	-	-
Accrued operating expenses (b)	2,441	2,173	117	147
Accrued salaries and bonuses (c)	8,207	17,522	1,483	9,380
Amount owing to an associate (d)	-	24	-	-
Amount owing to non-controlling interests (d)	8,575	4,831	-	-
Amount owing to subsidiaries (d)	-	-	910	825
Other payables (e)	9,815	27,014	114	219
	<u>64,624</u>	<u>95,101</u>	<u>2,624</u>	<u>10,571</u>

- (a) Trade payables are non-interest bearing and are usually settled within 30 - 90 days (2022: 30 - 90 days) term.
- (b) Included in accrued operating expenses of the Group was an amount of S\$161,000 (2022: S\$31,000) being interest payable on bank borrowings.
- (c) Included in accrued salaries and bonuses of the Group was an amount of Nil (2022: S\$1,745,000) 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\$1,865,000 (2022: S\$418,000) being dividend payable to non-controlling interests and construction cost payables of S\$4,221,000 (2022: S\$23,349,000) in relation to hydropower plants.
- (f) The aging analysis of trade payables of the Group based on invoice date is as follows:

	Group	
	2023 S\$'000	2022 S\$'000
Within 30 days	23,719	28,355
31 - 90 days	9,706	12,151
Over 90 days	2,161	3,031
	<u>35,586</u>	<u>43,537</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28 Dividends

	Group and Company	
	2023	2022
	S\$'000	S\$'000
Tax-exempt (one-tier) final dividend of 0.80 Singapore cents (2022: 1.45 Singapore cents) per share paid in respect of the financial year ended 31 December 2022	3,548	6,408

On 24 August 2023, a final dividend of 0.80 Singapore cents per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the “Shareholders”) was paid to the shareholders as the final dividend in respect of FY2022.

On 26 August 2022, a final dividend of 1.45 Singapore cents per ordinary share was paid to the Shareholders as the final dividend in respect of FY2021.

The scrip dividend alternatives were accepted by the shareholders as follows:

	Group and Company	
	2023	2022
	S\$'000	S\$'000
Dividends:		
Cash	1,667	6,408
Scrip dividend	1,881	-
	3,548	6,408

The Board of Directors of the Company recommends the payment of a tax-exempt (one-tier) final dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per share in respect of the financial year ended 31 December 2023 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 2023, 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 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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.

PLTM Kandibata 1 has commercialised on 31 December 2022 whereas PLTM Anggoci has commercialised on 15 June 2023.

	Group	
	2023	2022
	S\$'000	S\$'000
Contract cost incurred plus recognised profit less anticipated losses		
As at 1 January	76,960	69,356
Arising during the year	-	7,642
Derecognised upon invoicing	(1,995)	-
Foreign exchange revaluation loss	(574)	-
Translation	(895)	(38)
Net contract work as at 31 December	<u>73,496</u>	<u>76,960</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29 Service Concession Arrangements (cont'd)

	Group	
	31 December	
	2023	2022
	S\$'000	S\$'000
Representing:		
Gross amounts due from customer for contract work	73,496	76,960

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 2023 and 2022 in respect of the service concession receivables.

Subsequent to the completion commercialisation of the two hydropower plants under service concession arrangements, the Group continue for the construction of hydropower plant, Lau Biang 2 and Lau Biang 3. As at 31 December 2023, the Group has performance guarantees issued to the Grantor in relation to the development of mini-hydropower plants, PLTM Kandibata II ("**Lau Biang 2**") and PLTM Kinepen ("**Lau Biang 3**") amounting to approximately S\$2.7 million (2022: S\$2.1 million).

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
- Renewable Energy

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3(z). Segment results represent the profit earned by each segment without allocation of corporate expenses, rental income, share of profit/(loss) of associates, interest income, finance costs and income tax. Segment assets/liabilities are all operating assets/liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance. Segment revenue includes transfer between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. No operating segments have been aggregated to form the reportable segments above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 Segment Information (cont'd)

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	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	260,159	278,462	68,830	72,489	5,301	11,502	6,685	7,642	791	684	-	-	341,766	370,779
Inter-segment sales	4,350	4,002	2,255	2,360	463	1,252	-	-	3	27	(7,071)	(7,641)	-	-
	<u>264,509</u>	<u>282,464</u>	<u>71,085</u>	<u>74,849</u>	<u>5,764</u>	<u>12,754</u>	<u>6,685</u>	<u>7,642</u>	<u>794</u>	<u>711</u>	<u>(7,071)</u>	<u>(7,641)</u>	<u>341,766</u>	<u>370,779</u>
Results														
Segment results	16,356	27,186	4,167	6,830	179	3,179	2,468	(3,082)	(1,133)	(1,298)	-	-	22,037	32,815
Share of (loss)/profit of associates	(669)	1,161	-	-	-	-	-	-	-	-	-	-	(669)	1,161
Corporate income													1,101	645
Rental income													457	488
Interest income													338	404
Finance costs													(4,391)	(3,486)
Profit before income tax													18,873	32,027
Income tax													(7,701)	(8,948)
Profit for the year ended 31 December													<u>11,172</u>	<u>23,079</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	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	150,018	156,567	54,454	52,052	7,377	5,405	110,919	108,074	5,029	9,728	(5,286)	(6,932)	322,511	324,894
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	-	-	12,227	12,227
Associates	5,272	6,278	-	-	-	-	-	-	-	-	-	-	5,272	6,278
Investment properties													396	417
Cash and bank balances													60,033	56,554
Consolidated total assets as at 31 December													<u>400,439</u>	<u>400,370</u>
Liabilities														
Segment liabilities	50,713	41,451	14,349	17,169	463	489	9,580	45,621	4,470	5,593	(5,286)	(6,932)	74,289	103,391
Bank borrowings and lease liabilities													82,087	40,057
Income tax liabilities													1,684	3,933
Others unallocated corporate liabilities													1,714	10,389
Consolidated total liabilities as at 31 December													<u>159,774</u>	<u>157,770</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 Segment Information (cont'd)

(a) Reportable Operating Segments (cont'd)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Capital expenditure on														
- Property, plant and equipment	2,475	912	1,506	941	11	8	379	325	105	194	-	-	4,476	2,380
Other non-cash expenses:														
- Depreciation of property, plant and equipment	2,645	2,664	2,139	1,964	144	112	545	100	85	12	-	-	5,558	4,852
- Depreciation of investment properties	19	19	-	-	-	-	-	-	-	-	-	-	19	19
- Amortisation of land use rights	32	33	-	-	-	-	-	-	-	-	-	-	32	33
- Trade receivables written off	18	12	87	-	53	-	-	-	-	-	-	-	158	12
- Allowance for inventories obsolescence	590	1,045	263	393	-	-	-	-	36	-	-	-	889	1,438
- Allowance for impairment loss on trade and other receivables	1,210	68	3	44	-	1	-	4	535	10	-	-	1,748	127
- Property, plant and equipment written off	31	-	-	-	-	-	-	-	-	-	-	-	31	-
- Over provision of share-based payment	(278)	-	(80)	-	-	-	-	-	-	-	-	-	(358)	-
- Inventories written off	9	8	21	41	-	-	-	-	-	-	-	-	30	49
- Write back of allowance for impairment loss on trade receivables	(94)	(108)	(47)	(306)	(1)	(1)	(35)	-	-	(8)	-	-	(177)	(423)
- Write back of allowance for inventories obsolescence	(75)	(45)	(31)	(40)	-	-	-	-	-	-	-	-	(106)	(85)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 Segment Information (cont'd)

(b) Geographical Information

The Group operates in six principal geographical areas - Singapore (country of domicile), China, 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	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Singapore	32,335	58,632	25,656	29,821
China	249,136	243,202	28,390	24,029
Hong Kong	6,596	6,811	2,400	1,058
Malaysia	11,625	13,366	915	916
Indonesia	7,083	7,918	97,605	104,411
Vietnam	16,510	16,835	596	433
Others	18,481	24,015	987	851
	341,766	370,779	156,549	161,519

(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 2023

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	
	2023	2022
	S\$'000	S\$'000
Future minimum lease payment receivable:		
- not later than one year	715	882
- one to two years	602	684
- two to three years	29	449
- three to four years	-	2
	<u>1,346</u>	<u>2,017</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2022: 1 to 4 years).

(b) Capital Commitments

Capital expenditure contracted for at the consolidated statement of financial position date but not recognised in the financial statements is as follows:

	Group	
	2023	2022
	S\$'000	S\$'000
Commitment in respect of acquisition of plant and equipment*	<u>30,532</u>	<u>241</u>

* Capital expenditures mainly in relation to construction of mini hydropower plants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32 Corporate Guarantees

	Company	
	2023	2022
	S\$'000	S\$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	92,095	60,723

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	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Sales to associates	(87)	(67)	-	-
Sales to related parties	(690)	(594)	(7,234)	(9,837)
Purchases from associates	89	73	-	-
Purchases from related parties	5,568	5,925	65,438	60,573
Administrative income charged to associates	(41)	(41)	-	-
Administrative income charged to related parties	(226)	(211)	(55)	(48)
Rental charged to a related party	(135)	(130)	-	-
Rental charged to associates	(5)	(5)	-	-
Interest charged to related party	-	-	(8)	(8)
Management fee charged to related party	(393)	(350)	(7)	(7)
Other expenses charged by related parties	-	1	605	589
Other income charged to related parties	(202)	(154)	(55)	(115)
Other income charged to associates	(309)	(228)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33 Related Party Transactions (cont'd)

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.

34 Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases transaction, loans/funds to third parties/investees and bank borrowings that are denominated in a currency other than the respective functional currencies of the entities of the Group. The currencies giving rise to this risk are primarily Renminbi ("**RMB**"), United States 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 2023

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				
2023				
Financial assets				
Trade and other receivables	70,037	80,236	699	1,831
Cash and bank balances	23,057	21,789	881	1,779
	93,094	102,025	1,580	3,610
Financial liabilities				
Bank borrowings	17,293	46,255	-	747
Trade and other payables	29,286	11,274	676	2,019
	46,579	57,529	676	2,766
Net financial assets	46,515	44,496	904	844
Less: Net financial assets denominated in the respective entities' functional currencies	(44,714)	-	-	-
Currency exposure	1,801	44,496	904	844
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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% (2022: 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	
	2023	2022
	S\$'000	S\$'000
RMB	90	56
USD	2,225	2,649
CHF	45	(136)
EURO	42	68

A 5% strengthening of S\$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, 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 2023

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% (2022: 0.5%) with all other variables being held constant, the Group's profit before tax will be approximately lower/higher by S\$40,000, S\$86,000 and S\$231,000 respectively (2022: S\$42,000, S\$34,000 and S\$61,000) 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 and contract assets, 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 and contract assets

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 2023

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Trade receivables and contract assets (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 and contract assets 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 and contract assets at the reporting date by geographic region was as follows:

	Group	
	2023	2022
	S\$'000	S\$'000
<u>By geographical areas</u>		
Singapore	9,134	12,319
China	69,738	63,384
Hong Kong	2,195	2,194
Malaysia	399	2,171
Indonesia	1,036	9
Vietnam	3,950	3,905
Others	1,802	2,506
	88,254	86,488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Trade receivables and contract assets (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 fall within this category are smaller establishments 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 2023

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Exposure to credit risk (cont'd)

The Group's credit risk exposure in relation to trade receivables and contract assets from contracts with customers under SFRS(I) 9 as at 31 December are set out in the provision matrix as presented below.

Customer internal credit ratings	China			Singapore and others			Total loss allowance S\$'000
	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	
Group							
2023							
A	0.00%	43,580	-	0.00%	10,247	-	-
B	0.04%	15,250	(6)	0.20%	5,425	(11)	(17)
C	0.32%	9,037	(29)	0.49%	2,725	(13)	(42)
D	0.41%	1,914	(8)	0.58%	144	(1)	(9)
E	100.00%	115	(115)	100.00%	1,324	(1,324)	(1,439)
		<u>69,896</u>			<u>19,865</u>		
			<u>(158)</u>			<u>(1,349)</u>	<u>(1,507)</u>
2022							
A	0.00%	45,491	-	0.00%	9,297	-	-
B	0.05%	8,250	(4)	0.27%	10,000	(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)
		<u>63,649</u>			<u>23,300</u>		
			<u>(265)</u>			<u>(196)</u>	<u>(461)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Trade receivables and contract assets (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	
	2023 S\$'000	2022 S\$'000
Group		
As at 1 January per SFRS(I) 9	461	974
Allowance for impairment on trade receivables	1,212	79
Write back of allowance for impairment loss on trade receivables	(105)	(415)
Written off	(46)	(123)
Translation adjustment	(15)	(54)
	1,046	(513)
As at 31 December per SFRS(I) 9	1,507	461

Service concession receivables

As disclosed in Notes 19 and 29, the Group has service concession receivables from service concession arrangements in relation to mini-hydropower plants in Indonesia. Management estimates the loss allowance on service concession receivables equal to lifetime ECL, taking into account credit quality of the Grantor and the future prospects of the relevant industry. There has been no change in estimation technique or significant assumptions made as at the reporting date in assessing the loss allowance for these service concession receivables. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

Other receivables

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 Financial Instruments (cont'd)

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

Credit risk (cont'd)

Other receivables (cont'd)

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).

The Group's credit risk exposure in relation to other receivables under SFRS (I) 9 as at 31 December are set out in the provision matrix as presented below.

Customer internal credit ratings	China			Singapore and others			Total loss allowance S\$'000
	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	
Group							
2023							
A	0.00%	1,386	-	0.00%	3,487	-	-
B	0.04%	-	-	0.20%	388	(1)	(1)
C	0.32%	-	-	0.49%	207	(1)	(1)
D	0.41%	643	(3)	0.58%	87	(1)	(4)
E	100.00%	5	(5)	100.00%	6,364	(6,364)	(6,369)
		<u>2,034</u>			<u>10,533</u>		
			<u>(8)</u>			<u>(6,367)</u>	<u>(6,375)</u>
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)
		<u>2,169</u>			<u>10,462</u>		
			<u>(16)</u>			<u>(5,897)</u>	<u>(5,913)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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	
	2023	2022
	S\$'000	S\$'000
Group		
Balance as at 1 January	5,913	8,764
Impairment loss recognised in profit or loss*	536	48
Write back of allowance for impairment loss on other receivables	(72)	(8)
Written off	-	(2,739)
Translation adjustment	(2)	(152)
Balance as at 31 December	<u>6,375</u>	<u>5,913</u>

* 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 2023

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 2023, 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 2023

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					
<u>2023</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	73,496	-	73,496
Trade receivables	Note 1	Lifetime ECL (simplified)	53,318	-	53,318
Trade receivables	Under-performing	Lifetime ECL (not credit impaired)	34,495	(68)	34,427
Trade receivables	Non-performing	Lifetime ECL (credit impaired)	1,439	(1,439)	-
Contract assets	Performing	12-month ECL	509	-	509
Other receivables*	Performing	12-month ECL	4,873	-	4,873
Other receivables*	Under-performing	Lifetime ECL (not credit impaired)	1,325	(6)	1,319
Other receivables*	Non-performing	Lifetime ECL (credit impaired)	6,369	(6,369)	-
Cash and bank balances#	AA to BAA	12-month ECL	60,033	-	60,033
<u>2022</u>					
Service concession receivables	Note 1	Lifetime ECL (simplified)	76,960	-	76,960
Trade receivables	Note 1	Lifetime ECL (simplified)	55,658	-	55,658
Trade receivables	Under-performing	Lifetime ECL (not credit impaired)	30,933	(103)	30,830
Trade receivables	Non-performing	Lifetime ECL (credit impaired)	358	(358)	-
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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					
<u>2023</u>					
Amounts owing by subsidiaries	Note 2	12-month ECL	37,550	(144)	37,406
Amounts owing by subsidiaries	Non-performing	Lifetime ECL (credit impaired)	1,500	(1,500)	-
Other receivables*	Performing	12-month ECL	719	-	719
Cash and bank balances#	AA	12-month ECL	1,845	-	1,845
<u>2022</u>					
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

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 2023

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 2023, the Group maintains the following lines of credit:

- (i) S\$0.5 million (2022: S\$0.5 million) of overdraft facilities;
- (ii) S\$2.0 million (2022: 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\$55.4 million (2022: 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);
- (iv) S\$39.7 million (2022: S\$31.6 million) of term loan facilities; and
- (v) S\$50.5 million (2022: 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 2023 amounted to approximately S\$59.9 million (2022: S\$70.7 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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.

	Carrying amount S\$'000	Cash flows			More than five years S\$'000
		Contractual cash flows S\$'000	Within one year S\$'000	Within two to five years S\$'000	
Group					
<u>2023</u>					
Bank borrowings	75,684	91,675	24,784	54,256	12,635
Lease liabilities	6,403	6,422	1,388	1,789	3,245
Trade and other payables	64,624	64,624	64,624	-	-
	<u>146,711</u>	<u>162,721</u>	<u>90,796</u>	<u>56,045</u>	<u>15,880</u>
<u>2022</u>					
Bank borrowings	33,875	34,960	24,361	6,488	4,111
Lease liabilities	6,182	6,205	1,333	1,560	3,312
Trade and other payables	95,101	95,101	95,101	-	-
	<u>135,158</u>	<u>136,266</u>	<u>120,795</u>	<u>8,048</u>	<u>7,423</u>
Company					
<u>2023</u>					
Lease liabilities	640	957	51	203	703
Other payables	2,624	2,624	2,624	-	-
	<u>3,264</u>	<u>3,581</u>	<u>2,675</u>	<u>203</u>	<u>703</u>
<u>2022</u>					
Lease liabilities	661	1,008	51	203	754
Other payables	10,571	10,571	10,571	-	-
	<u>11,232</u>	<u>11,579</u>	<u>10,622</u>	<u>203</u>	<u>754</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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			
<u>2023</u>			
Financial guarantee contracts	13,620	40,112	53,732
<u>2022</u>			
Financial guarantee contracts	19,537	10,067	29,604

(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 2023

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
2023					
Assets					
<i>Investment properties</i>					
Commercial property units located in Singapore (Note 13)	-	531	-	531	350
Commercial property unit located in Malaysia (Note 13)	-	47	-	47	46
	-	578	-	578	396
2022					
Assets					
<i>Investment properties</i>					
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

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

Non-current financial assets and financial liabilities

The fair values of long-term bank borrowings approximate their carrying amounts as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

The fair values of service concession receivables approximate their carrying amounts as the effective interest rates used approximate market interest rates.

The fair value of finance leases approximate the present value of payments as disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

Other financial assets and financial liabilities

The fair values of other financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables, cash and bank balances, trade and other payables, and short-term bank borrowings are assumed to approximate their carrying amounts because of the short-term period of maturity.

Other financial assets - 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 2023 and 2022.

As disclosed in Note 23, the Group's subsidiaries in China are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant China authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries for the financial years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

35 Capital Management (cont'd)

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	
	2023 S\$'000	2022 S\$'000
Net debt	97,489	96,607
Total equity	198,622	197,829
Net debt-to-equity ratio	49%	49%

36 Subsequent Events

On 3 January 2024, the Company's direct wholly-owned subsidiary, MCG further invested S\$32,386 share capital for an additional 32,386 ordinary shares in a 51.0%-owned subsidiary, Performance Leadership Pte. Ltd. ("**Performance Leadership**"). Following the completion of the share allotments, the Group's effective interest in Performance Leadership decreased from 51.0% to 50.6%.

On 9 January 2024, the Company's direct wholly-owned subsidiary, ISDN Investments made a capital injection of USD1,000,000 (equivalent to approximately S\$1,329,400) in ISDN Jiangxi for working capital purposes. Following the completion of the capital injection, the paid-up share capital of ISDN Jiangxi will be USD1,000,000 (equivalent to approximately S\$1,329,400) and ISDN Jiangxi remains as an indirect wholly-owned subsidiary of the Company.

On 5 February 2024, the Company's direct wholly-owned subsidiary, MCG capitalised a loan sum of S\$180,000 being part of the existing amount due and owing by its 90.0%-owned subsidiary, NovaPeak Pte. Ltd. ("**NovaPeak**"), to be applied towards MCG's additional capital injection in NovaPeak ("**Capitalisation of Loan**"). Following the completion of the Capitalisation of Loan, the Group's effective interest in NovaPeak remains unchanged at 90.0%.

On 22 February 2024, the Company's direct wholly-owned subsidiary, MCG acquired 150,000 ordinary shares in Fuji Master Engineering Sdn. Bhd. ("**Fuji Master**") and 7,500 ordinary shares in Centronics Automation Technology Pte. Ltd. ("**Centronics**"), representing 30% of the entire issued and paid up capital of both Fuji Master and Centronics at a consideration of RM7,198,000 (equivalent to approximately S\$2,028,000) and S\$25,000 respectively. Following the completion of the acquisition, Fuji Master and Centronics had become associated companies of MCG and the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

37 Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

SHAREHOLDERS' INFORMATION

AS AT 12 MARCH 2024

Issued and fully paid-up capital : 84,755,000
 Number of shares issued : 446,000,209
 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⁾	143,949,181	32.28	-	-
Teo Cher Koon ⁽¹⁾	-	-	143,949,181	32.28
Thang Yee Chin ⁽¹⁾	-	-	143,949,181	32.28
NTCP SPV VI ⁽²⁾	38,280,107	8.58	-	-
Toh Hsiang-Wen Keith ⁽²⁾	-	-	38,280,107	8.58
Novo Tellus PE Fund 2, L.P. ⁽²⁾	-	-	38,280,107	8.58
New Earth Group 2 Ltd ⁽²⁾	-	-	38,280,107	8.58
Tuas Fund Investments Pte Ltd ⁽²⁾	-	-	38,280,107	8.58
Fullerton Fund Investments Pte Ltd ⁽²⁾	-	-	38,280,107	8.58
Temasek Holdings (Private) Limited ⁽²⁾	-	-	38,280,107	8.58
Loke Wai San ⁽²⁾	-	-	38,280,107	8.58

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 143,949,181 shares held by Assetraise Holdings Limited.

⁽²⁾ NTCP SPV VI ("**NTSP**") holds 38,280,107 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 38,280,107 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 38,280,107 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 38,280,107 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 38,280,107 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 38,280,107 shares held by NTSP.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 12 March 2024, approximately 58.68% 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 12 MARCH 2024

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	374	10.53	5,957	0.00
100 - 1,000	199	5.60	110,735	0.02
1,001 - 10,000	1,229	34.60	8,234,761	1.85
10,001 - 1,000,000	1,721	48.45	101,559,702	22.77
1,000,001 AND ABOVE	29	0.82	336,089,054	75.36
TOTAL	3,552	100.00	446,000,209	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	140,900,523	31.59
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	40,759,013	9.14
3	CITIBANK NOMINEES SINGAPORE PTE LTD	25,728,363	5.77
4	DBS NOMINEES (PRIVATE) LIMITED	23,340,850	5.23
5	MAYBANK SECURITIES PTE. LTD.	12,310,600	2.76
6	WONG KOON CHUE @ WONG KOON CHUA	12,226,029	2.74
7	RAFFLES NOMINEES (PTE.) LIMITED	10,309,679	2.31
8	OCBC SECURITIES PRIVATE LIMITED	9,810,281	2.20
9	PHILLIP SECURITIES PTE LTD	7,720,582	1.73
10	LEE ENG TEIK	5,255,289	1.18
11	ASSETRAISE HOLDINGS LIMITED	4,819,682	1.08
12	IFAST FINANCIAL PTE. LTD.	4,059,653	0.91
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,005,025	0.90
14	LIM & TAN SECURITIES PTE LTD	3,765,634	0.84
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,138,848	0.70
16	TIGER BROKERS (SINGAPORE) PTE. LTD.	2,844,620	0.64
17	HUANG JIE	2,583,633	0.58
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,551,264	0.57
19	UOB KAY HIAN PRIVATE LIMITED	2,516,072	0.56
20	PEK CHOON HENG	2,176,454	0.49
	TOTAL	320,822,094	71.92

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 Tuesday, 30 April 2024 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 2023, together with the external auditor’s report thereon.

[Ordinary Resolution 1]

2. To declare a first and final tax-exempt (one-tier) dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per ordinary share for the financial year ended 31 December 2023.

[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 2024 (2023: S\$215,985).

[Ordinary Resolution 3]

4. To note the retirement of Mr. Soh Beng Keng as a Director of the Company pursuant to Regulation 94(b) of the Constitution of the Company.

[See Explanatory Note (i)]

5. To note the retirement by rotation of Mr. Lim Siang Kai as a Director of the Company pursuant to Regulation 89 of the Constitution of the Company.

[See Explanatory Note (ii)]

6. To re-elect Mr. Kong Deyang (“**Mr Kong**”) 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 (iii)]

[Ordinary Resolution 4]

7. To appoint Mr. Sho Kian Hin (“**Mr Sho**”) pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offered himself for election.

[See Explanatory Note (iv)]

[Ordinary Resolution 5]

8. To appoint Ms. Heng Su-Ling Mae (“**Ms Heng**”) pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offered herself for election.

[See Explanatory Note (v)]

[Ordinary Resolution 6]

NOTICE OF ANNUAL GENERAL MEETING

9. To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2024 and to authorise Directors of the Company to fix their remuneration.

[Ordinary Resolution 7]

AS SPECIAL BUSINESS

To consider and, if thought fit, to passing with or without modifications, the following ordinary resolutions:

10. 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:

- (a) (i) allot and issue new shares in the capital of the Company ("**Shares**"), whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively "**Instruments**" and each, an "**Instrument**") that might or would require Shares to be allotted and issued, during the continuance of such authority or thereafter, including but not limited to the creation, allotment and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

- (b) allot and issue new Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force (notwithstanding that such allotment and issue of Shares in pursuance of any Instrument may occur after the authority conferred by this Resolution may have ceased to be in force),

PROVIDED ALWAYS THAT subject to any applicable regulation as may be prescribed by the SGX-ST and the SEHK:

- (A) the aggregate number of Shares to be allotted and issued pursuant to this Resolution (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Shares to be allotted and issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

NOTICE OF ANNUAL GENERAL MEETING

(B) (subject to such manner of calculation as may be prescribed by the SGX-ST and the SEHK) for the purpose of determining the aggregate number of Shares that may be allotted and issued under sub-paragraph (A) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

- (I) new Shares arising from the conversion or exercise of the Instruments or any convertible securities,
- (II) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST and the Hong Kong Listing Rules; and
- (III) any subsequent bonus issue, consolidation or subdivision of Shares;

Any adjustments made in accordance with sub-paragraph (B)(I) and (B)(II) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution;

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the SGX-ST Listing Manual (unless such compliance has been waived by the SGX-ST), the Hong Kong Listing Rules (unless such compliance has been waived by the SEHK) and the constitution of the Company; and

(D) the authority conferred by this Resolution shall continue in force until the earlier of:

- (I) the conclusion of the next annual general meeting of the Company;
- (II) the date by which the next annual general meeting of the Company is required by law to be held; and
- (III) the revocation or variation of the authority conferred by this Resolution by ordinary resolution passed by shareholders of the Company in general meeting."

[Ordinary Resolution 8]

11. ANNUAL MANDATE TO ISSUE NEW SHARES UNDER THE ISDN PSP

"That subject to and conditional upon the passing of Ordinary Resolution 8 contained in this Notice of Annual General Meeting (the "**General Share Issue Mandate**") and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") 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 Shares in the issued share capital of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the date on which the Shares are issued;

NOTICE OF ANNUAL GENERAL MEETING

- (b) authority be and is hereby given to the Directors of the Company to grant PSP Awards, allot and issue new Shares, procure the transfer of and otherwise deal with Shares under the ISDN PSP during the Relevant Period (as defined under sub-paragraph (c) below); and
- (c) for the purposes of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the date by which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the revocation or variation of the authority conferred by this Resolution by ordinary resolution passed by shareholders of the Company in general meeting.

For the avoidance of doubt, the aggregate number of new Shares issued under the General Share Issue Mandate and this Resolution shall not exceed 50% of the total number of issued Shares as at the date of the passing of the resolutions relating to the General Share Issue Mandate and this Resolution, of which the aggregate number of Shares to be allotted and issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20% of the total number of issued Shares as at the date of the passing of the resolutions relating to the General Share Issue Mandate and this Resolution.”

[Ordinary Resolution 9]

- 12. 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 2024

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr. Soh Beng Keng was appointed as an Independent Non-executive Director on 26 September 2005 and has served as an Independent Non-executive Director for more than 18 years. Pursuant to Listing Rule 210(5)(d)(iv), a director will not be independent if he has been a director of an issuer for an aggregate period of more than nine years (whether before or after listing). Accordingly, Mr. Soh Beng Keng has indicated that he will not be seeking re-election at the Annual General Meeting and will be retiring as an Independent Non-executive Director at the conclusion of the Annual General Meeting. He will step down from his position as the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and Risk Management Committee.
- (ii) Mr. Lim Siang Kai was appointed as an Independent Non-executive Director on 26 September 2005 and has served as an Independent Non-executive Director for more than 18 years. Pursuant to Listing Rule 210(5)(d)(iv), a director will not be independent if he has been a director of an issuer for an aggregate period of more than nine years (whether before or after listing). Accordingly, Mr. Lim Siang Kai has indicated that he will not be seeking re-election at the Annual General Meeting and will be retiring as an Independent Non-executive Director at the conclusion of the Annual General Meeting. He will step down from his position as the Chairman of the Audit Committee and Risk Management Committee, as well as a member of the Remuneration Committee and Nominating Committee.
- (iii) Mr. Kong Deyang, if re-elected as a Director of the Company, will remain as an Executive Director. Further information relating to Mr. Kong Deyang as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2024.
- (iv) Mr. Sho Kian Hin, if elected as a Director of the Company, will be appointed as an Independent Non-executive Director of the Company, and will be the Chairman of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee and Risk Management Committee. Mr. Sho Kian Hin, is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Further information relating to Mr. Sho Kian Hin, as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2024.

- (v) Ms. Heng Su-Ling Mae, if elected as a Director of the Company, will be appointed as an Independent Non-executive Director of the Company, and will be the Chairman of the Audit Committee and Risk Management Committee, and a member of the Remuneration Committee and Nominating Committee. Ms. Heng Su-Ling Mae is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Further information relating to Ms. Heng Su-Ling Mae as required under Rule 720(6) of the SGX-ST Listing Manual may be found under **Appendix II** of the Circular dated 28 March 2024.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The Annual General Meeting will be held at 101 Defu Lane 10, Singapore 539222 on 30 April 2024 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 2024. **There will be no option for Shareholders to participate virtually.**
2. Printed copies of this Notice of Annual General Meeting, the annual report of the Company for the financial year ended 31 December 2023 (the “**Annual Report**”), the Circular and the Proxy Form **will be sent** to Hong Kong Shareholders upon request. Instead, this Notice of Annual General Meeting, the Annual Report, the Circular, the Proxy Form and the Request Form will be made available on SEHK at the URL <http://www.hkexnews.hk/> and at the Company’s website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>.
3. Printed copies of this Notice of Annual General Meeting, the Proxy Form and the Request Form will be sent to Singapore Shareholders. Singapore Shareholders may request printed copies of the Annual Report and/or the Circular by completing and returning the Request Form no later than 22 April 2024. This Notice of Annual General Meeting, the Annual Report, this Circular, the Proxy Form and the Request Form will be made available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and at the Company’s website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>. Shareholders may request printed copies of the Annual Report and/or the Circular by completing and returning the Request Form in the following manner:
 - (a) via email to info@isdnholdings.com; or
 - (b) via post to the registered office of the Company at 101 Defu Lane 10, Singapore 539222, (for Singapore Shareholders).
4. 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 during 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 9** on pages 17 to 18 of the Circular dated 28 March 2024 and this Notice of Annual General Meeting 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/companyannouncements> and SEHK at the URL <https://www.hkexnews.hk/>.
5. 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.

NOTICE OF ANNUAL GENERAL MEETING

6. 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.
- (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, speak 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, speak 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) if submitted by post, be lodged with 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); or
- b) if submitted by way of electronic means, be submitted via email to the Company at info@isdnholdings.com,

in either case, by 9.30 a.m. on Saturday, 27 April 2024 (that is, not less than 72 hours before the time appointed for the holding of the Annual General Meeting). A Shareholder who wishes to submit the Proxy Form must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **Shareholders are strongly encouraged to submit the Proxy Forms by way of electronic means.**

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 Thursday, 18 April 2024, being at least 7 working days before the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

8. Shareholders may submit comments, queries and/or questions relating to the resolutions in this Notice of Annual General Meeting in advance of the Annual General Meeting of the Company, in the following manner:
- a) if submitted by post, 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); or

b) if submitted by way of electronic means, be submitted via email to info@isdnholdings.com,

in either case, by 9.30 a.m. (Singapore time) on Tuesday, 16 April 2024.

For verification purposes, comments, queries and/or questions submitted by Shareholders must be accompanied by the Shareholders' full name, address and the manner in which the Shareholder holds Shares in the Company.

9. Shareholders or (where applicable) their duly appointed proxy(ies) and representatives will also be able to raise questions at the Annual General Meeting of the Company itself.
10. For questions submitted in advance of the Annual General Meeting, the Company will endeavour to address all substantial and relevant questions received from Shareholders before the Annual General Meeting. The Company will publish its responses on the Company's website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange> and on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and on SEHK at the URL <https://www.hkexnews.hk/> by Thursday, 25 April 2024.
11. Where a Proxy Form is executed on behalf of an individual or a corporation by an attorney, 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.
12. 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.

Any amendments or modifications made in a Proxy Form must be initialled by the person who signs the Proxy Form.

NOTICE OF ANNUAL GENERAL MEETING

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

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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:

- The Annual General Meeting ("AGM") is being convened, and will be held at 101 Defu Lane 10, Singapore 539222.
- The Notice of AGM, the Circular and this Proxy Form may be accessed at (a) the Company's website at the 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/>.
- 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 9 on pages 17 to 18 of the Circular dated 28 March 2024.
- 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.
- 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. **Thursday, 18 April 2024** (that is, at least seven (7) working days before the date of the AGM).
- 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 2024.
- Please read the notes overleaf which contains 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	NRIC / Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address and Email Address			

and/or*

Name	NRIC / Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address and Email Address			

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 Tuesday, 30 April 2024 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 2023, together with the external auditor's report thereon.			
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.28 Singapore cents (equivalent to 1.63 Hong Kong cents) per ordinary share for the financial year ended 31 December 2023.			
3.	To approve the payment of Directors' fees of S\$215,985 for the financial year ending 31 December 2024 (2023: S\$215,985).			
4.	To re-elect Mr. Kong Deyang 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 appoint Mr. Sho Kian Hin pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offered himself for election.			
6.	To appoint Ms. Heng Su-Ling Mae pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offered herself for election.			
7.	To re-appoint Messrs Moore Stephens LLP as external auditor of the Company for the financial year ending 31 December 2024 and to authorise Directors of the Company to fix their remuneration.			
8.	To approve the general mandate to issue new shares.			
9.	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 2024.

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 Proxy Form, the Notice of AGM, the annual report of the Company for the financial year ended 31 December 2023 (the “**Annual Report**”) and the circular dated 28 March 2024 (the “**Circular**”) **will be sent** to Hong Kong Shareholders upon request. Instead, the Notice of AGM, the Annual Report, the Circular, this Proxy Form and the Request Form will be made available on SEHK at the URL <http://www.hkexnews.hk/> and at the Company’s website at the URL <https://www.isdnholdings.com/sgx-singapore-exchange>.
2. Arrangements related to attendance at the AGM, submission of comments, queries and/or questions to the Chairman of the AGM (“**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 9** on pages 17 to 18 of the Circular dated 28 March 2024 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 Thursday, 18 April 2024, 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