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ISDN HOLDINGS LIMITED
億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)
(Singapore stock code: I07.SI)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	% Change
	S$'000	S$'000	
	(unaudited)	(audited)	
		Restated	
Revenue	**301,990**	291,963	3.4%
Gross profit	**80,549**	73,765	9.2%
Profit for the year and attributable to owners of the Company	**10,946**	9,489	15.4%
Basic earnings per share	**S$2.77 cents**	S$2.41 cents	

The Board has resolved to declare final dividend of S$0.7 cents for the year ended 31 December 2018. (2017 final: S$0.6 cents)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ISDN Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017. The Group's results for the year ended 31 December 2018 as in this preliminary announcement are unaudited, but have been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** ***S$'000*** ***(unaudited)***	2017 *S$'000* *(audited)* *Restated*
REVENUE	*5*	**301,990**	291,963
Cost of sales		**(221,441)**	(218,198)
Gross profit		**80,549**	73,765
Other operating income	*5*	**4,951**	4,177
Distribution cost		**(25,672)**	(24,147)
Administrative expenses		**(30,859)**	(31,385)
Other operating expenses		**(4,606)**	(3,464)
Finance costs	*6*	**(1,035)**	(812)
Share of profit of associates		**368**	615
PROFIT BEFORE INCOME TAX	*7*	**23,696**	18,749
Income tax	*8*	**(7,118)**	(5,069)
PROFIT FOR THE YEAR		**16,578**	13,680
OTHER COMPREHENSIVE INCOME:			
Items that may be subsequently reclassified to profit or loss			
Net fair value changes on cash flow hedge		**(101)**	-
Exchange differences on translation of foreign operations		**(1,727)**	(917)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,750**	12,763

	Note	**2018**	2017
		S$'000	*S$'000*
		(unaudited)	*(audited)*
			Restated
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**10,946**	9,489
Non-controlling interests		**5,632**	4,191
		16,578	13,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**9,417**	8,685
Non-controlling interests		**5,333**	4,078
		14,750	12,763
EARNINGS PER SHARE:			
Basic and diluted	*10*	**S$2.77 cents**	S$2.41 cents

Note:
The Group has adopted all applicable new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") which became effective from 1 January 2018 and has applied them retrospectively. Accordingly, the comparatives have been restated to take into account adjustments relating to SFRS(I) 1, First-time Adoption of SFRS(I), SFRS(I) 15, Revenue from Contracts with Customers and SFRS(I) 9, Financial Instruments. Please refer to note 3 for more details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 S$'000 ***(unaudited)***	31 December 2017 S$'000 *(audited)* *Restated*	1 January 2017 S$'000 *(audited)* *Restated*
ASSETS				
Non-current assets				
Property, plant and equipment		**39,314**	27,326	27,682
Investment properties		**497**	504	522
Land use rights		**1,270**	1,338	1,376
Goodwill		**12,227**	11,686	11,686
Interests in associates		**6,136**	18,352	11,649
Trade and other receivables	*11*	**30,233**	-	-
Deferred tax assets		**139**	316	59
Total non-current assets		**89,816**	59,522	52,974
Current assets				
Inventories		**55,183**	50,159	38,902
Trade and other receivables	*11*	**96,225**	89,164	86,288
Cash and bank balances		**41,877**	38,303	38,683
Total current assets		**193,285**	177,626	163,873
Total assets		**283,101**	237,148	216,847

	Note	31 December 2018 S$'000 *(unaudited)*	31 December 2017 S$'000 *(audited)* Restated	1 January 2017 S$'000 *(audited)* Restated
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	*12*	**70,984**	70,981	62,408
Warrants issue		**-**	3,384	3,384
Reserves		**72,767**	62,255	55,425
		143,751	136,620	121,217
Non-controlling interests		**38,457**	15,206	14,927
Total equity		**182,208**	151,826	136,144
Non-current liabilities				
Bank borrowings		**11,842**	159	263
Finance leases		**224**	82	186
Deferred tax liabilities		**657**	266	-
Total non-current liabilities		**12,723**	507	449
Current liabilities				
Bank borrowings		**16,423**	14,302	13,052
Finance leases		**81**	160	150
Trade and other payables	*13*	**69,380**	68,916	65,478
Current tax liabilities		**2,286**	1,437	1,574
Total current liabilities		**88,170**	84,815	80,254
Total liabilities		**100,893**	85,322	80,703
Total equity and liabilities		**283,101**	237,148	216,847

NOTES

1. GENERAL

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

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, our president and managing Director and his spouse, Ms Thang Yee Chin. The Company's principal activities included the provision of technical consultancy, training services, and management services.

The ordinary shares of the Company (the "**Share(s)**") are listed on the mainboard of SGX-ST and the Stock Exchange.

2. BASIS OF PREPARATION

The financial information has been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "**Act**"), the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Hong Kong Listing Rules**").

The consolidated financial statements of the Group have been prepared in accordance with the SFRS(I) as issued by Accounting Standards Council. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 First-time adoption of Singapore Financial Reporting Standards (International) has been applied. In the previous financial years, the financial statements were prepared in accordance with Singapore Financial Reporting Standards (SFRS).

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS. An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position and financial performance is provided below.

3. APPLICATION OF SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)s")

The Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current financial year consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of all applicable new and revised SFRS(I) and Interpretations of SFRS(I) ("**INT SFRS(I)**") which became effective from annual periods beginning on or after 1 January 2018.

The application of the new and revised standards and interpretations has no material effect on the financial statements, except as described below:

a) <u>SFRS(I) 1 First-time Adoption of SFRS(I)</u>

Foreign currency translation reserve (FCTR)

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative translation differences for all foreign operations to nil at the date of transition and reclassified the cumulative translation losses of S$1,269,000 as at 1 January 2017 to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

b) <u>SFRS(I) 15 Revenue from Contracts with Customers</u>

SFRS(I) 15 introduces a new revenue recognition model for customer contracts that represents the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods and services.

3. APPLICATION OF SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)s") (CONT'D)

b) SFRS(I) 15 Revenue from Contracts with Customers (Cont'd)

The impact resulting from the adoption of SFRS (I) 15 is as follows:

Sales with a right of return

Certain sales contracts of the Group grant customers the right to return the goods during a stipulated grace period if the customers are dissatisfied with the product. The Group previously recognised revenue when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition are met. Under SFRS(I) 15, revenue is recognised to the extent that it is highly probable that there will be no returns from customers.

Following the adoption of SFRS(I) 15, the Group has increased refund liabilities (classified in trade and other payables) of S$222,000 and a right to recover returned goods (classified in inventories) of S$156,000 as at 1 January 2018. As a result of these adjustments, retained earnings as at 1 January 2018 decreased by S$66,000.

c) SFRS(I) 9 Financial Instruments

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model ("**ECL**") for calculating impairment of financial assets, and new general hedge accounting requirements.

The Group has elected to apply the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences arising from the adoption of SFRS(I) have been recognised directly in retained earnings as at 1 January 2018.

i. Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") – debt instrument, FVOCI – equity instrument; or fair value through profit and loss ("**FVTPL**"). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group

Financial assets	Note	Original classification under SFRS 39	New classification under SFRS(I) 9	Original carrying amount under SFRS 39	New carrying amount under SFRS(I) 9
				S$'000	S$'000
Trade and other receivables	(ii)	Loans and receivables	Amortised cost	89,164	88,814
Cash and cash equivalents		Loans and receivables	Amortised cost	38,303	38,303

3. APPLICATION OF SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)s") (CONT'D)

c) SFRS(I) 9 Financial Instruments (Cont'd)

ii. Changes to the impairment calculation

SFRS(I) 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

As a result of the adoption of SFRS(I) 9, the Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all trade receivables and that arise from SFRS(I) 15 that were classified as loans and receivables under SFRS 39 are now classified at amortised cost. Based on the assessment made, there was an increase of S$350,000 in the allowance for impairment was recognised in opening retained earnings of the Group as at 1 January 2018 on transition to SFRS(I) 9.

4. SEGMENT INFORMATION

The business of the Group is organised into the following business segments:

- Provision of Engineering Solutions — Motion Control
- Other Specialised Engineering Solutions
- Industrial Computing Solutions

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

4. SEGMENT INFORMATION (CONT'D)

(a) Reportable operating segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Other		Elimination		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
		Restated		*Restated*		*Restated*		*Restated*		*Restated*		*Restated*
Revenue												
External sales	**236,281**	223,683	**59,121**	62,086	**5,596**	6,101	**992**	93	**-**	-	**301,990**	291,963
Inter-segment sales	**7,694**	3,347	**1,228**	1,810	**178**	170	**-**	-	**(9,100)**	(5,327)	**-**	-
	243,975	227,030	**60,349**	63,896	**5,774**	6,271	**992**	93	**(9,100)**	(5,327)	**301,990**	291,963
Results												
Segment results	**13,734**	18,015	**10,491**	1,684	**247**	580	**(838)**	(194)	**-**	-	**23,634**	20,085
Share of profit/(loss) of associates	**701**	1,027	**-**	-	**-**	-	**(333)**	(412)	**-**	-	**368**	615
Corporate expenses											**(98)**	(1,833)
Rental income											**575**	586
Interest income											**252**	108
Finance costs											**(1,035)**	(812)
Profit before income tax											**23,696**	18,749
Income tax											**(7,118)**	(5,069)
Profit for the year ended 31 December											**16,578**	13,680
Assets												
Segment assets	**133,491**	124,496	**38,760**	38,732	**2,476**	2,942	**58,981**	8,922	**(11,344)**	(6,789)	**222,364**	168,303
Goodwill	**2,178**	2,178	**9,508**	9,508	**-**	-	**541**	-	**-**	-	**12,227**	11,686
Associates	**5,266**	4,688	**-**	-	**-**	-	**870**	13,664	**-**	-	**6,136**	18,352
Investment properties											**497**	504
Cash and bank balances											**41,877**	38,303
Consolidated total assets as at 31 December											**283,101**	237,148
Liabilities												
Segment liabilities	**55,274**	53,737	**14,163**	14,203	**305**	491	**3,007**	2,777	**(11,344)**	(6,789)	**61,405**	64,419
Bank borrowings and finance leases											**28,570**	14,703
Income tax liabilities											**2,286**	1,437
Others unallocated corporate liabilities											**8,632**	4,763
Consolidated total liabilities as at 31 December											**100,893**	85,322
Other information												
Capital expenditure on												
-Property, plant and equipment	**1,584**	1,332	**971**	693	**2**	43	**47**	27	-	-	**2,604**	2,095
Depreciation of properties, plant and equipment	**1,489**	1,502	**611**	608	**39**	11	**23**	90	-	-	**2,162**	2,211
Depreciation of investment properties	**19**	19	-	-	-	-	-	-	-	-	**19**	19
Other non-cash expenses:												
-amortisation of land use rights	**33**	34	-	-	-	-	-	-	-	-	**33**	34
-trade receivables written off	**116**	71	**19**	47	-	-	-	38	-	-	**135**	156
-allowance for inventory obsolescence	**747**	641	**281**	668	-	-	-	-	-	-	**1,028**	1,309
-allowance for impairment of trade and other receivables	**1,825**	34	**125**	33	-	-	**571**	-	-	-	**2,521**	67
-plant and equipment written off	**1**	4	**14**	-	-	-	-	-	-	-	**15**	4
-inventories written off	**135**	124	**285**	14	-	-	-	-	-	-	**420**	138
-write back of allowance for trade receivables	**(13)**	(54)	-	-	-	-	**(5)**	-	-	-	**(18)**	(54)
-write back of allowance for inventory obsolescence	**(232)**	(5)	-	-	-	-	-	-	-	-	**(232)**	(5)

4. SEGMENT INFORMATION (CONT'D)

(b) Geographical information

The Group operates in four principal geographical areas — Singapore (country of domicile), the People's Republic of China (the "**PRC**"), Hong Kong and Malaysia.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	S$'000	*S$'000*	***S$'000***	S$'000
		Restated		*Restated*
Singapore	**43,009**	45,199	**18,538**	34,128
PRC	**210,837**	207,463	**22,439**	22,891
Hong Kong	**12,880**	10,199	**993**	1,369
Malaysia	**8,652**	7,469	**890**	904
Others	**26,612**	21,633	**46,956**	230
	301,990	291,963	**89,816**	59,522

(c) Information about Major Customers

The Group's revenue from any single external customer is less than 10%.

5. REVENUE AND OTHER OPERATING INCOME

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

An analysis of the Group's other operating income is as follows:	**2018**	2017
	S$'000	*S$'000*
		Restated
Commission income	**879**	651
Disposal of interests in subsidiaries	**180**	101
Gain on disposal of plant and equipment	**179**	5
Finance income		
— Interest on bank deposits	**150**	30
— Interests on loan to an associate	**102**	78
Government grants	**185**	80
Operating lease rental income:		
— Investment properties	**66**	61
— Sub-let of office/warehouse premises	**509**	525
Property management income	**413**	301
Technical service income	**603**	982
Write back of allowance for inventory obsolescence	**232**	5
Write back of allowance for trade receivables	**18**	54
Miscellaneous income	**1,435**	1,304
	4,951	4,177

6. FINANCE COSTS

	2018	2017
	S$'000	*S$'000*
		Restated
Interest expense on:		
— Bank loans	**959**	761
— Trust receipts	**57**	32
— Finance leases	**19**	19
	1,035	812

7. PROFIT BEFORE INCOME TAX

	2018	2017
	S$'000	*S$'000*
		Restated
Profit before income tax has been arrived at after charging		
Amortisation of land use rights	**33**	34
Depreciation of property, plant and equipment		
— Recognised in cost of sales	**368**	395
— Recognised in distribution costs	**241**	207
— Recognised in administrative expenses	**1,553**	1,609
	2,162	2,211
Depreciation of investment properties	**19**	19
Other operating expenses included:		
— Trade receivables written off	**135**	156
— Allowance for inventory obsolescence	**1,028**	1,309
— Allowance for impairment of trade and other receivables	**2,521**	67
— Loss on disposal of plant and equipment	**24**	-
— Plant and equipment written off	**15**	4
— Inventories written off	**420**	138
— Foreign exchange loss, net	**282**	1,750
Operating lease rental expense	**1,826**	1,817

8. INCOME TAX

	2018	2017
	S$'000	*S$'000*
		Restated
Current income tax		
— Singapore	**244**	7
— The PRC	**6,252**	4,880
— Outside Singapore and the PRC	**147**	224
— Over provision in respect of prior year	**(86)**	(51)
Deferred Taxation		
— Withholding tax on the profits of the Group's subsidiaries	**344**	132
— Under/(over) provision in respect of prior year	**217**	(123)
	7,118	5,069

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the years ended 31 December 2018 and 2017 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong for the years ended 31 December 2018 and 2017 is 24% and 16.5%, respectively.

8. INCOME TAX (CONT'D)

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

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

9. DIVIDENDS PAID

	2018	2017
	S$'000	*S$'000*
Tax exempt (one-tier) final dividend of S$0.6 cents (2017: S$0.3 cents) per share proposed after the end of the reporting period	**2,289**	**1,282**

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The final dividend of S$2,289,000 for the year ended 31 December 2017 ("FY2017") was approved and paid in the year ended 31 December 2018 (2017: S$1,282,000).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	S$'000	*S$'000*
		Restated
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**10,946**	9,489
Weighted average number of ordinary shares for the purpose of basic earnings per share	**394,685,586**	393,479,471

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the years ended 31 December 2018 and 2017.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	S$'000	*S$'000*
Current:		*Restated*
Trade receivables, net of impairment		
— Note receivables	**6,669**	6,247
— Third parties	**61,651**	58,119
— Associates	**2,963**	2,490
— Related parties	**1,727**	1,597
	73,010	68,453
Non-current:		
Service concession receivables	**30,233**	-
	103,243	68,453
Other receivables:		
Funding to investee company	**5,928**	4,532
Amount due from investor	**-**	3,536
Advances to		
— Suppliers	**8,953**	5,158
— Associates	**144**	122
— Related parties	**772**	138
Deposits	**912**	530
Loan to associates	**353**	817
Sundry debtors	**5,208**	5,411
	22,270	20,244
Prepayment	**945**	467
	126,458	89,164

The aging analysis of current trade receivables based on invoice date is as follows:

	2018	2017
	S$'000	*S$'000*
		Restated
Within 30 days	**26,166**	32,554
31-90 days	**26,841**	20,473
Over 90 days	**20,003**	15,426
	73,010	68,453

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 31 December 2018 were trade receivables from third parties amounting to S$781,000 (2017: S$734,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables were included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

The service concession receivables were mainly arising from the construction of new mini-hydropower plants in Indonesia and were classified as non-current assets.

12. SHARE CAPITAL

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2018	2017	**2018**	2017
			S$'000	*S$'000*
				Restated
At the beginning of year	**394,684,950**	354,684,950	**70,981**	62,408
Add: Share offers	**–**	40,000,000	–	8,573
Add: Exercise of warrants	**4,236**	–	**3**	–
At the end of year	**394,689,186**	394,684,950	**70,984**	70,981

Shares do not have any par value. The holders of Shares are entitled to receive dividends as and when declared by the Company. All Shares carry one vote per Share without restrictions and rank equally with respect to the Company's residual assets.

13. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	2018	2017
	S$'000	*S$'000*
		Restated
Trade payables		
— Note payables	**–**	1
— Third parties	**27,394**	30,935
— Associates	**72**	48
— Related parties	**6,787**	4,712
— Refund liabilities	**141**	222
	34,394	35,918
Other payables:		
Advances received from customers	**10,597**	9,125
Accrued operating expenses	**18,882**	15,982
Amount owing to non-controlling interest	**720**	716
Amount owing to related parties	**136**	92
Amount owing to an associate	**31**	1,280
Others	**4,620**	5,803
	34,986	32,998
	69,380	68,916

The aging analysis of trade payables based on invoice date is as follows:

	2018	2017
	S$'000	*S$'000*
		Restated
Within 90 days	**31,693**	32,491
91-180 days	**2,094**	2,601
Over 180 days	**607**	826
	34,394	35,918

Trade payables are non-interest bearing and are usually settled within 30 - 90 days term.

14. EVENT AFTER THE REPORTING PERIOD

No major subsequent event has occurred since the end of the financial year ended 31 December 2018 (the "**FY2018**") and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the FY2018, revenue increased by approximately S$10.0 million, or 3.4% from S$292.0 million for FY2017 to S$302.0 million in FY2018, mainly due to higher revenue contribution from motion control solutions segment.

The gross profit for FY2018 increased by S$6.8 million (or 9.2%) as compared to FY2017. Overall, the gross profit margin was marginally higher than last corresponding year by 1.4%, increasing from 25.3% to 26.7%.

Our business focus continues to be predominantly in the PRC, contributing approximately 69.8% in FY2018 (FY2017: 71.1%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.2%, 4.3% and 2.9% of our Group's revenue in FY2018, respectively (FY2017: 15.5%, 3.5% and 2.6%, respectively). We have achieved growth in overall revenue in PRC, Hong Kong and Malaysia in 2018.

Market conditions remained challenging as the ongoing trade war and market uncertainties have affected the growth momentum in China. The Group will continue to explore the latest smart manufacturing solutions in various industries to further enhance the needs of our existing and potential customers.

Our core motion control solutions will continue to deliver long-term sustainable growth as more traditional markets embrace high-tech precision control systems and technology for development and modernisation, coupled with the consistent growth in our customer base.

FUTURE PROSPECTS

While its record revenue and earnings in 2018 reaffirm its value proposition as an established integrated engineering firm in Asia, the Group is mindful of its increasingly challenging operating environment given the current headwinds in the global economy. Notably, the economic slowdown in China, the Group's largest market by revenue, has prompted some businesses to move or consider moving their manufacturing operations out of the country or to review their expansion plans.

While China's slowdown and its impact on these businesses could potentially translate into less robust demand for its engineering services, the Group expects its diversified base of more than 10,000 corporate customers – none of which accounts for more than 10% of its total revenue – to mitigate any downside to its business. For some of these businesses, Southeast Asia has become a preferred region to house their production operations or supply chains. Against this backdrop, the Group sees opportunities to widen its reach in this region.

In December 2018, for instance, ISDN formed a joint venture business with Maxon Motor AG in Singapore to sell maxon motor's products in Southeast Asia. Switzerland-based maxon motors manufactures micro motors and drive systems used in various consumer products and industrial applications, including insulin pumps, surgical power tools and robots. The joint venture will market these products in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam and Hong Kong.

The Group will also step up efforts to develop its nascent renewable energy business in order to diversify its income streams and create greater value for shareholders. As previously disclosed, its first mini-hydropower plant in Indonesia is expected to begin production by mid-2019. Another two hydropower plants will probably start production in the third quarter of 2019 and the fourth quarter of 2020 respectively. When fully operational, all three plants will be able to power more than 12,000 homes in North Sumatra. Mini-hydropower plants are ideal sources of electricity for remote and rural areas in Indonesia as many of these places are not well-served by diesel-fuelled power plants, which are costly to operate in the country.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

For FY2018, the Group's total revenue came in higher by approximately S$10.0 million (or 3.4%) from S$292.0 million in FY2017 to S$302.0 million in FY2018, mainly due to higher revenue contribution from motion control solutions segment.

The gross profit for FY2018 increased by S$6.8 million (or 9.2%) to S$80.5 million as compared to last corresponding year. The gross profit margin was marginally higher than last corresponding year by 1.4%, from 25.3% to 26.7%.

Market conditions remained challenging as the ongoing trade war and market uncertainties have affected the growth momentum in China. The Group will continue to explore the latest smart manufacturing solutions in various industries to further enhance the needs of our existing and potential customers.

Our core motion control solutions will continue to deliver long-term sustainable growth as more traditional markets embrace high-tech precision control systems and technology for development and modernisation, coupled with the consistent growth in our customer base.

Other operating income

The increase in other operating income of S$0.8 million (or 18.5%) for FY2018 was mainly due to (i) gain on disposal of plant and equipment of S$0.2 million; (ii) higher commission income derived from suppliers of S$0.2 million; (iii) one-off gain on disposal of subsidiaries of S$0.1 million; (iv) increase in government grant of S$0.1 million; (v) increase in property management income of S$0.1 million; (vi) interest income of S$0.1 million and (vii) write back of allowances for inventories obsolescence of S$0.2 million offset by (viii) lower technical consultancy fees of S$0.3 million.

Distribution costs

Distribution costs increased for FY2018 by S$1.5 million (or 6.3%), mainly due to the increase in sales commission to sales personnel which is in line with the increase in revenue offset by lower marketing expenses.

Administrative expenses

For FY2018, administrative expenses decreased by S$0.5 million (or 1.7%) as compared to FY2017. The factors contributing to the decrease are (i) reversal of provision for withholding tax of S$1.1 million; (ii) decrease in professional fees expenses of approximately S$0.6 million due to absence of listing expenses incurred in prior year; (iii) decrease in office rental and administration expenses of S$0.4 million; offset by (iv) increase in salaries and bonuses of S$1.6 million.

Other operating expenses

Other operating expenses increased by approximately S$1.1 million (or 33.0%) for FY2018 mainly due to (i) allowance for impairment of trade and other receivables of S$2.5 million; (ii) loss on deemed disposal of an associate of S$0.1 million offset by lower foreign exchange loss of S$1.5 million as compared to FY2017.

Finance costs

Finance costs for FY2018 increased by S$0.2 million (or 27.5%), which is mainly due to an increase in bank facilities drawn down during FY2018.

Income tax expense

Income tax expense for FY2018 increased by S$2.0 million mainly due to higher profit and higher tax provision in overseas subsidiaries where the tax rates are higher and group tax offsetting is not permitted.

Property, plant and equipment

The increase in the Group's net carrying amount of property, plant and equipment was largely attributed to the consolidation of Aenergy and its subsidiaries ("**Aenergy Group**") following the completion of step-up acquisition on 27 December 2018.

Goodwill

The increase in goodwill as at 31 December 2018 was primarily due to the consolidation of Aenergy Group following the completion of step-up acquisition during the financial year.

Interests in associates

Interests in associates decreased by S$12.2 million to S$6.1 million as at 31 December 2018. This was mainly attributed to the derecognition of Aenergy Group following the completion of the step-up acquisition during the year. Accordingly, Aenergy Group becomes a subsidiary of the Group.

Inventories

Inventories increased by S$5.0 million to S$55.2 million as at 31 December 2018. This was primarily due to the growth of revenue in FY2018 as compared to FY2017.

Trade and other receivables (current and non-current)

The increase in trade and other receivables (non-current) of S$30.2 million was mainly attributed to the consolidation of Aenergy accounts following the completion of the step-up acquisition. Aenergy Group has recognised service concession receivables relating to the construction of mini-hydropower plants in Indonesia under the service concession arrangement.

Trade and other receivables (current) increased by S$7.1 million to S$96.2 million as at 31 December 2018. This was mainly due to the growth of revenue in FY2018 as compared to FY2017 resulting in an increase in trade receivables of approximately S$4.6 million and other receivables of S$2.5 million due to the consolidation of Aenergy Group.

Trade and other payables

Trade and other payables remained relatively stable as compared to prior year.

Bank borrowings (current and non-current)

Bank borrowings increased by S$13.8 million to S$28.3 million as at 31 December 2018. The increase was primarily due to proceeds of bank borrowings of S$25.9 million, offset by repayment of bank borrowings amounting to S$12.1 million.

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

In 2018, the Company's wholly-owned subsidiary, ISDN Investments Pte. Ltd. ("**ISDN Investments**"), subscribed for additional new ordinary shares in an associate company, Aenergy for a consideration of US$6,875,000. The consideration was satisfied by capitalisation of a loan of US$6,875,000 due from Aenergy to ISDN Investments.

Following the completion of the subscription, the Group's equity interest in Aenergy increased from 39.9% to 50.0%, obtaining control of Aenergy. Accordingly, Aenergy became a subsidiary of the Company and ceased to be an associate company. For further information, please refer to the Company's announcement dated 27 December 2018.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during FY2018.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2018, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2018, cash and cash balances amounted to approximately S$41.9 million, which increased by approximately 9.3% as compared to approximately S$38.3 million as at 31 December 2017. The quick ratio of the Group was approximately 1.6 times (31 December 2017: 1.5 times).

As at 31 December 2018, the Group has long and short-term bank borrowings of approximately S$28.3 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S$16.4 million (31 December 2017: S$14.3 million) while the bank borrowings due after one year amounted to approximately S$11.8 million (31 December 2017: S$0.2 million).

As at 31 December 2018, the weighted average effective interest rates on bank borrowings is 4.18% (31 December 2017: 5.25%) per annum. The Group does not have fixed rate bank borrowings as at 31 December 2018 and 31 December 2017. Together with the obligation under finance leases of approximately S$0.3 million (31 December 2017: S$0.2 million), the Group's total borrowings amounted to S$28.6 million (31 December 2017: S$14.7 million).

GEARING RATIO

During FY2018, the gearing ratio of the Group was about 19.9% (2017: 10.8%) which was calculated on the Group's total borrowings (including total borrowings and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

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

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout FY2018. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation.

FOREIGN EXCHANGE EXPOSURE

The Group is subject to foreign currency risk of different currencies, primarily with respect to Renminbi ("**RMB**") and United States dollars ("**US$**"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain 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 FY2018, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During FY2018, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S$2,604,000 (2017: S$2,095,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, there were 856 (2017: 809) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance. The Company adopted ISDN Share Option Scheme 2016 and ISDN Performance Share Plan as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the FY2018.

RISK MANAGEMENT

Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at 31 December 2018.

Charge on the Group's Assets

As at 31 December 2018, the Group's cash and cash equivalents of approximately S$3.2 million (2017: S$0.3 million) was pledged to banks to secure general banking facilities granted to the Group.

LISTING AND USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING (THE "IPO")

The Shares have been listed since 12 January 2017 on the Main Board of the Stock Exchange (the "**Listing**") and raised a net proceed from IPO of approximately S$7.0 million (equivalent to HK$37.8 million).

The Board wishes to update the Shareholders on the Group's utilisation of the net proceeds of approximately S$7,000,000 (after deducting expenses of approximately S$2,369,000) from the issuance and allotment of 40,000,000 new Shares in connection with the Listing, as set out below:

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

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

During FY2018, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST nor did the Company or any of its subsidiaries purchase, sell any of the Company's listed securities.

PROPOSED FINAL DIVIDEND

The Board have recommended the payment of a final dividend of S$0.7 cents (equivalent to HK$4.07 cents) per ordinary share for FY2018. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Tuesday, 30 April 2019 (the "**AGM**") at 9.30 a.m. (Singapore Time). Upon Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on Wednesday, 28 August 2019 to the Shareholders whose names shall appear on the register of members of the Company on Wednesday, 10 July 2019.

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 Thursday, 18 July 2019. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Wednesday, 28 August 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM

For Hong Kong Shareholders
The Hong Kong branch register of members of the Company will be closed from Thursday, 25 April 2019 to Tuesday, 30 April 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 24 April 2019.

For Singapore Shareholders
The share transfer books and the Singapore Principal Share Register will be closed at 5:00 p.m. on Friday, 26 April 2019 for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers received by the Company's Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on Thursday, 25 April 2019 shall be registered to determine Shareholders' entitlements to attend and vote at the AGM.

CLOSURE OF REGISTER OF MEMBERS (CONT'D)

For determining the entitlement to the Proposed Final Dividend

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed on Thursday, 11 July 2019 and Friday, 12 July 2019, both dates inclusive, during this period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 10 July 2019.

For Singapore Shareholders

For the avoidance of doubt, where the registered holder is The Central Depository (Pte) Limited ("**CDP**"), the proposed final dividend shall be paid to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of Shares standing to the credit of each depositor's securities account with the CDP as at 5:00 p.m. on Wednesday, 10 July 2019. Duly completed registrable transfers received by the Company's Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on Wednesday, 10 July 2019 shall be registered to determine Shareholders' entitlements to the proposed final dividend.

CORPORATE GOVERNANCE

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore Code of Corporate Governance 2012 (the "**Code**") and the applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Appendix 14 to the Hong Kong Listing Rules to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long term Shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout FY2018, the Group has complied with the Code and the HK CG Code.

COMPLIANCE WITH SINGAPORE LISTING MANUAL AND HONG KONG MODEL CODE

In compliance with Rules [1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")] and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (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 and these are applicable to all its officers 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 during FY2018.

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

AUDIT COMMITTEE

The Audit Committee with written terms of reference which deal clearly with its authority and duties, which was revised on 1 January 2019. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang. Mr. Lim Siang Kai is the chairman of the Audit Committee.

The financial information in this announcement has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for FY2018 and is of the opinion that such results complied with the applicable accounting standards, the requirements under Singapore Listing Manual and the Hong Kong Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for FY2018 have been compared by the Company's independent auditor, Moore Stephens LLP (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for FY2018 and the amounts were found to be in agreement. The work performed by the Auditor in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditor on this announcement.

PUBLICATION OF FINANCIAL INFORMATION

The annual results announcement for FY2018 is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.isdnholdings.com). The annual report of the Company for FY2018 will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board
ISDN HOLDINGS LIMITED
Teo Cher Koon
President and Managing Director

Singapore, 26 February 2019

As of the date of this announcement, the Board comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive Directors; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive Directors.