



ISDN Holdings Limited
Interim Financial Statements Announcement
For the First Quarter and Period Ended 31 March 2014



ISDN Holdings Limited
2014 Interim Financial Statements Announcement

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND PERIOD ENDED 31 MARCH 2014

An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial period.

	Group	Group	
	3 months ended 31 March		
	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%
Revenue	39,120	30,893	26.6
Cost of sales	(29,565)	(21,878)	35.1
Gross profit	9,555	9,015	6.0
Other operating income	479	810	(40.9)
Distribution costs	(3,456)	(3,714)	(7.0)
Administrative expenses	(4,378)	(4,150)	5.5
Other operating expenses	(769)	(428)	79.7
Finance costs	(179)	(264)	(32.2)
Share of results of associates and joint ventures	(108)	290	N/M
Profit before income tax	1,144	1,559	(26.6)
Income tax expense	(563)	(500)	12.6
Profit for the period	581	1,059	(45.1)
Other comprehensive (loss)/income:			
Exchange differences on translation of foreign operations	(1,317)	851	N/M
Total comprehensive (loss)/income for the period	(736)	1,910	N/M
Profit after income tax attributable to:			
Equity holders of the Company	350	747	(53.1)
Non-controlling interests	231	312	(26.0)
	581	1,059	(45.1)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(825)	1,493	N/M
Non-controlling interests	89	417	(78.7)
	(736)	1,910	N/M

N/M- not meaningful



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Profit from operations is determined after (crediting)/charging the following:

	Group 3 months ended 31 March	Group 3 months ended 31 March	Increase (Decrease)
	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%
Other operating income (crediting)			
Administrative income	9	32	(71.9)
Commission income	7	6	16.7
Finance income:			
- interest on bank deposits	28	30	(6.7)
- interest on loan to associates	8	-	N/M
Foreign exchange gain, net	-	310	N/M
Government grant	86	-	N/M
Technical service income	51	244	(79.1)
Write back of allowance for trade receivables	20	9	N/M
Write back of allowance for inventories obsolescence	21	13	61.5
Operating lease rental income:			
- investment properties	14	15	(6.7)
- sub-let of office/warehouse premises	104	67	55.2
Property management income	84	7	N/M
Miscellaneous income	47	77	(39.0)
	479	810	(40.9)

N/M- not meaningful



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:- Cont'd

	Group	Group	
	3 months ended 31 March		
	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%
Other operating expenses charging			
Allowance for impairment of trade receivables	26	134	(80.6)
Allowance for inventories obsolescence	367	277	32.5
Amortisation of intangible assets	-	6	N/M
Amortisation of prepayment of land use rights	8	8	-
Foreign exchange losses, net	341	-	N/M
Property, plant and equipment written off	10	2	N/M
Inventories written off	12	1	N/M
Loss on disposal of a subsidiary	3	-	N/M
Loss on disposal of property, plant and equipment	2	-	N/M
	769	428	79.7
<i>Included in Distribution costs</i>			
Depreciation of property, plant and equipment	39	32	21.9
<i>Included in Administrative expenses</i>			
Depreciation of property, plant and equipment	343	324	5.9
Depreciation of investment properties	4	4	-
<i>Included in cost of sales</i>			
Depreciation of property, plant and equipment	62	70	(11.4)

N/M- not meaningful



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:- Cont'd

	Group	Group	
	3 months ended 31 March		
	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%
Income tax expense			
Current taxation	520	574	(9.4)
Deferred taxation	37	11	N/M
(Over)/Under provision of tax in respect of prior years	6	(85)	N/M
	<hr/> 563	<hr/> 500	12.6

N/M- not meaningful



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(1)(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Group	Group	Company	Company
31 March 2014	31 December 2013	31 March 2014	31 December 2013
S\$'000	S\$'000	S\$'000	S\$'000

ASSETS

Non-current assets

Property plant and equipment	27,566	28,306	-	-
Investment properties	586	590	-	-
Prepayment- land use rights	1,453	1,496	-	-
Goodwill on consolidation	2,179	11,686	-	-
Subsidiaries	-	-	36,082	36,082
Associates and joint ventures	17,524	3,713	31	31
Total non current assets	49,308	45,791	36,113	36,113

Current assets

Inventories	26,209	28,467	-	-
Trade and other receivables	48,659	48,600	376	381
Amount owing by subsidiaries	-	-	30,705	27,049
Dividend receivable	-	-	5,317	5,750
Cash and bank balances and fixed deposits	36,030	40,697	213	3,710
Total current assets	110,898	117,764	36,611	36,890

Total Assets	160,206	163,555	72,724	73,003
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(1)(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year. Cont'd

Group	Group	Company	Company
31 March 2014	31 December 2013	31 March 2014	31 December 2013
S\$'000	S\$'000	S\$'000	S\$'000

EQUITY AND LIABILITIES

Equity attributable to members of the Company

Share capital	63,925	63,925	63,925	63,925
Warrants Issue	3,384	3,384	3,384	3,384
Treasury shares	(162)	(162)	(162)	(162)
Reserves	39,148	39,997	2,109	2,663
	106,295	107,144	69,256	69,810
Non-controlling interests	6,612	6,634	-	-
Total equity	112,907	113,778	69,256	69,810

Non-current liabilities

Bank borrowings	1,078	814	-	-
Finance leases	493	214	-	-
Deferred tax liabilities	49	12	-	-
Total non-current liabilities	1,620	1,040	-	-

Current liabilities

Bank borrowings	10,714	12,516	-	-
Current portion of finance leases	144	57	-	-
Trade and other payables	34,159	35,654	3,468	3,193
Current income tax liabilities	662	510	-	-
Total current liabilities	45,679	48,737	3,468	3,193
Total liabilities	47,299	49,777	3,468	3,193

Total equity and liabilities	160,206	163,555	72,724	73,003
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(1)(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

The amount repayable in one year or less, or on demand:

As at 31 March 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,058	6,800	5,713	6,860

The amount repayable after one year;

As at 31 March 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,282	289	1,028	-

Details of any collaterals.

The secured borrowings relate to:-

- 1) The finance lease obligations of various subsidiaries which are secured against respective assets under the finance lease arrangement.
- 2) Legal mortgage over land use rights and leasehold properties of subsidiaries for term loans. The said facility is also secured by corporate guarantee provided by the Company and subsidiaries.
- 3) There are legal mortgages over four leasehold properties of three subsidiaries and one investment property of a subsidiary for facilities including a term loan, a commercial property loan and trade facilities. The said facilities are also secured by corporate guarantee provided by the Company.



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(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended 31 March	
	2014	2013
	S\$'000	S\$'000
Cash flow from operating activities:		
Profit before income tax	1,144	1,559
Adjustments for:		
Amortisation of intangible assets	-	6
Amortisation of land use rights	8	8
Depreciation of property, plant and equipment	444	426
Depreciation of investment properties	4	4
Allowance for impairment of trade receivables	26	134
Allowance for inventories obsolescence	367	277
Inventories written off	12	1
Loss on disposal of interests in subsidiary	3	-
Loss on disposal of property, plant and equipment	2	-
Property, plant and equipment written off	10	2
Write back of allowance for inventories obsolescence	(21)	(13)
Write back of allowance for impairment of trade receivables	(20)	(9)
Interest expense	179	264
Interest income	(36)	(30)
Share of results of associates and joint ventures	108	(290)
Unrealised currency translation differences	43	(156)
Operating cash flow before working capital changes	2,273	2,183
Inventories	(1,243)	(2,173)
Trade and other receivables	(3,833)	8,078
Trade and other payables	1,730	(785)
Cash (used in)/generated from operations	(1,073)	7,303
Interest paid	(179)	(264)
Interest received	36	30
Income tax paid	(355)	(1,090)
Net cash (used in)/generated from operating activities	(1,571)	5,979



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(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. Cont'd

	3 months ended 31 March	
	2014	2013
	S\$'000	S\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(580)	(139)
Proceeds from sales property, plant and equipment	1	-
Cash outflow on transfer to associates and joint ventures (Note B)	(824)	-
Net cash used in investing activities	(1,403)	(139)
Cash flows from financing activities:		
Investment in subsidiaries by non-controlling interests	-	61
Amount owing to non-controlling interests	19	8
(Increase)/Decrease on restricted bank balances	(10)	195
Proceeds from bank loans	500	892
Repayment of bank loans	(1,963)	(1,806)
Repayment of short-term loans	(130)	(300)
Proceeds from/(Repayment of) trust receipts (net)	101	(2,877)
Repayment of finance leases	(80)	(14)
Net cash used in financing activities	(1,563)	(3,841)
Net (decrease)/increase in cash and cash equivalents	(4,537)	1,999
Cash and cash equivalents at beginning of period	40,697	25,071
Effect of currency translation on cash and cash equivalents	(140)	(23)
Cash and cash equivalents at end of period (Note A)	36,020	27,047

Note A:

For the purpose of the consolidated cash flow statement, the period end cash and cash equivalents comprise the following:

	31 March 2014 S\$'000	31 March 2013 S\$'000
Cash and bank balances	26,000	26,839
Fixed deposits	10,030	13
	36,030	26,852
(Less)/Add (Increase)/Decrease in restricted bank balances	(10)	195
Cash and cash equivalents at end of period	36,020	27,047



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(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. Cont'd

Note B:

The Group has adopted the latest FRS 111 in changing the proportionate consolidation of 49% of investment in Dirak Asia Group ("Dirak Asia") to the equity method with effect from 1 January 2014.

The effect of the above adoption on the consolidated cash flows of the Group for the period ended 31 March 2014 is as follow:

	Adoption of FRS 111 2014
	S'000
Property, plant and equipment	709
Inventories	3,142
Trade and other receivables	3,553
Deferred tax assets	37
Trade and other payables	(3,230)
Income tax liabilities	(57)
Bank borrowings	(45)
Cash and cash equivalents	824
Identifiable net assets	<u>4,933</u>
Derecognised of non-controlling interest	(243)
Identifiable net assets on transfer	<u>4,690</u>
Fair value of investment transferred to associates and joint ventures	(12,726)
Post-acquisition retained earnings transferred to associates and joint ventures	(1,326)
Goodwill arising from acquisition of Dirak Asia	9,507
Less: Implicit goodwill	(145)
Less: Cash and cash equivalents on transfer	(824)
Cash outflow on transfer to associates joint ventures	<u><u>(824)</u></u>



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(1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Warrants issue	Treasury shares	Merger reserves	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	\$'000	\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group										
Balance as at 1 January 2014	63,925	3,384	(162)	(436)	313	3,767	36,353	107,144	6,634	113,778
Profit for the year	-	-	-	-	-	-	350	350	231	581
Other comprehensive loss	-	-	-	-	(1,175)	-	-	(1,175)	(142)	(1,317)
Total comprehensive loss for the period	-	-	-	-	(1,175)	-	350	(825)	89	(736)
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	114	114
Disposal of a subsidiary	-	-	-	-	-	-	-	-	18	18
Transfer to associates and joint ventures	-	-	-	-	-	(24)	-	(24)	(243)	(267)
Balance as at 31 March 2014	63,925	3,384	(162)	(436)	(862)	3,743	36,703	106,295	6,612	112,907



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(1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. Cont'd

	Share capital	Warrants issue	Treasury shares	Merger reserves	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	\$'000	\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group										
Balance as at 1 January 2013	44,855	-	(162)	(436)	(1,339)	3,174	34,226	80,318	6,606	86,924
Profit for the year	-	-	-	-	-	-	747	747	312	1,059
Other comprehensive income	-	-	-	-	746	-	-	746	105	851
Total comprehensive income for the period	-	-	-	-	746	-	747	1,493	417	1,910
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	61	61
Transfer to other reserves	-	-	-	-	-	93	(171)	(78)	78	-
Balance as at 31 March 2013	44,855	-	(162)	(436)	(593)	3,267	34,802	81,733	7,162	88,895



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(1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. Cont'd

	Share capital	Warrant issue	Treasury shares	Other reserve	Retained earnings	Total
	S\$'000	\$'000	\$'000	\$'000	S\$'000	S\$'000
Company						
Balance as at 1 January 2014	63,925	3,384	(162)	(178)	2,841	69,810
Total comprehensive loss for the period	-	-	-	-	(554)	(554)
Balance as at 31 March 2014	63,925	3,384	(162)	(178)	2,287	69,256
Balance as at 1 January 2013	44,855	-	(162)	(162)	1,636	46,329
Total comprehensive loss for the period	-	-	-	-	(504)	(504)
Balance as at 31 March 2013	44,855	-	(162)	(162)	1,132	45,825



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ISDNHoldings
LIMITED

(1)(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There are no changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

The number of outstanding shares as at 31 March 2014 is 359,944,950 (31 March 2013: 300,214,950), net of treasury shares. The number of shares held as treasury shares as at 31 March 2014 is 1,105,000 (31 March 2013: 1,105,000).

The outstanding convertibles are 179,972,475 warrants that maybe convertible into ordinary shares of 179,972,475 as at 31 March 2014 (31 March 2013: Nil).

(1)(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the preceding year.

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	No. of shares	No. of shares	No. of shares	No. of shares
Issued share capital at the end of the period (net of treasury shares)	359,944,950	359,944,950	359,944,950	359,944,950



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(1)(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	No. of treasury shares	No. of treasury shares	No. of treasury shares	No. of treasury shares
Balance at beginning and end of period	1,105,000	1,105,000	1,105,000	1,105,000

2. Whether the figures have been audited, or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statement for the period ended 31 March 2014 as those used for the audited financial statement as at 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted all of the new or revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are effective for the financial period beginning 1 January 2014 and are relevant to its operations. The adoption of these new and revised FRS and INT FRS has no material effect on the amounts reported for the current or prior reporting periods except for FRS 111 – Joint Arrangements with effect from 1 January 2014.

The effect of the adoption is to perform equity accounting on the investments in joint venture as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated, including goodwill arising from acquisition as disclosed in the consolidated cash flow statement Note B.



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6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group	Group
	3 months ended 31 March	
	2014	2013
	Singapore cents	Singapore cents
EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue	0.10	0.25
- on a fully diluted basis	0.06	0.25
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	359,944,950	300,214,950
Weighted average number of ordinary shares for diluted EPS (net of treasury shares)	539,917,425*	300,214,950

* Assume 179,972,475 warrants are fully converted into ordinary shares

7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	Singapore cents	Singapore cents	Singapore cents	Singapore cents
Net asset value per share based on existing issued capital as at respective period	31.37	31.61	19.24	19.39
Issued share capital at the end of the period (net of treasury shares)	359,944,950	359,944,950	359,944,950	359,944,950



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8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

STATEMENT OF COMPREHENSIVE INCOME ITEMS

Quarter on Quarter

Revenue

The Group is an integrated specialist engineering solutions provider, serving manufacturers across a broad range of industries within China and the rest of Asia.

Revenue by Geographical Location

	3 months ended 31 March		Increase (Decrease)	
	2014	2013		
	S\$'000	S\$'000	S\$'000	%
Singapore	6,097	6,049	48	0.8
People's Republic of China ("PRC")	28,933	21,581	7,352	34.1
Malaysia	1,052	1,524	(472)	(31.0)
Others	3,038	1,739	1,299	74.7
Total	39,120	30,893	8,227	26.6

Notes to table:

Others include but not limited to Australia, Finland, Indonesia, India, Korea, New Zealand Pakistan, Philippines, Russia, Switzerland, Taiwan, Thailand, United States of America, United Kingdom and Vietnam.

The Group registered higher sales revenue in the 1Q2014 as compared to the previous corresponding period of 2013.

Stronger demand from customers from industries like smart phone industry was the reason for the increase in sales revenue in China.

Although the demand for our products in Malaysia declined, the demand from Other markets remained strong with an increase in sales revenue of S\$1.30 million in 1Q2014 as compared to 1Q2013.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on. Cont'd

STATEMENT OF COMPREHENSIVE INCOME ITEMS Cont'd

Quarter on Quarter Cont'd

Revenue by Business Segment

	3 months ended 31 March		Increase (Decrease)	
	2014	2013		
	S\$'000	S\$'000	S\$'000	%
Motion Control	31,594	23,678	7,916	33.4
Other Specialised Engineering Solutions	6,419	5,977	442	7.4
Industrial Computing	1,091	1,214	(123)	(10.1)
Others	16	24	(8)	(33.3)
Total	39,120	30,893	8,227	26.6

Motion Control and Other Specialised Engineering Solutions product groups generated more revenue in 1Q2014 as compared to 1Q2013 mainly due to overall stronger demand from our customers.

Sales revenue from Industrial Computing group decreased due to weaker demand of customers.

Gross profit

The Group's gross profit increased by S\$540,000 or 6.0% from S\$9.02 million in 1Q2013 to S\$9.56 million in 1Q2014 due to higher revenue registered. Gross profit margin decreased from 29.2% in 1Q2013 to 24.4% in 1Q2014 mainly due to more sales revenue generated by trading activities with lower gross profit.

Other operating income

Other operating income decreased by S\$331,000 from S\$810,000 or 40.9% in 1Q2013 to S\$479,000 in 1Q2014 mainly due to lower technical service income and no foreign exchange gain.



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8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on. Cont'd

STATEMENT OF COMPREHENSIVE INCOME ITEMS Cont'd

***Quarter on Quarter* Cont'd**

Distribution costs

Distribution costs decreased by S\$258,000 or 7.0% from S\$3.71 million in 1Q2013 to S\$3.46 million in 1Q2014 mainly due to decrease in sub-contractor costs.

Administrative expenses

Administrative expenses increased by S\$228,000 or 5.5% from S\$4.15 million in 1Q2013 to S\$4.38 million in 1Q2014 mainly due to increase in staff cost.

Other operating expenses

Other operating expenses increased by S\$341,000 or 79.7% from S\$428,000 in 1Q2013 to S\$769,000 in 1Q2014 mainly due to foreign exchange loss.

Share of results of associates and joint ventures

Share of results of associates decreased by S\$398,000 from a gain of S\$290,000 in 1Q2013 to a loss of S\$108,000 in 1Q2014 mainly due to lower contribution from associates and joint ventures.



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8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on. Cont'd

STATEMENT OF FINANCIAL POSITION ITEMS

Goodwill

The decrease in goodwill was mainly due to the adoption of FRS 111 that transfers the goodwill on acquisition of joint venture previously recognised to associates and joint ventures.

Associates and joint ventures

The increase in Associates and joint ventures was mainly due to the recognition of the result of the aggregation of the carrying amounts of the assets and liabilities of Dirak Asia that the Group has previously proportionately consolidated, including goodwill, under the adoption of FRS 111.

Inventories

Inventories decreased by S\$2.26 million or 7.9% from S\$28.47 million as at 31 December 2013 to S\$26.21 million as at 31 March 2014 was mainly due to the transfer of Dirak Asia's inventories amounting to S\$3.14 million to associates and joint ventures.

Trade and other receivables

The net increase of S\$59,000 in Trade and other receivables was mainly due to an increase in revenue offset by the transfer of Dirak Asia's trade and other receivables amounting to S\$3.55 million to associates and joint ventures.

Subsequent payment of about S\$5.92 million was received from customers as at 18 April 2014. It represents approximately 14.8% of trade receivables as at 31st March 2014.

The customers who have delayed payments are still paying progressively and/or having ongoing transactions with the Company. They are the long time customers of the Group and the Group is regularly in close contact with them.



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8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on. Cont'd

STATEMENT OF FINANCIAL POSITION ITEMS Cont'd

Bank borrowings

Bank borrowings decreased by S\$1.17 million or 8.6% from S\$13.60 million as at 31 December 2013 to S\$12.43 million as at 31 March 2014. The net decline was mainly due to repayment of bank borrowings offset by additional bank borrowings during 1Q2014.

CASH FLOW STATEMENT

Net cash generated from operating activities decreased from a cash inflow of S\$5.98 million during period ended 31 March 2013 to a cash outflow of S\$1.57 million during period ended 31 March 2014. The decrease was mainly due to the transfer of Dirak Asia's inventories and trade and other receivables to associates and joint ventures.

Net cash used in investing activities increased by S\$1.26 million from S\$139,000 during period ended 31 March 2013 to S\$1.40 million during period ended 31 March 2014 mainly due to transfer of Dirak Asia's assets and liabilities to associates and joint ventures.

Net cash used in financing activities decreased from S\$3.84 million during period ended 31 March 2013 to S\$1.56 million during period ended 31 March 2014 mainly due to lesser repayment of trust receipts in 1Q2014.

As at 31 March 2014, the Group maintained a healthy cash and cash equivalent balance of S\$36.02 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.



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10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

ISDN's diversification into the energy sector, particularly in the coal and hydropower sectors, has chalked up considerable milestones. This month will see construction work begin at the PT Charma Paluta Energy mini-hydropower plant in North Sumatra following the Group's award of the master engineering, procurement and construction contract to China Huadian Engineering Co. Ltd in February this year.

Barring any unforeseen circumstances, ISDN is cautiously optimistic of producing positive results in the next reporting period.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

(b) (i) Amount per share; (ii) Previous corresponding period;

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the Company (up to 5.00p.m.) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared.



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13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Statement by Directors Pursuant to SGX Listing Rule 705(5)

We, Teo Cher Koon and Kong Deyang, being Directors of ISDN Holdings Limited, hereby confirm on behalf of the Board of Directors that to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited interim financial results (comprising the comprehensive income statement, balance sheet, cash flow statement and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material aspect.

15. Use of proceeds

1. Use of Net Proceeds from the First and Second Placements

There is no material disbursement in 1Q2014. The Company will make further announcements when the remaining net proceeds from the both Placements are materially disbursed.

2. Use of Net Proceeds from the Warrants Issue

Use of Proceeds	Amount of net proceeds allocated (S\$'000)	Amount utilised to date (S\$'000)	Amount unutilised to date (S\$'000)
Energy related business	3,350	886	2,464
Total	3,350	886	2,464

By Order of the Board

Gwendolyn Gn
Company Secretary
ISDN Holdings Limited

12 May 2014