



(Company Registration No.: 200416788Z)

**ISDN Holdings Limited**  
**Interim Financial Statements Announcement**  
**For the Second Quarter and Period Ended 30 June 2019**

**1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2019**

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          |               |               |                |               |               |
|---|----------------|---------------|---------------|----------------|---------------|---------------|
|   | 3 months ended |               |               | 6 months ended |               |               |
|   | 30 June        |               |               | 30 June        |               |               |
|   | 2019           | 2018          | % change      | 2019           | 2018          | % change      |
|   | S\$'000        | S\$'000       | +/( - )       | S\$'000        | S\$'000       | +/( - )       |
| Revenue   | 71,426         | 85,912        | -16.9%        | 146,963        | 162,104       | -9.3%         |
| Cost of sales   | (52,856)       | (63,562)      | -16.8%        | (109,564)      | (120,401)     | -9.0%         |
| <b>Gross profit</b>   | <b>18,570</b>  | <b>22,350</b> | <b>-16.9%</b> | <b>37,399</b>  | <b>41,703</b> | <b>-10.3%</b> |
| Other operating income  | 772            | 1,737         | -55.6%        | 2,331          | 3,627         | -35.7%        |
| Distribution costs  | (6,272)        | (5,854)       | 7.1%          | (12,363)       | (12,066)      | 2.5%          |
| Administrative expenses   | (7,721)        | (8,925)       | -13.5%        | (15,179)       | (15,296)      | -0.8%         |
| Net impairment (loss)/gain on financial assets                    | (29)           | -             | n.m.          | 82             | -             | n.m.          |
| Other operating expenses  | (1,015)        | (76)          | n.m.          | (794)          | (155)         | n.m.          |
| Finance costs   | (346)          | (183)         | 89.1%         | (827)          | (416)         | 98.8%         |
| Share of profit of associates                                     | 166            | 196           | -15.3%        | 272            | 637           | -57.3%        |
| <b>Profit before income tax</b>                                   | <b>4,125</b>   | <b>9,245</b>  | <b>-55.4%</b> | <b>10,921</b>  | <b>18,034</b> | <b>-39.4%</b> |
| Income tax expense  | (1,596)        | (2,570)       | -37.9%        | (2,597)        | (4,510)       | -42.4%        |
| <b>Profit for the period</b>                                      | <b>2,529</b>   | <b>6,675</b>  | <b>-62.1%</b> | <b>8,324</b>   | <b>13,524</b> | <b>-38.5%</b> |
| <b>Other comprehensive income:</b>                                |                |               |               |                |               |               |
| Items that may be subsequently reclassified to profit or loss     |                |               |               |                |               |               |
| - Net fair value changes on cash flow hedge                       | 10             | -             | n.m.          | 32             | -             | n.m.          |
| - Exchange differences on translation                             | (2,236)        | (1,481)       | 51.0%         | (1,094)        | 395           | n.m.          |
|   | (2,226)        | (1,481)       | 50.3%         | (1,062)        | 395           | n.m.          |
| <b>Total comprehensive income for the period</b>                  | <b>303</b>     | <b>5,194</b>  | <b>-94.2%</b> | <b>7,262</b>   | <b>13,919</b> | <b>-47.8%</b> |
| <b>Profit for the period attributable to:</b>                     |                |               |               |                |               |               |
| Equity holders of the Company                                     | 1,336          | 4,878         | -72.6%        | 5,548          | 10,076        | -44.9%        |
| Non-controlling interests   | 1,193          | 1,797         | -33.6%        | 2,776          | 3,448         | -19.5%        |
|   | 2,529          | 6,675         | -62.1%        | 8,324          | 13,524        | -38.5%        |
| <b>Total comprehensive income for the period attributable to:</b> |                |               |               |                |               |               |
| Equity holders of the Company                                     | (494)          | 3,586         | n.m.          | 4,625          | 10,521        | -56.0%        |
| Non-controlling interests   | 797            | 1,608         | -50.4%        | 2,637          | 3,398         | -22.4%        |
|   | 303            | 5,194         | -94.2%        | 7,262          | 13,919        | -47.8%        |

n.m.: Not meaningful

(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 |         |         | 6 months ended |         |         |
|   | 30 June        |         | %       | 30 June        |         | %       |
|   | 2019           | 2018    | change  | 2019           | 2018    | change  |
|   | S\$'000        | S\$'000 | + / (-) | S\$'000        | S\$'000 | + / (-) |
| <b>Profit from operations is determined after (crediting)/charging the following:</b> |                |         |         |                |         |         |
| Net impairment losses/(gain) on financial assets                                      | 29             | -       | n.m.    | (82)           | -       | n.m.    |
| Allowance for impairment of trade receivables   | 29             | -       | n.m.    | 49             | -       | n.m.    |
| Allowance for inventories obsolescence  | 62             | (21)    | n.m.    | 192            | -       | n.m.    |
| Amortisation and depreciation   | 506            | 559     | -9.5%   | 1,061          | 1,086   | -2.3%   |
| Interest income   | (103)          | (242)   | -57.4%  | (204)          | (268)   | -23.9%  |
| Foreign exchange loss/(gain), net   | 933            | (813)   | n.m.    | 339            | (818)   | n.m.    |
| Gain on disposal of interest in subsidiaries  | -              | (180)   | -100.0% | -              | (180)   | -100.0% |
| Gain on disposal of property, plant and equipment, net                                | (4)            | (30)    | -86.7%  | (3)            | (159)   | -98.1%  |
| Inventories written off   | -              | 88      | -100.0% | 227            | 90      | n.m.    |
| Write back of allowance for inventories obsolescence                                  | (29)           | -       | n.m.    | (295)          | (34)    | n.m.    |
| Write back of allowance for trade receivables   | -              | -       | n.m.    | (131)          | -       | n.m.    |
| Property, plant and equipment written off   | -              | 1       | -100.0% | 2              | 1       | 100.0%  |
| Trade receivables written off   | 5              | 15      | -66.7%  | 5              | 20      | -75.0%  |

n.m: Not meaningful

(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           |                     | COMPANY         |                     |
|---|-----------------|---------------------|-----------------|---------------------|
|   | 30 June<br>2019 | 31 December<br>2018 | 30 June<br>2019 | 31 December<br>2018 |
|   | S\$'000         | S\$'000             | S\$'000         | S\$'000             |
| <b>Non-current assets</b>                           |                 |                     |                 |                     |
| Property, plant and equipment                       | 39,338          | 39,314              | 22              | 30                  |
| Investment properties                               | 489             | 497                 | -               | -                   |
| Land use rights                                     | 1,236           | 1,270               | -               | -                   |
| Goodwill  | 12,227          | 12,227              | -               | -                   |
| Subsidiaries  | -               | -                   | 50,410          | 50,410              |
| Associates  | 5,793           | 6,136               | 125             | 124                 |
| Service concession receivables                      | 32,576          | 30,233              | -               | -                   |
| Other financial assets                              | 900             | -                   | -               | -                   |
| Deferred tax assets                                 | 143             | 139                 | -               | -                   |
|   | 92,702          | 89,816              | 50,557          | 50,564              |
| <b>Current assets</b>                               |                 |                     |                 |                     |
| Inventories   | 50,650          | 55,183              | -               | -                   |
| Trade and other receivables                         | 108,299         | 96,225              | 2,706           | 363                 |
| Amounts owing by subsidiaries                       | -               | -                   | 51,588          | 46,436              |
| Dividend receivables                                | -               | -                   | 2,592           | 9,918               |
| Cash and bank balances                              | 41,071          | 41,877              | 3,265           | 3,023               |
|   | 200,020         | 193,285             | 60,151          | 59,740              |
| <b>Current liabilities</b>                          |                 |                     |                 |                     |
| Bank borrowings                                     | 17,950          | 16,423              | 2,274           | 2,291               |
| Finance leases liabilities                          | 63              | 81                  | -               | -                   |
| Trade and other payables                            | 66,289          | 69,380              | 11,746          | 13,686              |
| Current tax liabilities                             | 1,308           | 2,286               | -               | -                   |
|   | 85,610          | 88,170              | 14,020          | 15,977              |
| <b>Net current assets</b>                           | 114,410         | 105,115             | 46,131          | 43,763              |
| <b>Non-current liabilities</b>                      |                 |                     |                 |                     |
| Bank borrowings                                     | 11,692          | 11,842              | 11,366          | 11,455              |
| Finance leases liabilities                          | 200             | 224                 | -               | -                   |
| Deferred tax liabilities                            | 655             | 657                 | -               | -                   |
|   | 12,547          | 12,723              | 11,366          | 11,455              |
| <b>Net assets</b>                                   | 194,565         | 182,208             | 85,322          | 82,872              |
| <b>Equity</b>                                       |                 |                     |                 |                     |
| Share capital                                       | 76,381          | 70,984              | 76,381          | 70,984              |
| Warrants issue                                      | -               | -                   | -               | -                   |
| Reserves  | 77,392          | 72,767              | 8,941           | 11,888              |
| <b>Equity attributable to owners of the Company</b> | 153,773         | 143,751             | 85,322          | 82,872              |
| Non-controlling interests                           | 40,792          | 38,457              | -               | -                   |
| <b>Total equity</b>                                 | 194,565         | 182,208             | 85,322          | 82,872              |

**(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:**

| <b>As at 30 June 2019</b> |                  | <b>As at 31 December 2018</b> |                  |
|---------------------------|------------------|-------------------------------|------------------|
| <b>Secured</b>            | <b>Unsecured</b> | <b>Secured</b>                | <b>Unsecured</b> |
| <b>S\$'000</b>            | <b>S\$'000</b>   | <b>S\$'000</b>                | <b>S\$'000</b>   |
| 2,379                     | 15,634           | 2,823                         | 13,681           |

**The amount repayable after one year;**

| <b>As at 30 June 2019</b> |                  | <b>As at 31 December 2018</b> |                  |
|---------------------------|------------------|-------------------------------|------------------|
| <b>Secured</b>            | <b>Unsecured</b> | <b>Secured</b>                | <b>Unsecured</b> |
| <b>S\$'000</b>            | <b>S\$'000</b>   | <b>S\$'000</b>                | <b>S\$'000</b>   |
| 11,892                    | -                | 12,016                        | 50               |

**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 mortgages over land use rights and leasehold property of subsidiaries for a term loan. The said facilities are also secured by corporate guarantee provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries.

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

|   | <b>GROUP</b>          |                |                       |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | <b>3 months ended</b> |                | <b>6 months ended</b> |                |
|   | <b>30 June</b>        |                | <b>30 June</b>        |                |
|   | <b>2019</b>           | <b>2018</b>    | <b>2019</b>           | <b>2018</b>    |
|   | <b>S\$'000</b>        | <b>S\$'000</b> | <b>S\$'000</b>        | <b>S\$'000</b> |
| <b>Cash flows from operating activities:</b>  |                       |                |                       |                |
| Profit before income tax  | 4,125                 | 9,245          | 10,921                | 18,034         |
| Adjustments for:  |                       |                |                       |                |
| Amortisation of land use rights   | 9                     | 6              | 17                    | 17             |
| Trade receivables written off   | 5                     | 15             | 5                     | 20             |
| Depreciation of property, plant and equipment   | 493                   | 543            | 1,036                 | 1,050          |
| Depreciation of investment properties   | 4                     | 10             | 8                     | 19             |
| Allowance for impairment of trade receivables   | 29                    | -              | 49                    | -              |
| Allowance for inventory obsolescence  | 62                    | (21)           | 192                   | -              |
| Gain on disposal of property, plant and equipment, net                                | (4)                   | (30)           | (3)                   | (159)          |
| Gain on disposal of interest in subsidiaries  | -                     | (180)          | -                     | (180)          |
| Inventories written off   | -                     | 88             | 227                   | 90             |
| Property, plant and equipment written off   | -                     | 1              | 2                     | 1              |
| Write back of allowance for inventory obsolescence                                    | (29)                  | -              | (295)                 | (34)           |
| Write back of allowance for trade receivables   | -                     | -              | (131)                 | -              |
| Interest expenses   | 346                   | 183            | 827                   | 416            |
| Interest income   | (103)                 | (242)          | (204)                 | (268)          |
| Share of results of associates  | (166)                 | (196)          | (272)                 | (637)          |
| Foreign currency on translation of foreign operations                                 | 1,200                 | (859)          | 1,462                 | 401            |
| <b>Operating cash flow before working capital changes</b>                             | <b>5,971</b>          | <b>8,563</b>   | <b>13,841</b>         | <b>18,770</b>  |
| Changes in:   |                       |                |                       |                |
| Inventories   | (2,584)               | (5,404)        | 4,409                 | (3,575)        |
| Trade and other receivables   | (1,636)               | (17,232)       | (10,782)              | (26,554)       |
| Trade and other payables  | (941)                 | 17,906         | (5,953)               | 15,800         |
| <b>Cash from operating activities before service concession arrangements</b>          | <b>810</b>            | <b>3,833</b>   | <b>1,515</b>          | <b>4,441</b>   |
| Change in receivables from service concession arrangements                            | (978)                 | -              | (2,628)               | -              |
| <b>Cash (used in)/generated from operations after service concession arrangements</b> | <b>(168)</b>          | <b>3,833</b>   | <b>(1,113)</b>        | <b>4,441</b>   |
| Interest paid   | (346)                 | (183)          | (827)                 | (416)          |
| Interest received   | 103                   | 242            | 204                   | 268            |
| Income tax paid   | (1,721)               | (1,414)        | (3,582)               | (2,492)        |
| <b>Net cash (used in)/ generated from operating activities</b>                        | <b>(2,132)</b>        | <b>2,478</b>   | <b>(5,318)</b>        | <b>1,801</b>   |

**(1)(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)**

|   | GROUP          |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | 3 months ended |                | 6 months ended |                |
|   | 30 June        |                | 30 June        |                |
|   | 2019           | 2018           | 2019           | 2018           |
|   | S\$'000        | S\$'000        | S\$'000        | S\$'000        |
| <b>Cash flows from investing activities:</b>                    |                |                |                |                |
| Purchase of property, plant and equipment                       | (542)          | (1,029)        | (1,594)        | (1,681)        |
| Proceeds from disposal of property, plant and equipment         | 36             | 135            | 61             | 443            |
| Net cash inflow on disposal of subsidiaries                     | -              | 563            | -              | 563            |
| Loan to associates  | -              | (1,181)        | -              | (1,431)        |
| Dividends from associates                                       | 222            | 155            | 222            | 155            |
| Acquisition of other financial assets                           | -              | -              | (900)          | -              |
| <b>Net cash used in investing activities</b>                    | <b>(284)</b>   | <b>(1,357)</b> | <b>(2,211)</b> | <b>(1,951)</b> |
| <b>Cash flows from financing activities:</b>                    |                |                |                |                |
| Dividends to equity holders of the Company                      | -              | (2,289)        | -              | (2,289)        |
| Dividends to non-controlling interests                          | (274)          | (1,793)        | (274)          | (3,327)        |
| Repayment from non-controlling interests                        | -              | -              | 250            | -              |
| Proceeds from bank borrowings                                   | 7,640          | 7,279          | 11,478         | 7,279          |
| Repayment of bank borrowings                                    | (10,234)       | (5,234)        | (12,218)       | (6,767)        |
| Proceeds from trust receipts, net                               | 3,012          | 147            | 2,106          | 96             |
| Repayment of finance lease, net                                 | (18)           | (401)          | (42)           | (234)          |
| Increase in fixed deposits pledged                              | (2,274)        | -              | (2,274)        | -              |
| Proceeds from issue of shares                                   | -              | -              | 5,397          | -              |
| <b>Net cash (used in)/generated from financing activities</b>   | <b>(2,148)</b> | <b>(2,291)</b> | <b>4,423</b>   | <b>(5,242)</b> |
| <b>Net decrease in cash and cash equivalents</b>                | <b>(4,564)</b> | <b>(1,170)</b> | <b>(3,106)</b> | <b>(5,392)</b> |
| Cash and cash equivalents at the beginning of financial period  | 38,791         | 33,922         | 37,255         | 38,053         |
| Effect of currency translation on cash and cash equivalents     | 4              | (697)          | 82             | (606)          |
| <b>Cash and cash equivalents at the end of financial period</b> | <b>34,231</b>  | <b>32,055</b>  | <b>34,231</b>  | <b>32,055</b>  |
| <u>Additional information:</u>                                  |                |                |                |                |
| Cash and bank balances  | 37,817         | 31,965         | 37,817         | 31,965         |
| Fixed deposits  | 3,254          | 340            | 3,254          | 340            |
| Cash and bank balances  | 41,071         | 32,305         | 41,071         | 32,305         |
| Less: restricted bank deposits                                  | (3,677)        | -              | (3,677)        | -              |
| Less: bank deposits pledged                                     | (3,163)        | (250)          | (3,163)        | (250)          |
| <b>Total cash and cash equivalents</b>                          | <b>34,231</b>  | <b>32,055</b>  | <b>34,231</b>  | <b>32,055</b>  |

(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.

| Group  | Share capital<br>S\$'000 | Warrants issue<br>S\$'000 | Merger reserve<br>S\$'000 | Exchange translation reserve<br>S\$'000 | Other reserves<br>S\$'000 | Retained earnings<br>S\$'000 | Total<br>S\$'000 | Non-controlling interests<br>S\$'000 | Total equity<br>S\$'000 |
|--|--------------------------|---------------------------|---------------------------|---|---------------------------|------------------------------|------------------|--------------------------------------|-------------------------|
| <b>As at 1 January 2019</b>                      | 70,984                   | -                         | (436)                     | (2,053)                                 | 4,820                     | 70,436                       | 143,751          | 38,457                               | 182,208                 |
| Profit for the period                            | -                        | -                         | -                         | -                                       | -                         | 5,548                        | 5,548            | 2,776                                | 8,324                   |
| Other comprehensive (loss)/income for the period | -                        | -                         | -                         | (955)                                   | 32                        | -                            | (923)            | (139)                                | (1,062)                 |
| Total comprehensive (loss)/income for the period | -                        | -                         | -                         | (955)                                   | 32                        | 5,548                        | 4,625            | 2,637                                | 7,262                   |
| Issue of shares                                  | 5,397                    | -                         | -                         | -                                       | -                         | -                            | 5,397            | -                                    | 5,397                   |
| Dividends to non-controlling interests           | -                        | -                         | -                         | -                                       | -                         | -                            | -                | (302)                                | (302)                   |
| <b>Balance as at 30 June 2019</b>                | 76,381                   | -                         | (436)                     | (3,008)                                 | 4,852                     | 75,984                       | 153,773          | 40,792                               | 194,565                 |
| <b>Balance at 1 January 2018</b>                 | 70,981                   | 3,384                     | (436)                     | (802)                                   | 4,921                     | 58,572                       | 136,620          | 15,206                               | 151,826                 |
| Adjustment on initial application of SFRS(I) 9   | -                        | -                         | -                         | -                                       | -                         | (254)                        | (254)            | (96)                                 | (350)                   |
| <b>Adjusted balance at 1 January 2018</b>        | 70,981                   | 3,384                     | (436)                     | (802)                                   | 4,921                     | 58,318                       | 136,366          | 15,110                               | 151,476                 |
| Profit for the period                            | -                        | -                         | -                         | -                                       | -                         | 10,076                       | 10,076           | 3,448                                | 13,524                  |
| Other comprehensive income/(loss) for the period | -                        | -                         | -                         | 445                                     | -                         | -                            | 445              | (50)                                 | 395                     |
| Total comprehensive income for the period        | -                        | -                         | -                         | 445                                     | -                         | 10,076                       | 10,521           | 3,398                                | 13,919                  |
| Dividends to non-controlling interests           | -                        | -                         | -                         | -                                       | -                         | -                            | -                | (104)                                | (104)                   |
| Disposal of subsidiaries                         | -                        | -                         | -                         | 181                                     | -                         | 77                           | 258              | (249)                                | 9                       |
| Payment of dividends                             | -                        | -                         | -                         | -                                       | -                         | (2,289)                      | (2,289)          | -                                    | (2,289)                 |
| <b>Balance as at 30 June 2018</b>                | 70,981                   | 3,384                     | (436)                     | (176)                                   | 4,921                     | 66,182                       | 144,856          | 18,155                               | 163,011                 |



- (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)

| Company  | Share capital<br>S\$'000 | Warrants<br>Issue<br>S\$'000 | Other<br>reserves<br>S\$'000 | Retained<br>earnings<br>S\$'000 | Total<br>S\$'000 |
|--|--------------------------|------------------------------|------------------------------|---------------------------------|------------------|
| <b>Balance at 1 January 2019</b>                 | 70,984                   | -                            | (279)                        | 12,167                          | 82,872           |
| Net loss for the period                          | -                        | -                            | -                            | (2,979)                         | (2,979)          |
| Other comprehensive income for the period        | -                        | -                            | 32                           | -                               | 32               |
| Total comprehensive income/(loss) for the period | -                        | -                            | 32                           | (2,979)                         | (2,947)          |
| Issue of shares                                  | 5,397                    | -                            | -                            | -                               | 5,397            |
| <b>Balance at 30 June 2019</b>                   | <b>76,381</b>            | <b>-</b>                     | <b>(247)</b>                 | <b>9,188</b>                    | <b>85,322</b>    |
| <b>Balance at 1 January 2018</b>                 | 70,981                   | 3,384                        | (178)                        | 4,828                           | 79,015           |
| Total comprehensive loss for the period          | -                        | -                            | -                            | (3,999)                         | (3,999)          |
| Payment of dividends                             | -                        | -                            | -                            | (2,289)                         | (2,289)          |
| <b>Balance at 30 June 2018</b>                   | <b>70,981</b>            | <b>3,384</b>                 | <b>(178)</b>                 | <b>(1,460)</b>                  | <b>72,727</b>    |

- (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 during 2Q2019.

The number of outstanding shares as at 30 June 2019 is 421,676,481 (30 June 2018: 394,684,950). No treasury shares were held as at 30 June 2019 (30 June 2018: nil). The number of shares held as subsidiary holdings as at 30 June 2019 is nil (30 June 2018: nil).

The Company does not have any existing warrants or convertibles as at the date of this announcement.

- (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 |                     |
|---|-----------------|---------------------|
|   | 30 June<br>2019 | 31 December<br>2018 |
| Total number of issued shares                           | 394,689,186     | 394,684,950         |
| Add: Subscription shares issued                         | 26,987,295      | -                   |
| Add: Exercise of warrants                               | -               | 4,236               |
| Total number of issued shares excluding treasury shares | 421,676,481     | 394,689,186         |

- (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**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

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's financial statements is prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)").

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2018

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 has applied the same accounting policies and methods of computation in the financial statements for the current financial period as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

The adoption of the above new and revised standards does not have any significant impact on the financial statements of the Group.

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:-**

|  | <b>GROUP</b>                      |             |                                   |             |
|--|-----------------------------------|-------------|-----------------------------------|-------------|
|  | <b>3 months ended<br/>30 June</b> |             | <b>6 months ended<br/>30 June</b> |             |
|  | <b>2019</b>                       | <b>2018</b> | <b>2019</b>                       | <b>2018</b> |
| Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)   | 421,676,481                       | 394,684,950 | 410,344,799                       | 394,684,950 |
| Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares) | 421,676,481                       | 394,684,950 | 410,344,799                       | 394,684,950 |
| EPS (based on consolidated net profit attributable to shareholders)                          |                                   |             |                                   |             |
| (i) Based on weighted average number of ordinary shares in issue                             | 0.32                              | 1.24        | 1.35                              | 2.55        |
| (ii) On a fully diluted basis  | 0.32                              | 1.24        | 1.35                              | 2.55        |
|  | (cents)                           | (cents)     | (cents)                           | (cents)     |

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.**

|  | <b>GROUP</b>            |                             | <b>COMPANY</b>          |                             |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
|  | <b>30 June<br/>2019</b> | <b>31 December<br/>2018</b> | <b>30 June<br/>2019</b> | <b>31 December<br/>2018</b> |
| Net assets (S\$'000)   | 153,773                 | 143,751                     | 85,322                  | 82,872                      |
| Issued share capital at the end of the period/year (net of treasury shares)                    | 421,676,481             | 394,689,186                 | 421,676,481             | 394,689,186                 |
| Net assets value per ordinary share based on issued share capital as at respective period/year | 36.47                   | 36.42                       | 20.23                   | 21.00                       |
|  | (cents)                 | (cents)                     | (cents)                 | (cents)                     |

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**

##### **Revenue and gross profit margin**

|                              | 3 months ended    |                   |                    | 6 months ended    |                   |                    |
|------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                              | 2Q2019<br>S\$'000 | 2Q2018<br>S\$'000 | % change<br>+/( -) | 1H2019<br>S\$'000 | 1H2018<br>S\$'000 | % change<br>+/( -) |
| <b>Engineering Solutions</b> |                   |                   |                    |                   |                   |                    |
| Revenue                      | 70,733            | 85,912            | -17.7%             | 144,335           | 162,104           | -11.0%             |
| Gross profit                 | 18,519            | 22,350            | -17.1%             | 37,204            | 41,703            | -10.8%             |
| Gross profit margin          | 26.2%             | 26.0%             | 0.2 ppt            | 25.8%             | 25.7%             | 0.1 ppt            |
| <b>Construction Revenue</b>  |                   |                   |                    |                   |                   |                    |
| Revenue                      | 693               | -                 | n.m.               | 2,628             | -                 | n.m.               |
| Gross profit                 | 51                | -                 | n.m.               | 195               | -                 | n.m.               |
| Gross profit margin          | 7.4%              | -                 | n.m.               | 7.4%              | -                 | n.m.               |
| <b>TOTAL</b>                 |                   |                   |                    |                   |                   |                    |
| Revenue                      | 71,426            | 85,912            | -16.9%             | 146,963           | 162,104           | -9.3%              |
| Gross profit                 | 18,570            | 22,350            | -16.9%             | 37,399            | 41,703            | -10.3%             |
| Gross profit margin          | 26.0%             | 26.0%             | 0.0 ppt            | 25.4%             | 25.7%             | -0.3 ppt           |

The Group's revenue for the second quarter ("2Q2019") of S\$71.4 million and six months ended 2019 ("1H2019") of S\$147.0 million were lower as compared to the corresponding periods in 2018. In 2Q2019, the Group recognised construction revenue of approximately S\$0.7 million arising from the construction of mini-hydropower plants in Indonesia. The core motion control solutions segment continued to be a key revenue generator accounting for approximately 98.2% of the Group's total revenue for the six months ended 30 June 2019.

Overall, revenue was lower across the majority of our geographical markets, mainly due to headwinds from global trade tensions and semiconductor sector cyclicity. In the face of these headwinds, the Group is anchored by a diversified base of approximately 10,000 customers spread across aerospace, medical, transportation, telecommunications and other various industries, together with a diversified product mix from over 500 technology partners, providing more core value-added engineering solutions to our customers.

Gross profit of S\$37.4 million was S\$4.3 million, or 10.3% lower in 1H2019 as compared to 1H2018. For 2Q2019, gross profit decreased by S\$3.8 million, or 16.9% as compared to the corresponding quarter last year. Overall, the gross profit margin edged down slightly in 1H2019 as compared to the corresponding period in 2018 by 0.3 percentage point from 25.7% to 25.4%. Excluding the gross profit arising from the construction of mini-hydropower plant under the service concession arrangement, the Group managed to maintain its gross profit margin at 25.8% in 1H2019 and 26.2% in 2Q2019 which is slightly higher than corresponding period last year.

Market conditions remain uncertain and the Group has adopted a cautious posture with suppliers and customers to stay closely informed and to manage revenue and expenses prudently. However, while managing current market conditions cautiously, the Group continues its long-term programs of industrial diversification to drive revenue and earnings growth, and technology growth to deepen its capabilities and presence in core Asian markets as industrial automation is increasingly embraced.

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)**

##### **Other operating income**

Other operating income decreased by S\$1.0 million, or 55.6% to S\$0.8 million, and S\$1.3 million, or 35.7% to S\$2.3 million for 2Q2019 and 1H2019 respectively.

For 2Q2019, the decrease was mainly due to absence of net foreign exchange gain of S\$0.8 million and absence of one-off gain on disposal of subsidiaries of S\$0.2 million.

For 1H2019, the decrease was mainly due to absence of net foreign exchange gain of S\$0.8 million, absence of one-off gain on disposal of subsidiaries of S\$0.2 million, decrease in gain on disposal of property, plant and equipment of S\$0.2 million, decrease in commission income of S\$0.1 million, lower interest income of S\$0.1 million and lower technical consultancy fees of S\$0.1 million; partially offset by write back of allowance for inventory obsolescence of S\$0.3 million and write back of allowance for trade receivables of S\$0.1 million.

##### **Distribution costs**

Distribution costs increased by S\$0.4 million, or 7.1% to S\$6.3 million, and S\$0.3 million, or 2.5% to S\$12.4 million for 2Q2019 and 1H2019 respectively. The increase was mainly due to increased investment in regional marketing efforts, effectively funded by a reduction in administrative expenses described below.

##### **Administrative expenses**

Administrative expenses decreased by S\$1.2 million, or 13.5% to S\$7.7 million in 2Q2019. The decrease was mainly due to decrease in office and administrative expenses of S\$1.0 million, decrease in salaries and bonuses of S\$0.2 million and decrease in professional fees of S\$0.1 million, partially offset by the increase in administrative expenses arising from the consolidation of Aenergy Subgroup following the completion of the step-up acquisition in 4Q2018 of S\$0.3 million.

The administrative expenses remained relatively stable for 1H2019 as compared with 1H2018.

##### **Other operating expenses**

Other operating expenses increased by S\$0.9 million and S\$0.6 million for 2Q2019 and 1H2019 respectively. The increase was mainly due to increase in net foreign exchange loss arose from devaluation of United States Dollar ("USD") against the Singapore Dollar, thus resulting in an unrealised exchange loss upon revaluation of USD receivables and the increase in allowance for inventories obsolescence.

##### **Finance costs**

Finance costs increased by S\$0.2 million, or 89.1% to S\$0.3 million, and S\$0.4 million, or 98.8% to S\$0.8 million for 2Q2019 and 1H2019 respectively, which was mainly due to an increase in bank borrowings.

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)**

##### **Income tax expense**

Income tax expense decreased by S\$1.0 million, or 37.9% to S\$1.6 million, and S\$1.9 million, or 42.4% to S\$2.6 million for 2Q2019 and 1H2019 respectively, mainly due to lower taxable profits in 2Q2019 and 1H2019.

#### **STATEMENT OF FINANCIAL POSITION ITEMS**

##### **Associates**

Interests in associates decreased by S\$0.3 million, or 5.6% as at 30 June 2019 mainly due to declaration of dividends from associates of S\$0.7 million of which S\$0.2 million was received during the reporting period offset by share of associates' results of S\$0.3 million in 1H2019.

##### **Service concession receivables**

Service concession receivables increased by S\$2.3 million, or 7.7% to S\$32.6 million as at 30 June 2019. This was mainly due to recognition of construction revenue of S\$2.6 million from the construction of mini-hydropower plants under the service concession arrangement offset by foreign exchange revaluation losses of S\$0.3 million.

##### **Other financial assets**

Other financial assets increased by S\$0.9 million was mainly due to the investment of 10% on unquoted equity interest in a company which specialises in the design, development, integration and sales of lithium battery management systems. The investment aligns well with the Company's diversification strategy involving renewable energy ventures.

##### **Inventories**

Inventories decreased by S\$4.5 million or 8.2% to S\$50.7 million as at 30 June 2019 primarily due to the fulfilment of customer orders during the financial period.

##### **Trade and other receivables**

Trade and other receivables increased by S\$12.1 million or 12.5% to S\$108.3 million as at 30 June 2019 mainly due to an increase in trade receivables from third parties of S\$8.1 million arising from the increase in period end billing to customers, coupled with an increase in advance payment to suppliers of S\$2.7 million and increase in other receivables of S\$2.6 million. This was partly offset by the decrease in notes receivables of S\$1.5 million.

Subsequent receipt of about S\$16.7 million was received from customers as at 31 July 2019. The collection represents approximately 22% of trade receivables as at 30 June 2019.

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)**

##### **Trade and other payables**

Trade and other payables decreased by S\$3.1 million or 4.5% to S\$66.3 million as at 30 June 2019, which was mainly due to decrease in trade payables of S\$3.4 million arose from payment to trade suppliers as they became due and decrease in accrued staff costs of S\$0.7 million. This was offset by the increase in advance received from customers of S\$0.9 million.

##### **Bank borrowings (current and non-current)**

Bank borrowings increased by S\$1.4 million to S\$29.6 million as at 30 June 2019. The increase was primarily due to proceeds of bank borrowings of S\$13.6 million offset by repayment of bank borrowings amounting to S\$12.2 million.

#### **CASH FLOW STATEMENT**

##### **Changes in Cash Flow from Operating Activities**

For 2Q2019, net cash used in operating activities of S\$2.1 million arose from operating cash flow before working capital changes of S\$6.0 million offset by (i) decrease in working capital including change in receivables from service concession arrangements of S\$6.1 million; (ii) net interest paid of S\$0.2 million; and (iii) income tax paid of S\$1.7 million.

For 1H2019, net cash used in operating activities of S\$5.3 million arose from operating cash flow before working capital changes of S\$13.8 million offset by (i) decrease in working capital including change in receivables from service concession arrangements of S\$14.9 million; (ii) net interest paid of S\$0.6 million; and (iii) income tax paid of S\$3.6 million.

##### **Changes in Cash Flow from Investing Activities**

For 2Q2019, net cash used in investing activities of S\$0.3 million was primarily attributed to purchase of property, plant and equipment of S\$0.5 million offset by dividends from associates of S\$0.2 million.

For 1H2019, net cash used in investing activities of S\$2.2 million was primarily attributed to (i) purchase of property, plant and equipment of S\$1.6 million; (ii) acquisition of other financial assets of S\$0.9 million offset by (iii) dividends from associates of S\$0.2 million; and (iv) proceeds from disposal of property, plant and equipment of S\$0.1 million.

##### **Changes in Cash Flow from Financing Activities**

For 2Q2019, net cash used in financing activities amounted to S\$2.1 million was primarily attributed to increase in fixed deposits pledged of S\$2.3 million and dividends to non-controlling interests of S\$0.3 million, offset by net proceeds from bank borrowings of S\$0.4 million.

For 1H2019, net cash generated from financing activities amounted to S\$4.4 million as a result of (i) net proceeds from bank borrowings of S\$1.4 million; (ii) proceeds from issue of shares of S\$5.4 million; and (iii) repayment from non-controlling interests of S\$0.3 million offset by (iv) increase in fixed deposits pledged of S\$2.3 million and (v) dividends to non-controlling interest of S\$0.3 million.

As at 30 June 2019, the Group maintained a healthy cash and cash equivalents balance of S\$34.2 million.



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

No specific forecast statement was previously disclosed to shareholders.

**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.**

The Group remains confident in the long-term prospects of its industrial automation business, expecting to ride on the growing demand for motion control solutions in the People's Republic of China (PRC) as the country vies for greater dominance in the global manufacturing industry<sup>1</sup>. According to Frost & Sullivan, the PRC's motion control solutions market is estimated to grow at a compound annual growth rate (CAGR) of 7.9% between 2015 and 2020, reaching S\$3.76 billion in 2020<sup>2</sup>, boding well for ISDN's range of engineering solutions. The PRC's ambitious plan to upgrade its overall manufacturing capabilities has seen its investment in smart manufacturing rise 46% to Renminbi ("RMB") 69.6 billion (USD10.1 billion) in 2018 according to research firm Marketing Intelligence Resource<sup>3</sup>. Smart manufacturing employs robotics, automation and other technologies to increase productivity and cut labour costs, with Beijing envisioning the growth of domestically-made industrial robots to grow to 70% by 2025 from about 30% in 2017<sup>4</sup>.

Be that as it may the market condition in the medium-term remains challenging with the ongoing trade tensions and cyclical headwinds in the semiconductor segment. To mitigate the medium-term impact of softer market demand and to build a long-term growth roadmap, the Group adopts a diversification strategy through (1) broadening its base of customers end-markets, geographies and solutions in its growing core motion control business; and (2) carving out additional revenue pipeline through its renewable energy investments. The Group also continues to climb the value chain through integrating more value-added engineering solutions in its offering mix.

Looking to penetrate Asia's renewable energy sector, the Group is on track to begin production for its first two mini-hydropower plants in 2H2019 and the third to start in FY2020, bringing the total capacity to 24.2 megawatts of power. All three are located in North Sumatra, Indonesia; with the Group looking to develop a further 60 megawatts of capacity post-completion. ISDN's push towards renewable energy rides on Asia's, and specifically Indonesia's growing need for renewable energy. According to the 2019 Hydropower Status Report by the International Hydropower Association, Indonesia targets for new and renewable energy mix to make up at least 23% and 31% of the national energy mix in 2025 and 2050 respectively<sup>5</sup>. Financial contributions are expected to be more meaningful once the hydropower plants are commercially operational, with the Group already recognising S\$2.6 million in revenue from the construction of these plants for 1H2019.

Against the backdrop of medium-term volatilities but long-term good prospects for industrial automation, the Group continuously monitors the situation to stay abreast of any new developments. Nonetheless, consistent with past experience, the Group will continue to focus on industrial diversification to drive revenue and earnings growth, intensify efforts to move up the value chain, and deepen presence in core Asian markets as industrial automation is increasingly embraced.

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<sup>1</sup>The Diplomat: Made in China 2025, Explained <https://thediplomat.com/2019/02/made-in-china-2025-explained/>

<sup>2</sup> Frost & Sullivan: Independent Market Research Report for ISDN

<sup>3</sup> & <sup>4</sup> Nikkei Asian Review: China's tech surges as it strives to be robotics superpower <https://asia.nikkei.com/Business/China-tech/China-s-tech-spending-surges-as-it-strives-to-be-robotics-superpower>

<sup>5</sup> International Hydropower Association: 2019 Hydropower Status Report <https://www.hydropower.org/status2019>



**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 or recommended for the financial period.

**13. If the group has obtained a general mandate from shareholders for IPTs, 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 quarterly financial results (comprising the comprehensive income statement, statement of financial position, 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**

**(a) Use of Net Proceeds from the Second Placement**

There has been no material usage till to the date of this announcement after the last announcement made on 13 May 2019. The Company will make further announcements when the remaining net proceeds from Second Placements are materially disbursed.

**(b) Use of Net Proceeds from the issuance of new shares under general mandate**

There has been no material usage till to the date of this announcement after the last announcement made on 13 May 2019. The Company will make further announcements on the utilisation of proceeds from the subscription as and when the funds are materially disbursed.

**16. Issuer to confirm in the announcement that it has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

Yes.

By Order of the Board

Gwendolyn Gn  
Joint Company Secretary  
ISDN Holdings Limited  
7 August 2019