



(Company Registration No.: 200416788Z)

**ISDN Holdings Limited**  
**Interim Financial Statements Announcement**  
**For the Second Quarter and Period Ended 30 June 2016**

**1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2016**

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 30 June			Group 6 months ended 30 June		
	2016	2015	Increase (Decrease) %	2016	2015	Increase (Decrease) %
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>	59,808	67,069	(10.8)	120,459	119,267	1.0
Cost of sales	(44,479)	(49,837)	(10.8)	(89,360)	(86,191)	3.7
Gross profit	15,329	17,232	(11.0)	31,099	33,076	(6.0)
Other operating income	1,254	149	741.6	1,977	1,440	37.3
Distribution costs	(5,408)	(5,954)	(9.2)	(10,160)	(11,199)	(9.3)
Administrative expenses	(7,307)	(6,987)	4.6	(14,432)	(13,607)	6.1
Other operating expenses	(1,201)	(357)	237.0	(2,653)	(657)	303.8
Finance costs	(183)	(194)	(5.7)	(421)	(392)	7.4
Share of results of associates	(277)	161	N/M	(476)	743	N/M
<b>Profit before income tax</b>	2,207	4,050	(45.5)	4,934	9,404	(47.5)
Income tax expense	(743)	(1,248)	(40.5)	(1,697)	(2,784)	(39.0)
<b>Profit for the period</b>	1,464	2,802	(47.8)	3,237	6,620	(51.1)
Other comprehensive income/ (loss):						
Items that may be subsequently reclassified to profit and loss						
- Exchange differences on translation of foreign operations	1,565	(883)	N/M	(176)	1,044	N/M
<b>Total comprehensive income for the period</b>	3,029	1,919	57.8	3,061	7,664	(60.1)
Profit after income tax attributable to:						
Equity holders of the Company	878	2,061	(57.4)	1,531	4,922	(68.9)
Non-controlling interests	586	741	(20.9)	1,706	1,698	0.5
	1,464	2,802	(47.8)	3,237	6,620	(51.1)
Total comprehensive income attributable to:						
Equity holders of the Company	(372)	1,308	N/M	(1,169)	6,099	N/M
Non-controlling interests	3,401	611	N/M	4,230	1,565	N/M
	3,029	1,919	57.8	3,061	7,664	(60.1)

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 30 June			Group 6 months ended 30 June		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Allowance for impairment of trade receivables	153	-	N/M	154	40	N/M
Allowance for inventories obsolescence	404	145	N/M	566	330	71.5
Amortisation and Depreciation	486	516	(5.8)	964	1,110	(13.2)
Dividend Income	47	-	N/M	47	-	N/M
Finance income	59	41	43.9	115	117	(1.7)
Foreign exchange gain/(loss), net	171	(851)	N/M	(919)	(209)	N/M
Gain on disposal of interest in associate	-	-	-	64	-	N/M
Gain on disposal of interest in subsidiary	411	-	N/M	411	-	N/M
Gain on disposal of property, plant and equipment	2	27	(92.6)	2	28	(92.9)
Inventories written off	124	5	N/M	132	14	N/M
(Over)/Under provision of tax in respect of prior years	(117)	183	N/M	(237)	216	N/M
Property, plant and equipment written off	-	1	N/M	-	3	N/M
Trade receivables written off	21	-	N/M	21	-	N/M
Write back of allowance for trade receivables	-	(11)	N/M	-	-	-
Write back of allowance for inventories obsolescence	33	-	N/M	39	4	N/M

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	Group	Company	Company
30 June 2016	31 December 2015	30 June 2016	31 December 2015
S\$'000	S\$'000	S\$'000	S\$'000

**ASSETS**

**Non-current assets**

Property plant and equipment	27,669	35,554	-	-
Investment properties	533	542	-	-
Prepayment- land use rights	1,377	1,461	-	-
Goodwill on consolidation	11,686	11,686	-	-
Subsidiaries	-	-	36,653	36,653
Associates	12,066	5,033	31	31
Deferred tax assets	179	149	-	-
<b>Total non current assets</b>	<b>53,510</b>	<b>54,425</b>	<b>36,684</b>	<b>36,684</b>

**Current assets**

Inventories	38,472	40,855	-	-
Trade and other receivables	79,248	73,134	110	39
Amount owing by subsidiaries	-	-	29,888	30,888
Dividend receivable	-	-	1,370	3,470
Cash and bank balances and fixed deposits	32,205	39,096	264	331
<b>Total current assets</b>	<b>149,925</b>	<b>153,085</b>	<b>31,632</b>	<b>34,728</b>
<b>Total Assets</b>	<b>203,435</b>	<b>207,510</b>	<b>68,316</b>	<b>71,412</b>

**(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
30 June 2016	31 December 2015	30 June 2016	31 December 2015
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	(1,517)	(1,517)	(1,517)	(1,517)
Reserves	51,347	53,935	(2,594)	1,366
	117,139	119,727	63,198	67,158
<b>Non-controlling interests</b>	12,043	19,541	-	-
<b>Total equity</b>	129,182	139,268	63,198	67,158

## **Non-current liabilities**

Bank borrowings	313	360	-	-
Finance leases	262	339	-	-
<b>Total non-current liabilities</b>	575	699	-	-

## **Current liabilities**

Bank borrowings	11,919	13,925	-	-
Current portion of finance leases	157	160	-	-
Trade and other payables	60,639	51,911	5,118	4,254
Current income tax liabilities	963	1,547	-	-
<b>Total current liabilities</b>	73,678	67,543	5,118	4,254
<b>Total liabilities</b>	74,253	68,242	5,118	4,254

<b>Total equity and liabilities</b>	203,435	207,510	68,316	71,412
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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 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,675	7,401	5,244	8,841

**The amount repayable after one year;**

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
262	313	339	360

**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 a land use right and a leasehold property of a subsidiary for a term loan. The said facility is also secured by corporate guarantee provided by the Company and a subsidiary.
- 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.

**(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 30 June		6 months ended 30 June	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flow from operating activities:</b>				
Profit before income tax	2,207	4,050	4,934	9,404
Adjustments for:				
Amortisation of land use rights	7	9	17	18
Trade receivables written off	21	-	21	-
Depreciation of property, plant and equipment	475	503	939	1,084
Depreciation of investment properties	4	4	8	8
Allowance for impairment of trade receivables	153	-	154	40
Allowance for inventories obsolescence	404	145	566	330
Gain on disposal of property, plant and equipment	(2)	(27)	(2)	(28)
Gain on disposal of interest in an associate	1	-	(64)	-
Gain on disposal of interest in a subsidiary	(411)	-	(411)	-
Property, plant and equipment written off	-	1	-	3
Inventories written off	124	5	132	14
Write back of allowance for inventories obsolescence	(33)	-	(39)	(4)
Write back of allowance for trade receivables	-	(86)	-	(97)
Interest expense	183	194	421	392
Interest income	(59)	(41)	(115)	(117)
Share of results of associates	277	(161)	476	(743)
Unrealised currency translation differences	46	851	996	368
<b>Operating cash flow before working capital changes</b>	<b>3,397</b>	<b>5,447</b>	<b>8,033</b>	<b>10,672</b>
Inventories	(2,057)	3,854	1,724	(2,593)
Trade and other receivables	3,309	(2,063)	(7,627)	(10,459)
Trade and other payables	4,023	(1,633)	3,574	7,557
Cash generated from operations	8,672	5,605	5,704	5,177
Interest paid	(183)	(194)	(421)	(392)
Interest received	59	41	115	117
Income tax paid	(1,302)	(1,613)	(2,350)	(2,672)
<b>Net cash generated from operating activities</b>	<b>7,246</b>	<b>3,839</b>	<b>3,048</b>	<b>2,230</b>

**(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 30 June		6 months ended 30 June	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(81)	(4,209)	(682)	(4,737)
Proceeds from disposal of property, plant and equipment	5	48	5	52
Net cash outflow on acquisition/disposal of subsidiary	(4,631)	(535)	(4,631)	(535)
Cash flow from disposal of interest in associate	123	-	448	-
(Loan to)/repayment from an associates	(1,002)	(247)	2	(247)
Funds to investee company	(74)	30	(401)	(1,252)
Consideration for acquisition of interest in subsidiary	(310)	-	(310)	-
Dividends from an associate	105	217	105	217
<b>Net cash used in investing activities</b>	<b>(5,865)</b>	<b>(4,696)</b>	<b>(5,464)</b>	<b>(6,502)</b>
<b>Cash flows from financing activities:</b>				
Dividends to equity holders of the Company	(1,419)	(1,419)	(1,419)	(1,419)
Dividends to non-controlling interests	-	(252)	-	(252)
Amount owing to/(Repayment of) non-controlling interests	-	1,263	-	1,363
Proceeds from bank loans	1,140	4,181	2,395	5,507
Repayments of bank loans	(3,425)	(2,079)	(4,489)	(3,905)
Proceeds from trust receipts (net)	(20)	867	41	1,181
(Repayment of)/Proceeds from finance leases	(41)	(42)	(80)	22
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,765)</b>	<b>2,519</b>	<b>(3,552)</b>	<b>2,497</b>
Net change in cash and cash equivalents	(2,384)	1,662	(5,968)	(1,775)
Cash and cash equivalents at beginning of period	34,675	34,397	39,096	37,493
Effect of currency translation on cash and cash equivalents	(86)	(28)	(923)	313
Cash and cash equivalents at end of period (Note A)	32,205	36,031	32,205	36,031





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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 A:**

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

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Cash and bank balances	30,977	33,852
Fixed deposits	1,228	2,179
	<hr/>	<hr/>
	32,205	36,031
(Less) Restricted bank balances	-	-
	<hr/>	<hr/>
Cash and cash equivalents at end of period	32,205	36,031
	<hr/>	<hr/>



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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	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>										
<b>Balance as at 1 January 2016</b>	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Profit for the year	-	-	-	-	-	-	1,531	1,531	1,706	3,237
Other comprehensive income	-	-	-	-	(2,700)	-	-	(2,700)	2,524	(176)
Total comprehensive income for the period	-	-	-	-	(2,700)	-	1,531	(1,169)	4,230	3,061
De-recognition of a subsidiary									(8,114)	(8,114)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Payment of dividends	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	57	(57)	-	-	-
<b>Balance as at 30 June 2016</b>	<b>63,925</b>	<b>3,384</b>	<b>(1,517)</b>	<b>(436)</b>	<b>(1,756)</b>	<b>4,546</b>	<b>48,993</b>	<b>117,139</b>	<b>12,043</b>	<b>129,182</b>



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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	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>										
<b>Balance as at 1 January 2015</b>	63,925	3,384	(1,517)	(436)	602	4,478	41,639	112,075	17,654	129,729
Profit for the year	-	-	-	-	-	-	4,922	4,922	1,698	6,620
Other comprehensive income	-	-	-	-	1,177	-	-	1,177	(133)	1,044
Total comprehensive income for the period	-	-	-	-	1,177	-	4,922	6,099	1,565	7,664
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	616	616
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(252)	(252)
Payment of dividends	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
<b>Balance as at 30 June 2015</b>	<b>63,925</b>	<b>3,384</b>	<b>(1,517)</b>	<b>(436)</b>	<b>1,779</b>	<b>4,478</b>	<b>45,142</b>	<b>116,755</b>	<b>19,583</b>	<b>136,338</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. Cont'd**

	Share capital	Warrant issue	Treasury shares	Other reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>						
<b>Balance as at 1 January 2016</b>	63,925	3,384	(1,517)	(178)	1,544	67,158
Total comprehensive loss for the period	-	-	-	-	(2,541)	(2,541)
Payment of dividends	-	-	-	-	(1,419)	(1,419)
<b>Balance as at 30 June 2016</b>	63,925	3,384	(1,517)	(178)	(2,416)	63,198
<b>Balance as at 1 January 2015</b>	63,925	3,384	(1,517)	(178)	3,097	68,711
Total comprehensive loss for the period	-	-	-	-	(830)	(830)
Payment of dividends	-	-	-	-	(1,419)	(1,419)
<b>Balance as at 30 June 2015</b>	63,925	3,384	(1,517)	(178)	848	66,462

**(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 30 June 2016 is 354,684,950 (30 June 2015: 354,684,950), net of treasury shares. The number of shares held as treasury shares as at 30 June 2016 is 6,365,000 (30 June 2015: 6,365,000).

As at 30 June 2016, the outstanding convertibles are 179,972,475 warrants that can be converted into ordinary shares of 179,972,475 (30 June 2015: 179,972,475).

In 2013, the Company issued 179,972,475 warrants at an issue price of S\$0.02 for each warrant. Each warrant carries the right to subscribe for one new ordinary share of the Company at an exercise price of S\$0.60 for each new share and expiring on the date immediately preceding the fifth anniversary of the date of issue of the warrants i.e. 13 November 2018.

**(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 2016	31 December 2015	30 June 2016	31 December 2015
	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)	354,684,950	354,684,950	354,684,950	354,684,950

**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	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	No. of treasury shares	No. of treasury shares	No. of treasury shares	No. of treasury shares
Balance at beginning and end of period	6,365,000	6,365,000	6,365,000	6,365,000

**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 30 June 2016 as those used for the audited financial statement as at 31 December 2015.

**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 2016 and are relevant to its operations.

**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
	6 months ended 30 June	
	2016	2015
	Singapore cents	Singapore cents
EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue	0.43	1.39
- on a fully diluted basis	0.43	1.39
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	354,684,950	354,684,950
Weighted average number of ordinary shares for diluted EPS (net of treasury shares)	354,684,950	354,684,950

**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	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	Singapore cents	Singapore cents	Singapore cents	Singapore cents
Net asset value per share based on existing issued capital as at respective period	36.42	39.27	17.82	18.93
Issued share capital at the end of the period (net of treasury shares)	354,684,950	354,684,950	354,684,950	354,684,950

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 mainly within China and the rest of Asia.

The Group's revenue decreased by S\$7.26 million or 10.8% from S\$67.07 million for 2Q2015 to S\$59.81 million for 2Q2016.

#### ***Revenue by Geographical Location***

	2Q2016	2Q2015	Increase (Decrease)		1H2016	1H2015	Increase (Decrease)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Singapore	6,720	9,473	(2,753)	(29.1)	18,419	18,365	54	0.3
People's Republic of China	42,420	48,892	(6,472)	(13.2)	83,129	84,220	(1,091)	(1.3)
Malaysia	1,136	1,415	(279)	(19.7)	3,768	3,225	543	16.8
Hong Kong	3,703	2,728	975	35.7	7,154	5,328	1,826	34.3
Others <sup>(1)</sup>	5,829	4,561	1,268	27.8	7,989	8,129	(140)	(1.7)
Total	59,808	67,069	(7,261)	(10.8)	120,459	119,267	1,192	1.0

#### **Notes to table:**

<sup>(1)</sup> Others include but not limited to Australia, Finland, Germany, Indonesia, India, Israel, Korea, Myanmar, New Zealand, Pakistan, Philippines, Russia, Sultanate of Oman, Switzerland, Taiwan, Thailand, United States of America, United Kingdom, and Vietnam.

The Group registered lower quarterly sales revenue in the 2Q2016 as compared to the previous corresponding period of 2Q2015 mainly due to lower demand from customers in second quarter.



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**

	2Q2016	2Q2015	Increase (Decrease)		1H2016	1H2015	Increase (Decrease)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Motion Control	47,334	52,797	(5,463)	(10.3)	95,020	93,525	1,495	1.6
Other Specialised Engineering Solutions	10,955	12,700	(1,745)	(13.7)	21,861	23,077	(1,216)	(5.3)
Industrial Computing	1,576	1,572	4	0.3	3,578	2,665	913	34.3
Others	(57)	-	(57)	N/M	-	-	-	-
Total	59,808	67,069	(7,261)	(10.8)	120,459	119,267	1,192	1.0

In line with the decline in quarterly sales revenue, the Motion Control, Other Specialised Engineering Solutions and Other groups generated lower revenue in 2Q2016 as compared to 2Q2015 due to lower demand from customers.

In spite of overall decrease in 2Q2016, the Industrial Computing group generated more revenue in 2Q2016 by 0.3% as compared to 2Q2015.

#### **Gross profit**

The Group's gross profit decreased by S\$1.90 million or 11.0% from S\$17.23 million in 2Q2015 to S\$15.33 million in 2Q2016. Gross profit margin decreased from 27.7% in 1H2015 to 25.8% in 1H2016 mainly due to lesser sales revenue generated with higher gross profit.

#### **Other operating income**

Other operating income Increased by S\$1.11 million or 741.2% from S\$149,000 in 2Q2015 to S\$1.25 million in 2Q2016 mainly due to gain on disposal of interest in subsidiary, property management income and operating lease rental income in 2Q2016.

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## **STATEMENT OF COMPREHENSIVE INCOME ITEMS Cont'd**

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

#### **Distribution costs**

Distribution costs decreased by S\$546,000 or 9.2% from S\$5.95 million in 2Q2015 to S\$5.41 million in 2Q2016 mainly due to decrease in marketing expenses and sales commission paid.

#### **Administrative expenses**

Administrative expenses increased by S\$320,000 or 4.6% from S\$6.99 million in 2Q2015 to S\$7.31 million in 2Q2016 mainly due to increase in staff costs and professional fees.

#### **Other operating expenses**

Other operating expenses increased by S\$844,000 or 237.0% from S\$357,000 in 2Q2015 to S\$1.20 million in 2Q2016. This was mainly due to increase in allowance for impairment of trade receivables, allowance for inventories obsolescence and foreign exchange losses.

#### **Depreciation expenses**

Depreciation expenses decreased by S\$28,000 or 5.5% from S\$507,000 in 2Q2015 to S\$479,000 in 2Q2016 mainly due to more assets being fully depreciated.

#### **Share of results of associates**

Share of results of associates decreased by S\$438,000 or 272.0% from share of profits of S\$161,000 in 2Q2015 to share of losses of S\$277,000 in 2Q2016 mainly due to lower contribution from associates.

#### **Finance costs**

Finance costs decreased by S\$11,000 or 5.7% from S\$194,000 in 2Q2015 to S\$183,000 in 2Q2016 mainly due to more repayment of existing bank borrowings.

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

#### **Property, plant and equipment**

Property, plant and equipment decreased by S\$7.89 million or 22.2% from S\$35.56 million as at 31 December 2015 to S\$27.67 million as at 30 June 2016 mainly due to deconsolidation of capital expenditure for Indonesia mini hydropower plant.

#### **Associates**

Associates increased by S\$7.03 million or 139.7% from S\$5.03 million as at 31 December 2015 to S\$12.07 million as at 30 June 2016 mainly due to a subsidiary becoming an associate during the period.

#### **Inventories**

Inventories decreased by S\$2.39 million or 5.8% from S\$40.86 million as at 31 December 2015 to S\$38.47 million as at 30 June 2016 mainly due to more sales of existing inventories.

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

The net increase of S\$6.11 million from 31 December 2015 to 30 June 2016 in Trade and other receivables was mainly due to slower payment from customers.

Subsequent receipt of about S\$11.97 million was received from customers as at 31 July 2016. The collection represents approximately 19.4% of trade receivables as at 30 June 2016.

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

**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**

The increase of S\$8.73 million or 16.8% in Trade and Other Payables was mainly due to higher purchases and advance payment from customers.

#### **Bank borrowings**

Bank borrowings decreased by S\$2.13 million or 14.4% from S\$14.78 million as at 31 December 2015 to S\$12.65 million as at 30 June 2016. The decrease was mainly due to repayment of existing bank borrowings.

### **CASH FLOW STATEMENT**

#### ***Quarter on Quarter***

#### **Cash and cash equivalents**

Net cash generated from operating activities increased from S\$3.84 million in 2Q2015 to S\$7.25 million in 2Q2016 mainly due to higher cash generated from working capital.

Net cash used in investing activities increased from S\$4.70 million in 2Q2015 to S\$5.87 million in 2Q2016 mainly due to cash outflow on equity accounting from subsidiary to an associate in 2Q2016.

Net cash (used in)/generated from financing activities decreased from a net inflow of S\$2.52 million in 2Q2015 to net outflow of S\$3.77 million in 2Q2016 mainly due to more repayment from bank loans and less drawdown of bank loans and loan to associates.

As at 30 June 2016, the Group maintained a healthy cash and cash equivalents balance of S\$32.21 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.

**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 business sentiment in China is still tepid and we expect the lacklustre climate to continue well into the latter half of this year. Notwithstanding this current economic slowdown, we continue to build on our market and industry presence, particularly in the Motion Control sphere where we have built a steady customer base in diverse industry sectors. South-east Asia presents encouraging potential for growth in Motion Control, particularly in Vietnam, where we continue to register double-digit growth.

Taken together, ISDN's growth prospects in Motion Control – its current mainstay business – will depend on preserving and expanding market share in both its traditional and emerging markets. Additionally, the Group's foray in the renewable energy sector will bolster its future growth. Our maiden mini-hydropower plant in North Sumatra is expected to be completed in the second half of 2017.

**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.



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**(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.

**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 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 has been no material usage till to the date of this announcement after the last announcement made on 4 May 2016. The Company will make further announcements when the remaining net proceeds from both Placements are materially disbursed.

**2. Use of Net Proceeds from the Warrant Issue**

There has been no material usage till to the date of this announcement after the last announcement made on 4 May 2016. The Company will make further announcements on the utilisation of proceeds arising from the exercise of the warrants as may be necessary and/or appropriate in due course.

**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



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By Order of the Board

Gwendolyn Gn  
Company Secretary  
ISDN Holdings Limited

12 August 2016