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ISDN HOLDINGS LIMITED

億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)

(Singapore stock code: I07.SI)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	% Change
	S\$'000	S\$'000	+ / (-)
	(unaudited)	(audited)	
Revenue	290,985	301,990	(3.6%)
Gross Profit	77,425	80,549	(3.9%)
Profit for the year and attributable to owners of the Company	7,047	10,946	(35.6%)
Basic earnings per share (Singapore cents)	1.68	2.77	

The Board has resolved to declare a final dividend of S\$0.4 cent for the year ended 31 December 2019. (2018 final: S\$0.7 cents).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**FY2019**”), together with the relevant comparative audited figures. The Group’s results for FY2019 are unaudited but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 S\$’000 (unaudited)	2018 S\$’000 (audited)
REVENUE	5	290,985	301,990
Cost of sales		(213,560)	(221,441)
Gross profit		77,425	80,549
Other operating income	6	3,356	4,933
Distribution costs		(25,588)	(25,672)
Administrative expenses		(30,993)	(30,859)
Net impairment losses on financial assets		(446)	(2,503)
Other operating expenses		(1,287)	(2,085)
Finance costs	7	(2,107)	(1,035)
Share of (loss)/profit of associates		(138)	368
PROFIT BEFORE INCOME TAX	8	20,222	23,696
Income tax	9	(6,030)	(7,118)
PROFIT FOR THE YEAR		14,192	16,578
OTHER COMPREHENSIVE INCOME:			
<u>Items that may be subsequently reclassified to profit and loss</u>			
- Net fair value changes on cash flow hedge		100	(101)
- Exchange differences on translation		(2,045)	(1,727)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,247	14,750

	<i>Notes</i>	2019 S\$'000 (unaudited)	2018 S\$'000 (audited)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		7,047	10,946
Non-controlling interests		7,145	5,632
		14,192	16,578
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		4,854	9,417
Non-controlling interests		7,393	5,333
		12,247	14,750
EARNINGS PER SHARE:			
Basic and diluted (Singapore cents)	<i>11</i>	1.68	2.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	31 December 2019 S\$'000 (unaudited)	31 December 2018 S\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		43,965	39,314
Investment properties		479	497
Land use rights		1,199	1,270
Goodwill		12,227	12,227
Associates		5,646	6,136
Service concession receivables	<i>12</i>	34,261	30,233
Other financial assets		900	-
Deferred tax assets		152	139
Total non-current assets		98,829	89,816
Current assets			
Inventories		53,131	55,183
Trade and other receivables	<i>12</i>	111,804	101,835
Cash and bank balances		37,998	41,877
Total current assets		202,933	198,895
Total assets		301,762	288,711

	<i>Notes</i>	31 December 2019 S\$'000 (unaudited)	31 December 2018 S\$'000 (audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	78,095	70,984
Reserves		74,650	72,767
		152,745	143,751
Non-controlling interests		45,825	44,067
Total equity		198,570	187,818
Non-current liabilities			
Bank borrowings		7,096	11,842
Leases liabilities		1,309	224
Deferred tax liabilities		655	657
Total non-current liabilities		9,060	12,723
Current liabilities			
Bank borrowings		20,186	16,423
Leases liabilities		1,659	81
Trade and other payables	<i>14</i>	69,682	69,380
Current tax liabilities		2,605	2,286
Total current liabilities		94,132	88,170
Total liabilities		103,192	100,893
Total equity and liabilities		301,762	288,711

NOTES

1. GENERAL

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

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, the Managing Director and President of the Company and his spouse, Ms Thang Yee Chin.

The Company’s principal activities included the provision of technical consultancy, training services, and management services.

2. BASIS OF PREPARATION

The results set out in the announcement do not constitute the Group’s annual report for FY2019 but are extracted from that report.

The unaudited consolidated annual financial information for FY2019 has been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) issued by the Accounting Standards Council (“**ASC**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Hong Kong Listing Rules**”).

The unaudited consolidated annual financial information has been prepared on the historical basis.

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year compared with those of the audited financial statements for the year ended 31 December 2018 (the “**FY2018**”).

3. ADOPTION OF NEW OR AMENDED SFRS(I)

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for FY2019 consistent with those of the audited financial statements for FY2018, except for the adoption of all applicable new and revised SFRS(I) and Interpretations of SFRS(I) (“**INT SFRS(I)**”) which became effective from annual periods beginning on or after 1 January 2019.

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

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on balance sheet lessee accounting model. The standard includes two recognition exceptions for leases – leases of “low value” assets and short-term leases (less than 12 months).

Under the standard, an asset (“**ROU assets**”) and a financial liability to pay rentals are recognised in the balance sheet and depreciation charge on the ROU assets and interest expenses on the lease liabilities are recognised in the income statement.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach with no restatement of comparative information.

In compliance with SFRS(I) 16, the Group and the Company have applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019.

4. SEGMENT INFORMATION

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

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

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

(a) Reportable operating segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue												
External Sales	220,358	236,281	59,315	59,121	6,331	5,596	4,981	992	-	-	290,985	301,990
Inter-segment sales	5,414	7,694	1,402	1,228	144	178	-	-	(6,960)	(9,100)	-	-
	225,772	243,975	60,717	60,349	6,475	5,774	4,981	992	(6,960)	(9,100)	290,985	301,990
Results												
Segment results	21,994	23,568	2,225	1,110	560	148	(2,441)	(1,192)	-	-	22,338	23,634
Share of (loss)/profit of associates	(138)	701	-	-	-	-	-	(333)	-	-	(138)	368
Corporate expenses											(672)	(98)
Rental income											490	575
Interest income											311	252
Finance costs											(2,107)	(1,035)
Profit before income tax											20,222	23,696
Income tax											(6,030)	(7,118)
Profit for the year ended 31 December											14,192	16,578
Assets												
Segment assets	131,209	133,491	33,960	38,760	3,472	2,476	83,030	64,591	(6,259)	(11,344)	245,412	227,974
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	4,241	5,266	-	-	-	-	1,405	870	-	-	5,646	6,136
Investment properties											479	497
Cash and bank balances											37,998	41,877
Consolidated total assets as at 31 December											301,762	288,711
Liabilities												
Segment liabilities	43,547	55,274	13,168	14,163	912	305	13,209	3,007	(6,259)	(11,344)	64,577	61,405
Bank borrowings and leases liabilities											30,250	28,570
Income tax liabilities											2,605	2,286
Others unallocated corporate liabilities											5,760	8,632
Consolidated total liabilities as at 31 December											103,192	100,893
Other information												
Capital expenditure on:												
- property, plant and equipment	967	1,612	845	971	7	2	3,198	47	-	-	5,017	2,632
- addition to investment properties	-	12	-	-	-	-	-	-	-	-	-	12
Depreciation of												
- property, plant and equipment	2,354	1,489	1,358	611	27	39	45	23	-	-	3,784	2,162
- investment properties	19	19	-	-	-	-	-	-	-	-	19	19
Other non-cash expenses:												
- amortisation of land use rights	32	33	-	-	-	-	-	-	-	-	32	33
- trade receivables written off	48	116	106	19	-	-	-	-	-	-	154	135
- allowance for inventory obsolescence	52	747	152	281	-	-	-	-	-	-	204	1,028
- allowance for impairment of trade receivables	307	1,882	55	67	3	-	465	572	-	-	830	2,521
- property, plant and equipment written off	1	1	1	14	-	-	-	-	-	-	2	15
- inventories written off	210	135	67	285	-	-	-	-	-	-	277	420
- write back of allowance for trade receivables	(36)	(13)	(348)	-	-	-	-	(5)	-	-	(384)	(18)
- write back of allowance for inventory obsolescence	(194)	-	-	(232)	-	-	-	-	-	-	(194)	(232)

(b) Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Singapore	44,830	43,009	28,127	18,538
The PRC	194,803	210,837	23,616	22,439
Hong Kong	6,653	12,880	1,074	993
Malaysia	10,204	8,652	937	890
Others	34,495	26,612	45,075	46,956
Total	290,985	301,990	98,829	89,816

(c) Information about major customers

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

5. REVENUE

	2019 S\$'000	2018 S\$'000
Engineering solutions	286,102	301,990
Construction revenue	4,883	-
	290,985	301,990

6. OTHER OPERATING INCOME

	2019 S\$'000	2018 S\$'000
Interest income		
- Interest on bank deposits	200	150
- Interest on loan to an associate	111	102
Total interest income on financial assets at amortised cost	311	252
Commission income	610	879
Gain on disposal of interest in a subsidiary	-	180
Gain on disposal of interest in an associate	15	-
Gain on disposal of property, plant and equipment, net	19	179
Government grants	153	185
Miscellaneous income	755	1,435
Operating lease rental income:		
- Investment properties	56	60
- Sub-let of office/warehouse premises	434	515
Property management income	360	413
Technical service income	449	603
Write back of allowance of inventory obsolescence	194	232
	3,356	4,933

7. FINANCE COSTS

	2019 S\$'000	2018 S\$'000
Interest expense on:		
- Bank loans	1,873	959
- Trust receipts	70	57
- Lease liabilities	164	19
	<u>2,107</u>	<u>1,035</u>

8. PROFIT BEFORE INCOME TAX

	2019 S\$'000	2018 S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	32	33
Depreciation of property, plant and equipment		
- Recognised in cost of sales	397	368
- Recognised in distribution costs	713	241
- Recognised in administrative expenses	2,674	1,553
	<u>3,784</u>	<u>2,162</u>
Depreciation of investment properties	19	19
Other operating expense included:		
- Trade receivables written off	154	135
- Allowance for inventories obsolescence	204	1,028
- Loss on disposal of property, plant and equipment	-	24
- Property, plant and equipment written off	2	15
- Inventories written off	277	420
- Foreign exchange losses, net	585	282
Operating lease rental expenses	<u>136</u>	<u>1,826</u>

9. INCOME TAX

	2019 S\$'000	2018 S\$'000
Current income tax		
- Singapore	328	244
- The PRC	4,686	6,252
- Outside Singapore and the PRC	532	147
- Under/(over) provision in respect of prior year	495	(86)
Deferred taxation		
- Withholding tax on the profits of the Group's subsidiaries	-	344
- (Over)/under provision in respect of prior year	(11)	217
	<u>6,030</u>	<u>7,118</u>

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the years ended 31 December 2019 and 2018 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the years ended 31 December 2019 and 2018 is 24%.

9. INCOME TAX (CONT'D)

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first Hong Kong Dollar 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

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

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

10. DIVIDENDS PAID

	2019 S\$'000	2018 S\$'000
Paid during the financial year:		
Tax exempt (one-tier) final dividend of 0.7 Singapore cent per share (2018: 0.6 Singapore cent) in respect of the previous year	<u>2,971</u>	<u>2,289</u>

On 28 August 2019, a final dividend of 0.7 Singapore cent per ordinary share, which included scrip dividend alternatives offered to the shareholders of the Company (the “**Shareholders**”) was paid to the Shareholders as the final dividend in respect of FY2018.

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

	2019 S\$'000	2018 S\$'000
Dividends:		
Cash	1,257	2,289
Scrip dividend	<u>1,714</u>	<u>-</u>
	<u>2,971</u>	<u>2,289</u>

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

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

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

	2019 S\$'000	2018 S\$'000
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	<u>7,047</u>	<u>10,946</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>418,804,712</u>	<u>394,685,586</u>

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the years ended 31 December 2019 and 2018.

12. TRADE AND OTHER RECEIVABLES

	2019 S\$'000	2018 S\$'000
<u>Non-current:</u>		
Service concession receivables	34,261	30,233
<u>Current:</u>		
Trade receivables, net of impairment		
- Note receivables	10,607	6,669
- Third parties	59,143	61,651
- Associates	2,342	2,963
- Related parties	1,695	1,727
	73,787	73,010
Other receivables:		
Funding to investee company	5,788	5,928
Advances to		
- Suppliers	12,192	8,953
- Associates	115	144
- Related parties	7,662	6,132
Deposits	579	912
Loan to associates	3,659	353
Promissory note due	1,158	1,176
Sundry debtors	5,875	4,282
	37,028	27,880
Prepayment	989	945
	111,804	101,835
	146,065	132,068

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

	31 December 2019 S\$'000	31 December 2018 S\$'000
Within 30 days	39,700	28,419
31 - 90 days	18,611	26,695
Over 90 days	15,476	17,896
	73,787	73,010

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 31 December 2019 were trade receivables from third parties amounting to S\$684,000 (2018: S\$781,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables was included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

13. SHARE CAPITAL

	No. of ordinary shares		Issued and fully paid Amount	
	2019	2018	2019 S\$'000	2018 S\$'000
At the beginning of year	394,689,186	394,684,950	70,984	70,981
Exercise of warrants	-	4,236	-	3
Subscription shares issued	26,987,295	-	5,397	-
Shares issued-in-lieu of cash for dividend	7,896,368	-	1,714	-
At the end of year	429,572,849	394,689,186	78,095	70,984

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

14. TRADE AND OTHER PAYABLES

	2019 S\$'000	2018 S\$'000
Trade payables		
- Third parties	25,168	27,394
- Associates	97	72
- Related parties	9,729	6,787
Refund liabilities	-	141
	34,994	34,394
Other payables:		
Advance received from customers	8,913	10,597
Accrued operating expenses	17,887	18,889
Amount owing to an associate	27	31
Amount owing to non-controlling interests	2,032	1,295
Derivatives	69	101
Other payables	5,760	4,073
	69,682	69,380

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

	31 December 2019 S\$'000	31 December 2018 S\$'000
Within 30 days	22,264	22,220
31 - 90 days	11,973	9,474
Over 90 days	757	2,700
	34,994	34,394

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

15. EVENT AFTER THE REPORTING PERIOD

On 2 January 2020, the Company and Dirak Holding GmbH, a private limited company incorporated under the laws of Germany, together with its subsidiary (collective the “**Dirak Group**”) entered into the Master Supply Agreement, in relation to the sale of Product A from the Group to the Dirak Group and the sale of Product B from the Dirak Group to the Group. The term of the Master Supply Agreement is three years commencing on 1 January 2020 and ending on 31 December 2022 (both dates inclusive), for details please refer to the announcement of the Company dated 3 January 2020.

On 8 January 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to purchase a property in Singapore for a purchase consideration of S\$5,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS

REVIEW

During FY2019, the core industrial automation business continued to be the key revenue generator accounting for approximately 98.3% of the Group’s total revenue. In terms of geography, the PRC remained as our major revenue contributor, followed by Singapore, Hong Kong and Malaysia, accounting for 66.9%, 15.4%, 2.3%, and 3.5% respectively.

Faced with the ongoing trade tension, the cyclical headwinds in the semiconductor industry and a depreciating RMB against the SGD, the Group remained long-term focused while staying agile on other replacement markets. In the fourth quarter of 2019, revenue grew 11.5% year-on-year to S\$79.3 million on the back of increasing demand for high-tech precision control systems from the Chinese medical device manufacturers. Overall, the Group’s revenue dipped 3.6% year-on-year to S\$291.0 million for FY2019 despite the challenging market conditions.

In line with the revenue trend, gross profit for FY2019 decreased by 3.9% year-on-year to S\$77.4 million for FY2019. Gross profit margins (“GPM”) edged down 0.1 percentage points to 26.6% in FY2019.

Our core market opportunities in Industry 4.0 and clean energy remain securely attractive in the mid and long term. While market conditions might look uncertain, the Group will continue to improve its operational efficiencies and stay focused on the long-term opportunities towards Industry 4.0.

FUTURE PROSPECTS

Although 2019 was a challenging year macro-economically, ISDN was able to make good progress with strengthening its business:

- The Group’s diversification allowed it to weather a soft Asian economy as more resilient sectors such as medical technology and defense helped offset demand softness in more cyclical industries.
- Operationally, the Group made good progress with consolidating its engineering and administrative operations to unlock cost efficiencies and grow engineering capabilities at scale. These activities will continue through 2020 as ISDN unlocks further cost efficiencies while growing its long-term technology capabilities.
- Strategically, the Group made prudent investments to advance its long-term growth prospects. ISDN expanded its core capabilities by establishing the ISDN Software business, and investing in Metal injection opportunity. These focused growth directions allow ISDN to increase high-value capabilities delivered to customers, and participate in attractive revenue models such as software subscription, service and intellectual property sales. The Group made good progress commercialising its energy portfolio,[with 3 power plant slated to commence operations in 2Q 2020 through 4Q 2020.

FUTURE PROSPECTS (CONT'D)

- The Group also launched a partnership with expert technology investor Novo Tellus. Novo Tellus acquired an 8.9% stake in ISDN shares, and has worked collaboratively with the Group to advise and review its operational and strategic initiatives.

Through its operating and strategic initiatives and its promising partnership with Novo Tellus, the Group has established a program of cost efficiencies that provides a defensive posture in the event that 2020, including the effects of the COVID-19 outbreak globally, continues to be economically soft.

At the same time, the Group continues to invest prudently to grow its medium and long term prospects through a focus on growing core business capabilities to continue “moving up the value chain”, and a focus on conservative commercialisation of its fledgling energy business in preparation for an eventual spinout as the business proves its operational value.

While the Group remains ever-vigilant to fast-evolving market conditions in early 2020, it remains confident that the long term growth prospects in Industry 4.0 and clean energy represent solid market opportunities for its diversified portfolio. To this end, we note that PRC continues to advocate and invest in industrial automation to progress its economic roadmap¹. Indeed, industry analyst Frost & Sullivan² predicts that the PRC’s motion control solutions market is estimated to reach S\$3.76 billion by 2020, and Interact Analysis expects the PRC to nearly double revenue of the U.S market till 2023³. The Group believes ISDN remains particularly well-positioned to capitalise on these long term strategic sectors for the PRC and Asia at large.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	FY2019 S\$'000	FY2018 S\$'000	% change + / (-)
Engineering Solutions			
Revenue	286,102	301,990	(5.3%)
Gross profit	77,063	80,549	(4.3%)
Gross profit margin	26.9%	26.7%	0.2 ppt
Construction Revenue			
Revenue	4,883	-	n.m.
Gross profit	362	-	n.m.
Gross profit margin	7.4%	-	n.m.
TOTAL			
Revenue	290,985	301,990	(3.6%)
Gross profit	77,425	80,549	(3.9%)
Gross profit margin	26.6%	26.7%	(0.1 ppt)

¹ Bloomberg: Not even a virus can stop this president from dreaming

<https://www.bloomberg.com/opinion/articles/2020-02-05/coronavirus-won-t-halt-china-s-technological-ambitions>

² Frost & Sullivan Report: https://www.isdnholdings.com/download/hk/research/Final%20Report_Project%20Twins_FS_12072016.pdf

³ Robotics Business Review: Report predicts \$15b+ market for motion controls by 2023

<https://www.roboticsbusinessreview.com/research/motion-controls-report-predicts-15b-market-by-2023/>

n.m.: not meaningful

Revenue and Gross Profit Margin (Cont'd)

The Group's revenue for FY2019 of S\$291.0 million was lower as compared to FY2018. The core industrial automation segment continued to be the key revenue generator accounting for approximately 98.3% of the Group's total revenue for FY2019. In FY2019, the Group recognised construction revenue of approximately S\$4.9 million arising from the construction of mini-hydropower plants in Indonesia.

Overall reported revenue for the Group was lower due to a general market slowdown arising from global trade tensions and a depreciation in the Renminbi ("RMB") currency.

As part of management's measures to manage counterparty risk in the slowing economic environment, certain sales accounts were deliberately not renewed resulting in a decrease of S\$5.0 million sales in FY2019 as compared to FY2018.

From May 2019 to December 2019, the RMB had also depreciated by 3.8%. As a result, the revenue from our China operations was translated at a lower exchange rate for FY2019 as compared to FY2018. Based on the FY2018 exchange rate for the same period, revenue would have increased by approximately S\$7.0 million.

Gross profit of S\$77.4 million was S\$3.1 million, or 3.9% lower in FY2019 as compared to FY2018. The gross profit margins for the Group edged down slightly in FY2019 as compared to the corresponding period in 2018 by 0.1 percentage point from 26.7% to 26.6%. Excluding the gross profit arising from the construction of mini-hydropower plants under the service concession arrangement, the gross profit margin would have inched up by 0.2 percentage points in FY2019.

Other operating income

Other operating income decreased by S\$1.6 million, or 32.0% to S\$3.4 million for FY2019. The decrease was mainly due to the 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\$0.3 million, decrease in technical consultancy fees of S\$0.7 million and decrease in rental income of S\$0.1 million.

Distribution costs

Distribution costs decreased by S\$0.1 million, or 0.3% to S\$25.6 million for FY2019. The decrease was mainly due to decrease in sales commission to sales personnel which was in line with the decrease in revenue .

Administrative expenses

Administrative expenses increased by S\$0.1 million, or 0.4% to S\$31.0 million for FY2019. The increase was mainly due to the reversal of over provision for withholding tax of S\$1.2 million in FY2018, increase in professional fees of S\$0.4 million; partially offset by over provision of bonus of S\$1.5 million.

Other operating expenses

Other operating expenses decreased by S\$0.8 million or 38.3% to S\$1.3 million for FY2019. The decrease was mainly due to decrease in allowance for inventory obsolescence S\$0.8 million, decrease in inventories written off of S\$ 0.1 million and absence of one-off loss on deemed disposal of an associate of S\$0.2 million; partially offset by increase in foreign exchange loss of S\$0.3 million.

Finance costs

Finance costs increased by S\$1.1 million, or 103.6% to S\$2.1 million for FY2019, which was mainly due to an increase in average bank borrowings.

Income tax expense

Income tax expenses decreased by S\$1.1 million, or 15.3% to S\$6.0 million for FY2019, mainly due to lower taxable profits.

Property, plant and equipment

Property, plant and equipment increased by S\$4.7 million, or 11.8% as at 31 December 2019. The increase was mainly due to acquisition of land and additional construction costs incurred of S\$3.0 million for the construction of hydropower plant in Indonesia, purchase of plant and machinery of S\$1.0 million and recognition of ROU assets of S\$4.4 million resulting from the adoption of the new SFRS(I) 16 *Leases*. This was partially offset by the depreciation charge of S\$3.8 million.

Associates

Interests in associates decreased by S\$0.5 million, or 8.0% as at 31 December 2019 mainly due to disposal of C&I Renewable Limited of S\$0.2 million and share of loss of associates of S\$0.1 million.

Service concession receivables

Service concession receivables increased by S\$4.0 million, or 13.3% to S\$34.3 million as at 31 December 2019. This was mainly due to recognition of construction revenue of S\$4.9 million from the construction of mini-hydropower plants under the service concession arrangement offset by foreign exchange revaluation losses of S\$0.9 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

Other financial assets

As an addition to the renewable energy portfolio, an S\$0.9 million investment was made to obtain a 10% stake in a company which specialises in the design, development, integration and sales of lithium battery management systems.

Inventories

Inventories decreased by S\$2.1 million or 3.7% to S\$53.1 million as at 31 December 2019 primarily due to the fulfilment of customer orders during the financial year.

Trade and other receivables

Trade and other receivables increased by S\$10.0 million or 9.8% to S\$111.8 million as at 31 December 2019 mainly due to an increase in notes receivables of S\$3.9 million, coupled with an increase in advance payment to suppliers of S\$3.2 million, increase in advances to related parties of S\$1.5 million, increase in loan to associates of S\$3.3 million and increase in sundry debtors of S\$1.6 million. This was partly offset by the decrease in trade receivables from third parties and associates of S\$2.5 million and S\$0.6 million respectively and decrease in rental and sundry deposit of S\$0.3 million.

Trade and other payables

Trade and other payables increased by S\$0.3 million or 0.4% to S\$69.7 million as at 31 December 2019, which was mainly due to increase in trade payables to related parties of S\$3.0 million, increase in amounts due to non-controlling interests of S\$0.8 million and increase in accrued staff cost of S\$0.4 million. This was offset by the decrease in trade payables to third parties of S\$2.2 million arose from payment to trade suppliers as they became due and decrease in advances received from customers of S\$1.7 million.

Bank borrowings (current and non-current)

Bank borrowings decreased by S\$1.0 million to S\$27.3 million as at 31 December 2019. The decrease was primarily due to repayment of bank borrowings amounting to S\$24.3 million offset by proceeds of bank borrowings of S\$23.3 million.

Lease liabilities (current and non-current)

Lease liabilities increased by S\$2.7 million to S\$3.0 million as at 31 December 2019 was mainly due to the adoption of the new SFRS(I) 16 *Leases*.

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

There were no material acquisitions and disposals in FY2019.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2019, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2019, cash and bank balances amounted to approximately S\$38.0 million, which decreased by approximately 9.3% as compared to S\$41.9 million as at 31 December 2018. The quick ratio of the Group was approximately 1.6 times (31 December 2018: 1.6 times).

As at 31 December 2019, the Group has long and short-term bank borrowings of approximately S\$27.3 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$20.2 million (31 December 2018: S\$16.4 million) while the bank borrowings due after one year amounted to approximately S\$7.1 million (31 December 2018: S\$11.8 million).

As at 31 December 2019, the weighted average effective interest rates on bank borrowings is 6.62% (31 December 2018: 4.18%) per annum. The Group does not have fixed rate bank borrowings as at 31 December 2019 and 31 December 2018. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2018: S\$0.3 million), the Group's total borrowings amounted to S\$27.5 million (31 December 2018: S\$28.6 million).

GEARING RATIO

During FY2019, the gearing ratio of the Group was about 18.0% (2018: 19.9%) which was calculated on the Group's total borrowings (including total borrowings and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The decrease in gearing ratio was mainly due to the decrease in bank borrowings and increase in equity excluding non-controlling interests.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout FY2019. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. We did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars. The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of subsidiaries of the Company have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During FY2019, the Group has entered into financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During FY2019, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$5,017,000 (2018: S\$2,632,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, there were 881 (2018: 856) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

The Company adopted ISDN Share Option Scheme 2016 and ISDN Performance Share Plan as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during FY2019.

RISK MANAGEMENT

Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at 31 December 2019.

Charge on the Group's Assets

As at 31 December 2019, the Group's cash and cash equivalents, net book value of property, plant equipment of approximately S\$3.1 million and S\$18.6 million, respectively (2018: S\$3.2 million and S\$19.7 million) were pledged to banks to secure general banking facilities granted to the Group.

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

During FY2019 and up to the date of this announcement, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST, neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

PROPOSED FINAL DIVIDEND

The Board have recommended the payment of a final dividend of S\$0.4 cent (equivalent to HK\$2.28 cents) per ordinary share for FY2019. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Wednesday, 29 April 2020 (the “AGM”) at 9.30 a.m. (Singapore Time). Upon Shareholders’ approval at the upcoming AGM, the proposed final dividend will be paid on Thursday, 2 July 2020 to the Shareholders whose names shall appear on the register of members of the Company on Friday, 8 May 2020.

The Directors propose that the Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM; and (2) SGX-ST and the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Monday, 1 June 2020. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Thursday, 2 July 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed from Friday, 24 April 2020 to Wednesday, 29 April 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 April 2020.

For Singapore Shareholders

The share transfer books and the Singapore Principal Share Register will be closed at 5:00 p.m. on Friday, 24 April 2020 for the purpose of determining the entitlement of Singapore Shareholders to attend and vote at the AGM. Duly completed registrable transfers received by the Company’s Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on Thursday, 23 April 2020 shall be registered to determine Shareholders’ entitlements to attend and vote at the AGM.

CLOSURE OF REGISTER OF MEMBERS (CONT'D)

For determining the entitlement to the Proposed Final Dividend

For Hong Kong Shareholders

The Hong Kong branch register of members of the Company will be closed on Monday, 11 May 2020 and Tuesday, 12 May 2020, both dates inclusive, during this period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Friday, 8 May 2020.

For Singapore Shareholders

For the avoidance of doubt, where the registered holder is The Central Depository (Pte) Limited ("CDP"), the proposed final dividend shall be paid to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of Shares standing to the credit of each depositor's securities account with the CDP as at 5:00 p.m. on Friday, 8 May 2020. Duly completed registrable transfers received by the Company's Singapore Principal Share Registrar and Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on Friday, 8 May 2020 shall be registered to determine Shareholders' entitlements to the proposed final dividend.

CORPORATE GOVERNANCE

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore Revised Code of Corporate Governance 2018 (the "**Code**") and the applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Appendix 14 to the Hong Kong Listing Rules to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long term Shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout FY2019, the Group has complied with the Code and the HK CG Code.

COMPLIANCE WITH SINGAPORE LISTING MANUAL AND HONG KONG MODEL CODE

In compliance with Rules 1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the SGX-ST and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the "**Model Code**"), the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during FY2019.

The Company and its officers are not allowed to deal in the shares during the period commencing 30 days immediately before the announcement of the Company's quarterly results and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

AUDIT COMMITTEE

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

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

The financial information in this announcement has not been audited or reviewed by the independent auditor of the Company (the "**Independent Auditor**"), but the Audit Committee has reviewed the unaudited consolidated results of the Group for FY2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under Singapore Listing Manual and the Hong Kong Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for FY2019 have been compared by the Independent Auditor, Moore Stephens LLP, to the amounts set out in the Group's draft consolidated financial statements for FY2019 and the amounts were found to be in agreement. The work performed by the Independent Auditor in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Independent Auditor on this announcement.

PUBLICATION OF FINANCIAL INFORMATION

The annual results announcement for FY2019 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.isdnholdings.com). The annual report of the Company for FY2019 containing, among others, the financial information of the Group will be despatched to Shareholders and published on the above websites in due course.

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

Singapore, 28 February 2020

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