



(Company Registration No.: 200416788Z)

ISDN Holdings Limited
Interim Financial Statements Announcement
For the Second Quarter and Period Ended 30 June 2014



ISDN Holdings Limited
2014 Interim Financial Statements Announcement

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2014

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

	Group 3 months ended 30 June			Group 6 months ended 30 June		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	59,401	51,412	15.5	98,521	82,305	19.7
Cost of sales	(45,455)	(36,073)	26.0	(75,020)	(57,951)	29.5
Gross profit	13,946	15,339	(9.1)	23,501	24,354	(3.5)
Other operating income	730	761	(4.1)	1,209	1,571	(23.0)
Distribution costs	(4,024)	(5,338)	(24.6)	(7,480)	(9,052)	(17.4)
Administrative expenses	(5,613)	(6,295)	(10.8)	(9,991)	(10,445)	(4.3)
Other operating expenses	(1,172)	(282)	N/M	(1,941)	(710)	N/M
Finance costs	(185)	(253)	(26.9)	(364)	(517)	(29.6)
Share of results of associates and joint ventures	787	(33)	N/M	679	257	N/M
Profit before income tax	4,469	3,899	14.6	5,613	5,458	2.8
Income tax expense	(1,291)	(1,425)	(9.4)	(1,854)	(1,925)	(3.7)
Profit for the period	3,178	2,474	28.5	3,759	3,533	6.4
Other comprehensive (loss)/ income:						
Items that may be subsequently reclassified to profit and loss						
- Exchange differences on translation of foreign operations	(595)	967	N/M	(1,912)	1,818	N/M
Total comprehensive income for the period	2,583	3,441	(24.9)	1,847	5,351	(65.5)
Profit after income tax attributable to:						
Equity holders of the Company	2,697	1,867	44.5	3,047	2,614	16.6
Non-controlling interests	481	607	(20.8)	712	919	(22.5)
	3,178	2,474	28.5	3,759	3,533	6.4
Total comprehensive income attributable to:						
Equity holders of the Company	2,152	2,724	(21.0)	1,327	4,217	(68.5)
Non-controlling interests	431	717	(39.9)	520	1,134	(54.1)
	2,583	3,441	(24.9)	1,847	5,351	(65.5)

N/M- not meaningful



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

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

	Group 3 months ended 30 June			Group 6 months ended 30 June		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other operating income						
Administrative income	133	24	N/M	142	56	N/M
Commission income	15	15	-	22	21	4.8
Finance income:						
- interest on bank deposits	24	34	(29.4)	52	63	(17.5)
- interest on loan to associates	-	-	-	8	-	N/M
Foreign exchange gain, net	-	311	N/M	-	621	N/M
Government Grant	23	29	(20.7)	109	52	N/M
Technical service income	97	109	(11.0)	148	353	(58.1)
Write back of allowance for trade receivables	-	33	N/M	20	42	(52.4)
Write back of allowance for inventories obsolescence	-	-	-	21	13	61.5
Operating lease rental income:						
- investment properties	18	15	20.0	32	30	6.7
- sub-let of office/warehouse premises	178	103	72.8	282	170	65.9
Property management income	218	54	N/M	302	61	N/M
Miscellaneous income	24	34	(29.4)	71	89	(20.2)
	<u>730</u>	<u>761</u>	<u>(4.1)</u>	<u>1,209</u>	<u>1,571</u>	<u>(23.0)</u>

N/M- not meaningful



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	Group 3 months ended 30 June			Group 6 months ended 30 June		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other operating expenses						
Allowance for impairment of trade receivables	406	46	N/M	432	180	N/M
Allowance for inventories obsolescence	282	217	30.0	649	494	31.4
Amortisation of intangible assets	-	6	N/M	-	12	N/M
Amortisation of prepayment of land use rights	9	9	-	17	17	-
Foreign exchange losses, net	456	-	N/M	797	-	N/M
Inventories written off	17	4	N/M	29	5	N/M
Property, plant and equipment written off	-	-	-	10	2	N/M
Loss on disposal of interests in a subsidiary	-	-	-	3	-	N/M
Loss on disposal of property, plant and equipment	2	-	N/M	4	-	N/M
	<u>1,172</u>	<u>282</u>	N/M	<u>1,941</u>	<u>710</u>	N/M
<i>Included in Distribution costs</i>						
Depreciation of property, plant and equipment	35	35	-	74	67	10.5
<i>Included in Administrative expenses</i>						
Depreciation of property, plant and equipment	311	323	(3.7)	654	647	1.1
Depreciation of investment properties	4	4	-	8	8	-
<i>Included in cost of sales</i>						
Depreciation of property, plant and equipment	48	90	(46.7)	110	160	(31.3)
Income tax expense						
Current taxation	1,131	1,428	(20.8)	1,651	2,002	(17.5)
Deferred taxation	(2)	(42)	(95.2)	35	(31)	N/M
Under/(Over)provision of tax in respect of prior years	162	39	N/M	168	(46)	N/M
	<u>1,291</u>	<u>1,425</u>	(9.4)	<u>1,854</u>	<u>1,925</u>	(3.7)

N/M- not meaningful



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

Group	Group	Company	Company
30 June 2014	31 December 2013	30 June 2014	31 December 2013
S\$'000	S\$'000	S\$'000	S\$'000

ASSETS

Non-current assets

Property plant and equipment	28,989	28,306	-	-
Investment properties	582	590	-	-
Prepayment- land use rights	1,436	1,496	-	-
Goodwill on consolidation	2,179	11,686	-	-
Subsidiaries	-	-	36,142	36,082
Associates and joint ventures	18,159	3,713	31	31
Total non current assets	51,345	45,791	36,173	36,113

Current assets

Inventories	29,900	28,467	-	-
Trade and other receivables	61,676	48,600	365	381
Amount owing by subsidiaries	-	-	30,702	27,049
Dividend receivable	-	-	3,247	5,750
Cash and bank balances and fixed deposits	33,289	40,697	326	3,710
Total current assets	124,865	117,764	34,640	36,890

Total Assets

176,210	163,555	70,813	73,003
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(1)(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year. Cont'd

Group	Group	Company	Company
30 June 2014	31 December 2013	30 June 2014	31 December 2013
S\$'000	S\$'000	S\$'000	S\$'000

EQUITY AND LIABILITIES

Equity attributable to members of the Company

Share capital	63,925	63,925	63,925	63,925
Warrants issue	3,384	3,384	3,384	3,384
Treasury shares	(162)	(162)	(162)	(162)
Reserves	39,861	39,997	14	2,663
	107,008	107,144	67,161	69,810
Non-controlling interests	7,022	6,634	-	-
Total equity	114,030	113,778	67,161	69,810

Non-current liabilities

Bank borrowings	1,216	814	-	-
Finance leases	475	214	-	-
Deferred tax liabilities	47	12	-	-
Total non-current liabilities	1,738	1,040	-	-

Current liabilities

Bank borrowings	13,279	12,516	-	-
Current portion of finance leases	138	57	-	-
Trade and other payables	45,903	35,654	3,652	3,193
Current income tax liabilities	1,122	510	-	-
Total current liabilities	60,442	48,737	3,652	3,193
Total liabilities	62,180	49,777	3,652	3,193

Total equity and liabilities	176,210	163,555	70,813	73,003
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(1)(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

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

As at 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,611	9,806	5,713	6,860

The amount repayable after one year;

As at 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,444	247	1,028	-

Details of any collaterals.

The secured borrowings relate to:-

- 1) The finance lease obligations of various subsidiaries which are secured against respective assets under the finance lease arrangement.
- 2) Legal mortgage over 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.



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

	3 months ended 30		6 months ended 30	
	June		June	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from operating activities:				
Profit before income tax	4,469	3,899	5,613	5,459
Adjustments for:				
Amortisation of intangible assets	-	6	-	12
Amortisation of land use rights	9	9	17	17
Depreciation of property, plant and equipment	394	448	838	874
Depreciation of investment properties	4	4	8	8
Allowance for impairment of trade receivables	406	46	432	180
Allowance for inventories obsolescence	282	218	649	494
Loss on disposal of interests in a subsidiary	-	-	3	-
Loss on disposal of property, plant and equipment	2	-	4	-
Property, plant and equipment written off	-	-	10	2
Inventories written off	17	4	29	5
Write back of allowance for inventories obsolescence	-	-	(21)	(13)
Write back of allowance for trade reivables	-	(33)	(20)	(42)
Interest expense	185	253	364	517
Interest income	(24)	(34)	(60)	(63)
Share of results of associates	(787)	33	(679)	(257)
Unrealised currency translation differences	318	(339)	361	(494)
Operating cash flow before working capital changes	5,275	4,514	7,548	6,699
Inventories	(3,990)	(2,692)	(5,233)	(4,865)
Trade and other receivables	(13,591)	(14,094)	(17,424)	(6,017)
Trade and other payables	11,731	13,647	13,461	12,863
Cash (used in)/generated from operations	(575)	1,375	(1,648)	8,680
Interest paid	(185)	(253)	(364)	(517)
Interest received	24	34	60	63
Income tax paid	(832)	(1,088)	(1,187)	(2,179)
Net cash (used in)/generated from operating activities	(1,568)	68	(3,139)	6,047



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

	3 months ended 30		6 months ended 30	
	June		June	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(2,297)	(240)	(2,877)	(379)
Proceeds from disposal of property, plant and equipment	7	2	8	2
Cash outflow on transfer to associates and joint ventures (Note B)	-	-	(824)	-
Dividends from an associate	60	60	60	60
Net cash used in investing activities	(2,230)	(178)	(3,633)	(317)
Cash flows from financing activities:				
Dividends to equity holders of the Company	(1,439)	(1,800)	(1,439)	(1,800)
Investment in subsidiaries by non-controlling interests	-	123	-	184
(Repayment of)/Amount owing to non-controlling interests	(74)	1	(55)	9
Repayment from associates	-	16	-	16
Increase on restricted bank balances (net)	-	(582)	(10)	(387)
Proceeds from shares placement	-	18,892	-	18,892
Proceeds from bank loans	2,605	-	3,105	892
Repayments of bank loans	(532)	(556)	(2,495)	(2,362)
Proceeds from/(Repayment of) short term loan (net)	(1,410)	(750)	(1,540)	(1,050)
Proceeds from/(Repayment of) trust receipts (net)	2,041	262	2,142	(2,615)
Repayment of finance leases	(33)	(21)	(113)	(35)
Net cash generated from/(used in) financing activities	1,158	15,585	(405)	11,744
Net change in cash and cash equivalents	(2,640)	15,475	(7,177)	17,474
Cash and cash equivalents at beginning of period	40,697	26,852	40,697	25,071
Effect of currency translation on cash and cash equivalents	(101)	(84)	(241)	(107)
Cash and cash equivalents at end of period (Note A)	37,956	42,243	33,279	42,438



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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:

	30 June 2014	30 June 2013
	S\$'000	S\$'000
Cash and bank balances	24,754	42,812
Fixed deposits	8,535	13
	<hr/>	<hr/>
	33,289	42,825
(Less) Restricted bank balances	(10)	(387)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	33,279	42,438
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(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. Cont'd

Note B:

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

The effect of the above adoption of interests in joint venture on the consolidated cash flows of the Group for the period ended 30 June 2014 is as follow:

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



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

	Share capital	Warrants Issue	Treasury shares	Merger reserves	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S\$000	\$'000	\$'000	S\$000	S\$000	S\$000	S\$000	S\$000	S\$000	S\$000
Group										
Balance as at 1 January 2014	63,925	3,384	(162)	(436)	313	3,767	36,353	107,144	6,634	113,778
Profit for the year	-	-	-	-	-	-	3,047	3,047	712	3,759
Other comprehensive income	-	-	-	-	(1,720)	-	-	(1,720)	(192)	(1,912)
Total comprehensive income for the period	-	-	-	-	(1,720)	-	3,047	1,327	520	1,847
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	93	93
Disposal of interests of a subsidiary	-	-	-	-	-	-	-	-	18	18
Payment of dividends	-	-	-	-	-	-	(1,439)	(1,439)	-	(1,439)
Transfer to other reserves	-	-	-	-	-	264	(264)	-	-	-
Transfer to investment in joint ventures	-	-	-	-	-	(24)	-	(24)	(243)	(267)
Balance as at 30 June 2014	63,925	3,384	(162)	(436)	(1,407)	4,007	37,697	107,008	7,022	114,030



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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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group										
Balance as at 1 January 2013	44,855	-	(162)	(436)	(1,339)	3,174	34,226	80,318	6,606	86,924
Profit for the year	-	-	-	-	-	-	2,614	2,614	919	3,533
Other comprehensive loss	-	-	-	-	1,603	-	-	1,603	215	1,818
Total comprehensive income for the year	-	-	-	-	1,603	-	2,614	4,217	1,134	5,351
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	184	184
Payment of dividends	-	-	-	-	-	-	(1,800)	(1,800)	-	(1,800)
Share placement proceeds, net of expenses	18,892	-	-	-	-	-	-	18,892	-	18,892
Transfer of performance shares	178	-	-	-	-	(178)	-	-	-	-
Transfer to other reserves	-	-	-	-	-	80	(157)	(77)	78	1
Balance as at 30 June 2013	63,925	-	(162)	(436)	264	3,076	34,883	101,550	8,002	109,552

	Share capital	Warrants Issue	Treasury shares	Others reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
Balance as at 1 January 2014	63,925	3,384	(162)	(178)	2,841	69,810
Total comprehensive income for the period	-	-	-	-	(1,210)	(1,210)
Payment of dividends	-	-	-	-	(1,439)	(1,439)
Balance as at 30 June 2014	63,925	3,384	(162)	(178)	192	67,161
Balance as at 1 January 2013	44,855	-	(162)	-	1,636	46,329
Total comprehensive income for the period	-	-	-	-	(1,181)	(1,181)
Payment of dividends	-	-	-	-	(1,800)	(1,800)
Share placement proceeds, net of expenses	18,892	-	-	-	-	18,892
Transfer of performance shares	178	-	-	(178)	-	-
Balance as at 30 June 2013	63,925	-	(162)	(178)	(1,345)	62,240



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(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 2014 is 359,944,950 (30 June 2013: 359,944,950), net of treasury shares. The number of shares held as treasury shares as at 30 June 2014 is 1,105,000 (30 June 2013: 1,105,000).

The outstanding convertibles are 179,972,475 warrants that maybe convertible into ordinary shares of 179,972,475 as at 30 June 2014 (30 June 2013: Nil).

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

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	No. of shares	No. of shares	No. of shares	No. of shares
Issued share capital at the end of the period (net of treasury shares)	359,944,950	359,944,950	359,944,950	359,944,950



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

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	No. of treasury shares	No. of treasury shares	No. of treasury shares	No. of treasury shares
Balance at beginning and end of period	1,105,000	1,105,000	1,105,000	1,105,000

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statement for the period ended 30 June 2014 as those used for the audited financial statement as at 31 December 2013.

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

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

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



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

	Group	Group
	6 months ended 30 June	
	2014	2013
	Singapore cents	Singapore cents
EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue	0.85	0.81
- on a fully diluted basis	0.56	0.81
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	359,944,950	324,528,720
Weighted average number of ordinary shares for diluted EPS (net of treasury shares)	539,917,425*	324,528,720

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

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

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	Singapore cents	Singapore cents	Singapore cents	Singapore cents
Net asset value per share based on existing issued capital as at respective period	31.68	31.61	18.66	19.39
Issued share capital at the end of the period (net of treasury shares)	359,944,950	359,944,950	359,944,950	359,944,950



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

STATEMENT OF COMPREHENSIVE INCOME ITEMS

Quarter on Quarter

Revenue

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

The Group's revenue increased by S\$7.99 million or 15.5% from S\$51.41 million for 2Q2013 to S\$59.40 million for 2Q2014.

Revenue by Geographical Location

	2Q2014	2Q2013	Increase (Decrease)		1H2014	1H2013	Increase (Decrease)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Singapore	10,904	7,664	3,240	42.3	17,539	13,713	3,826	27.9
People's Republic of China	45,914	36,069	9,845	27.3	74,847	57,650	17,197	29.8
Malaysia	2,583	1,484	1,099	74.1	3,635	3,008	627	20.8
Others ⁽¹⁾⁽²⁾	-	6,195	(6,195)	N/M	2,500	7,934	(5,434)	(68.5)
Total	59,401	51,412	7,989	15.5	98,521	82,305	16,216	19.7

N/M- not meaningful

Notes to table:

⁽¹⁾ 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.

⁽²⁾ Due to reclassification of revenue in geographical location in 2Q2014 amounting to S\$1.6 million from Others to Singapore.

The main reason for the increase in sales revenue in Singapore, PRC and Malaysia was due to higher demand from customers from motion control products.

Revenue from Others decreased by S\$6.20 million mainly because there was no contribution from coal trading business in 2Q2014 compared to 2Q2013.



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Cont'd

STATEMENT OF COMPREHENSIVE INCOME ITEMS Cont'd

Quarter on Quarter Cont'd

Revenue by Business Segment

	2Q2014	2Q2013	Increase (Decrease)		1H2014	1H2013	Increase (Decrease)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%
Motion Control	49,375	37,098	12,277	33.1	80,969	60,776	20,193	33.2
Other Specialised Engineering Solutions	8,436	8,802	(366)	(4.2)	14,855	14,779	76	0.5
Industrial Computing	1,557	1,458	99	6.8	2,648	2,672	(24)	(0.9)
Others	33	4,054	(4,021)	(99.2)	49	4,078	(4,029)	(98.8)
Total	59,401	51,412	7,989	15.5	98,521	82,305	16,216	19.7

N/M- not meaningful

Motion Control and Industrial Computing product groups generated more revenue in 2Q2014 as compared to 2Q2013 mainly due to overall stronger demand from customers.

Other Specialised Engineering Solutions and Others product groups registered lower revenue mainly due to lower demand from customers and no contribution from coal trading business in 2Q2014.

Gross profit

The Group's gross profit decreased by S\$1.39 million or 9.1% from S\$15.34 million in 2Q2013 to S\$13.95 million in 2Q2014. Gross profit margin decreased from 29.8% in 2Q2013 to 23.5% in 2Q2014 mainly due to more sales revenue generated with higher cost of sales.



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STATEMENT OF COMPREHENSIVE INCOME ITEMS Cont'd

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

Other operating income

Other operating income decreased by S\$31,000 or 4.1% from S\$761,000 in 2Q2013 to S\$730,000 in 2Q2014 mainly due to no foreign exchange gain offset by an increase in property management income and deconsolidation of joint ventures.

Distribution costs

Distribution costs decreased by S\$1.31 million or 24.6% from S\$5.34 million in 2Q2013 to S\$4.02 million in 2Q2014 were mainly due to decrease in sub-contractor costs, advertising and marketing expenses and deconsolidation of joint ventures.

Administrative expenses

Administrative expenses decreased by S\$682,000 or 10.8% from S\$6.30 million in 2Q2013 to S\$5.61 million in 2Q2014 mainly due to deconsolidation of joint ventures.

Other operating expenses

Other operating expenses increased by S\$890,000 from S\$282,000 in 2Q2013 to S\$1.17 million in 2Q2014. This was mainly due to foreign exchange losses and an increase in allowance for impairment of trade receivables.

Share of results of associates and joint ventures

Share of results of associates increased by S\$820,000 from a loss of S\$33,000 in 2Q2013 to profit of S\$787,000 in 2Q2014 mainly due to higher contribution from associate and joint venture companies.

Finance costs

Finance costs decreased by S\$68,000 or 26.9% from S\$253,000 in 2Q2013 to S\$185,000 in 2Q2014 mainly due to repayment of existing bank borrowings.



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STATEMENT OF FINANCIAL POSITION ITEMS

Goodwill

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

Associates and joint ventures

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

Inventories

Inventories increased by S\$ 1.43 million or 5.0% from S\$28.47 million in 2Q2013 to S\$29.90 million in 2Q2014 as a result of increase in revenue.

Trade and other receivables

The net increase of S\$13.1 million in Trade and other receivables was mainly due to increase in revenue in 2Q2104.

Subsequents to the 2Q2014 ended 30 June 2014, the Group collected outstanding debts of about S\$11.43 million from customers as of 25 July 2014. The collection represents approximately 22.2% of trade receivables balances as at 30 June 2014.

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

Trade and other payables

The increase of S\$10.25 million or 28.7% in Trade and Other Payables was mainly due to increase in purchases and advance payment from customers.



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STATEMENT OF FINANCIAL POSITION ITEMS Cont'd

Bank borrowings

Bank borrowings increased by S\$1.51 million or 11.1% from S\$13.60 million as at 31 December 2013 to S\$15.11 million as at 30 June 2014. The increase was mainly due to new bank loans drawdown in 2Q2014 and increase in trust receipts.

CASH FLOW STATEMENT

Quarter on Quarter

Cash and cash equivalents

Net cash generated from operating activities decreased from a net inflow of S\$68,000 in 2Q2013 to a net outflow of S\$1.57 million in 2Q2014. The decrease was mainly due to higher inventories and faster payment of trade payables.

Net cash used in investing activities increased from a net outflow of S\$178,000 in 2Q2013 to S\$2.23 million in 2Q2014 mainly because of purchase of property, plant and equipment.

Net cash generated from financing activities decreased from a net inflow of S\$15.59 in 2Q2013 to S\$1.16 million in 2Q2014 mainly due to proceeds from share placement collected in April and May 2013.

As at 30 June 2014, the Group maintained a healthy cash and cash equivalents balance of S\$37.96 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 Group will continue to develop its fast-growing energy segment, on the back of the recent signing of a term sheet with a new Indonesian partner, PT Jodo Alam Titra, as well as its welcoming of new co-investors into Aenergy Holdings Company Ltd, as announced last month. Two clusters have been identified: a future portfolio of mini-hydropower plants with PT Jodo as well as an earlier portfolio of mini-hydropower facilities that Aenergy has amassed – both of which shall form the focus of ISDN's energy business expansion in the Indonesian archipelago - with a view to possibly nurturing these into business trusts or listing them publicly.

Additionally, ISDN will continue to leverage on the steady growth of its Motion Control business, particularly in North Asia, which provides the Group with a stable source of cash flow, barring any unforeseen circumstances.

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



11. Dividend Cont'd

(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.

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.



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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 1 August 2014. 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 1 August 2014. The Company will make further announcements when the remaining net proceeds from Warrants Issue are materially disbursed.

By Order of the Board

Gwendolyn Gn
Company Secretary
ISDN Holdings Limited

14 August 2014