



(Company Registration No.: 200416788Z)

ISDN Holdings Limited
Financial Statements Announcement
For the Fourth Quarter and Year Ended 31 December 2017



ISDN Holdings Limited
2017 Financial Statements Announcement for the
Fourth Quarter and Year Ended 31 December 2017

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND YEAR ENDED 31 December 2017

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			Year ended		
	31 December		%	31 December		%
	2017	2016	change	2017	2016	change
	S\$'000	S\$'000	+/(-)	S\$'000	S\$'000	+/(-)
Revenue	70,465	67,059	5.1%	292,185	258,502	13.0%
Cost of sales	(51,864)	(50,249)	3.2%	(218,354)	(193,503)	12.8%
Gross profit	18,601	16,810		73,831	64,999	
Other operating income	1,333	1,124	18.6%	4,177	4,039	3.4%
Distribution costs	(6,575)	(4,944)	33.0%	(24,147)	(21,556)	12.0%
Administrative expenses	(8,843)	(7,376)	19.9%	(31,385)	(30,557)	2.7%
Other operating expenses	(1,190)	282	n.m.	(3,464)	(2,203)	57.2%
Finance costs	(228)	(173)	31.8%	(812)	(742)	9.4%
Share of profit of associates	(21)	286	n.m.	615	351	75.2%
Profit before taxation	3,077	6,009	-48.8%	18,815	14,331	31.3%
Income tax expense	(732)	(1,063)	-31.1%	(5,069)	(4,288)	18.2%
Profit for the period/year	2,345	4,946	-52.6%	13,746	10,043	36.9%
Other comprehensive income/(loss):						
Items that may be subsequently reclassified to profit and loss						
Exchange differences on translation of foreign operations						
gain/(loss) on translation of foreign operations	343	704	-51.3%	(917)	(1,825)	-49.8%
Reclassification	-	-	n.m.	-	(260)	n.m.
	343	704	-51.3%	(917)	(2,085)	-56.0%
Total comprehensive income for the period/year	2,688	5,650	-52.4%	12,829	7,958	61.2%
Profit for the period/year attributable to:						
Equity holders of the Company	1,832	2,924	-37.3%	9,547	5,153	85.3%
Non-controlling interest	513	2,022	-74.6%	4,199	4,890	-14.1%
	2,345	4,946	-52.6%	13,746	10,043	36.9%
Total comprehensive income for the period/year attributable to:						
Owners of the Company	1,966	2,885	-31.9%	8,743	2,940	n.m.
Non-controlling interest	722	2,765	-73.9%	4,086	5,018	-18.6%
	2,688	5,650	-52.4%	12,829	7,958	61.2%



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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			Year ended		
	31 December			31 December		
	2017	2016	% change	2017	2016	% change
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Profit from operations is determined after (crediting)/charging the following:						
Allowance for /(Reversal of) impairment of trade receivables	41	(55)	n.m.	67	99	-32.3%
Allowance for inventories obsolescence	822	491	67.4%	1,309	1,057	23.8%
Amortisation and depreciation	612	597	2.5%	2,264	2,075	9.1%
Interest income	(26)	(104)	-75.0%	(187)	(267)	-30.0%
Foreign exchange loss/(gain), net	206	(889)	n.m.	1,750	668	n.m.
Gain on disposal of interest in an associate	-	-	n.m.	-	(64)	n.m.
Gain on disposal of interest in subsidiaries	-	-	n.m.	(101)	(411)	-75.4%
Gain on disposal of property, plant and equipment	(2)	(9)	-77.8%	(5)	(11)	-54.5%
Inventories written off	23	90	-74.4%	138	240	-42.5%
Over provision of tax in respect of prior year	(113)	(55)	n.m.	(51)	(378)	-86.5%
Property, plant and equipment written off	4	1	n.m.	4	1	n.m.
Trade receivables written off	83	72	15.3%	156	149	4.7%
Write back of allowance for trade receivables	(54)	98	n.m.	(54)	(131)	-58.8%
Write back of allowance for inventories obsolescence	29	21	38.1%	(5)	(77)	-93.5%

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		COMPANY	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	27,326	27,682	-	-
Investment properties	504	522	-	-
Land use rights	1,338	1,376	-	-
Goodwill	11,686	11,686	-	-
Interests in subsidiaries	-	-	36,653	36,653
Interests in associates	18,352	11,649	124	31
Deferred tax assets	316	59	324	-
	59,522	52,974	37,101	36,684
Current assets				
Inventories	50,003	38,902	-	-
Trade and other receivables	89,164	86,288	115	74
Amounts due from subsidiaries	-	-	41,725	28,312
Dividend receivables	-	-	6,938	7,750
Cash and bank balances	38,303	38,683	2,692	346
	177,470	163,873	51,470	36,482
Current liabilities				
Bank borrowings	14,302	13,052	-	-
Finance leases	160	150	-	-
Trade and other payables	68,694	65,478	9,556	4,659
Current tax liabilities	1,437	1,574	-	-
	84,593	80,254	9,556	4,659
Net current assets	92,877	83,619	41,914	31,823
Non-current liabilities				
Bank borrowings	159	263	-	-
Finance leases	82	186	-	-
Deferred tax liabilities	266	-	-	-
	507	449	-	-
Net assets	151,892	136,144	79,015	68,507
Equity				
Share capital	70,981	62,408	70,981	62,408
Warrants issue	3,384	3,384	3,384	3,384
Reserves	62,313	55,425	4,650	2,715
Equity attributable to owners of the Company	136,678	121,217	79,015	68,507
Non-controlling interests	15,214	14,927	-	-
Total equity	151,892	136,144	79,015	68,507



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- (1)(b)(ii)** In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

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

As at 31 December 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,180	13,282	3,960	9,242

The amount repayable after one year;

As at 31 December 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
82	159	186	263

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) During the year, the 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 have been fully discharged.



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

	GROUP			
	3 months ended		Year ended	
	31 December		31 December	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	3,077	6,009	18,815	14,331
Adjustments for:				
Amortisation of land use right	6	8	34	34
Trade receivables written off	83	72	156	149
Depreciation of property, plant and equipment	595	585	2,190	2,024
Depreciation of investment properties	11	4	40	17
Allowance/(Reversal of) for impairment of trade receivables	41	(55)	67	99
Allowance for inventory obsolescence	822	491	1,309	1,057
Gain on disposal of property, plant and equipment	(2)	(9)	(5)	(11)
Gain on disposal of interests in subsidiaries	-	-	(101)	(411)
Gain on disposal of interest in an associate	-	-	-	(64)
Property, plant and equipment written off	4	1	4	1
Inventories written off	23	90	138	240
Write back of allowance for inventory obsolescence	29	21	(5)	(77)
Write back of allowance for trade receivables	(54)	98	(54)	(131)
Interest expenses	228	173	812	742
Interest income	(26)	(104)	(108)	(267)
Share of loss/(profit) of associates	21	(286)	(615)	(351)
Unrealised foreign exchange differences	1,806	(677)	819	114
Operating cash flow before working capital changes	6,664	6,421	23,496	17,496
Changes in working capital:				
Inventories	(831)	2,360	(12,543)	733
Trade and other receivables	1,064	(4,969)	(5,141)	(17,457)
Trade and other payables	3,242	1,911	155	16,343
Cash generated from operations	10,139	5,723	5,967	17,115
Interest expenses	(228)	(173)	(812)	(742)
Interest income	26	104	108	267
Income tax paid	(1,423)	(996)	(5,196)	(4,282)
Net cash generated from operating activities	8,514	4,658	67	12,358



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

	GROUP			
	3 months ended		Year ended	
	31 December		31 December	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(702)	(397)	(2,095)	(2,511)
Proceeds from disposal of property, plant and equipment	7	17	36	22
Net cash outflow on disposal of subsidiary	-	665	-	(3,966)
Loan to associates	(2,852)	540	(6,630)	-
Funds to investee company	(19)	(19)	(56)	(432)
Proceeds from the disposal of associate	-	124	-	694
Dividends from associates	222	263	297	368
Consideration for acquisition of interest of a subsidiary	-	-	-	(310)
Consideration for acquisition of interest of associates	(229)	-	(229)	-
Net cash (used in)/generated from investing activities	(3,573)	1,193	(8,677)	(6,135)
Cash flows from financing activities:				
Dividends to equity holders of the Company	-	-	(1,282)	(1,419)
Dividends to non-controlling interests	(1,401)	(2,373)	(1,802)	(3,957)
Repayment from associates	958	21	958	23
Proceeds from bank borrowings	2,179	2,329	15,555	10,918
Repayment of bank borrowings	(1,987)	(2,317)	(15,121)	(12,954)
(Repayments of)/Proceeds from trust receipts, net	338	575	711	1,067
Repayment of finance lease	(40)	(40)	(94)	(163)
(Increase)/Decrease in fixed deposits pledged	100	(1,041)	1,141	(1,391)
Proceeds from public share offer	-	-	8,573	-
Net cash generated from/(used in) financing activities	147	(2,846)	8,639	(7,876)
Net increase/(decrease) in cash and cash equivalents	5,088	3,005	29	(1,653)
Cash and cash equivalents at the beginning of financial period	32,283	33,757	37,292	39,096
Effect of currency translation on cash and cash equivalents	682	530	732	(151)
Cash and cash equivalents at the end of financial period	38,053	37,292	38,053	37,292
Additional information:				
Cash and bank balances	37,996	36,848	37,996	36,848
Fixed deposits	307	1,835	307	1,835
Less: bank deposits pledged	(250)	(1,391)	(250)	(1,391)
Total cash and cash equivalents	38,053	37,292	38,053	37,292



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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.

Group	Share capital S\$'000	Warrants issue S\$'000	Treasury shares S\$'000	Merger reserve	Foreign currency translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interest S\$'000	Total equity S\$'000
Balance at 1 January 2017	62,408	3,384	-	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144
Net profit for the year	-	-	-	-	-	-	9,547	9,547	4,199	13,746
Other comprehensive loss for the year	-	-	-	-	(802)	(2)	-	(804)	(113)	(917)
Total comprehensive (loss)/income for the year	-	-	-	-	(802)	(2)	9,547	8,743	4,086	12,829
Increase in share capital arising from share offer:										
Consideration shares	9,373	-	-	-	-	-	-	9,373	-	9,373
Share issue expenses	(800)	-	-	-	-	-	-	(800)	-	(800)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,264)	(4,264)
Acquisition of non-controlling interests	-	-	-	-	-	-	(522)	(522)	522	-
De-recognition of a subsidiary	-	-	-	-	-	(51)	-	(51)	(57)	(108)
Payment of dividends	-	-	-	-	-	-	(1,282)	(1,282)	-	(1,282)
Transfer to other reserves	-	-	-	-	-	280	(280)	-	-	-
Balance as at 31 December 2017	70,981	3,384	-	(436)	(2,071)	4,921	59,899	136,678	15,214	151,892
Balance at 1 January 2016	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Net profit for the year	-	-	-	-	-	-	5,153	5,153	4,890	10,043
Other comprehensive (loss)/income for the year	-	-	-	-	(2,213)	-	-	(2,213)	128	(2,085)
Total comprehensive (loss)/income for the year	-	-	-	-	(2,213)	-	5,153	2,940	5,018	7,958
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	3,200	3,200
Cancellation of treasury shares	(1,517)	-	1,517	-	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,408)	(4,408)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
De-recognition of a subsidiary	-	-	-	-	-	-	-	-	(8,114)	(8,114)
Payment of dividends	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	205	(236)	(31)	-	(31)
Balance as at 31 December 2016	62,408	3,384	-	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144



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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)

Company	Share capital S\$'000	Warrants Issue S\$'000	Treasury shares S\$'000	Others reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 Jan 2017	62,408	3,384	-	(178)	2,893	68,507
Total comprehensive income for the year	-	-	-	-	3,217	3,217
Increase in share capital arising from share offer:						
Consideration shares	9,373	-	-	-	-	9,373
Share issue expenses	(800)	-	-	-	-	(800)
Payment of dividends	-	-	-	-	(1,282)	(1,282)
Balance at 31 December 2017	70,981	3,384	-	(178)	4,828	79,015
Balance at 1 Jan 2016	63,925	3,384	(1,517)	(178)	1,544	67,158
Total comprehensive income for the year	-	-	-	-	2,768	2,768
Cancellation of treasury shares	(1,517)	-	1,517	-	-	-
Payment of dividends	-	-	-	-	(1,419)	(1,419)
Balance at 31 December 2016	62,408	3,384	-	(178)	2,893	68,507

(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, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

The number of outstanding shares as at 31 December 2017 is 394,684,950 (31 December 2016: 354,684,950). The number of shares held as treasury shares as at 31 December 2017 is nil (31 December 2016: nil). The number of shares held as subsidiary holdings as at 31 December 2017 is nil (31 December 2016: nil).

As at 31 December 2017, the outstanding convertibles are 179,972,475 warrants that can be converted into 179,972,475 ordinary shares (31 December 2016: 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. 9 November 2018.



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

	GROUP & COMPANY	
	31 December 2017	31 December 2016
Total number of issued shares	354,684,950	361,049,950
Add: Share Offers	40,000,000	-
Less: Cancellation of treasury shares	-	(6,365,000)
Total number of issued shares excluding treasury shares	394,684,950	354,684,950

Shares of the Group have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Listing") since 12 January 2017 (the "Listing Date"). Subsequent to the Listing Date and as at 31 December 2017, the number of ordinary shares is 394,684,950.

(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	
	31 December 2017	31 December 2016
Balance as the beginning of year	-	6,365,000
Cancellation during the year	-	(6,365,000)
Balance at end of year	-	-

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 statements announcement for the year ended 31 December 2017 as those used for the audited financial statement as at 31 December 2016, save as disclosed in paragraph 5 below.

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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 2017 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			
	3 months ended 31 December		Year ended 31 December	
	2017	2016	2017	2016
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	394,684,950	354,684,950	393,479,471	354,684,950
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	394,684,950	354,684,950	393,479,471	354,684,950
EPS (based on consolidated net profit attributable to shareholders)				
(i) Based on weighted average number of ordinary shares in issue	0.46	0.82	2.43	1.45
(ii) On a fully diluted basis	0.46	0.82	2.43	1.45
	(S\$ cents)	(S\$ cents)	(S\$ cents)	(S\$ cents)

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

	GROUP		COMPANY	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Net assets (S\$'000)	151,892	136,144	79,015	68,507
Issued share capital (net of treasury shares)	394,684,950	354,684,950	394,684,950	354,684,950
Net assets value per ordinary share based on issued share capital	38.48	38.38	20.02	19.31
	(S\$ cents)	(S\$ cents)	(S\$ cents)	(S\$ cents)

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

STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue and gross profit margin

The Group recorded an increase in total revenue by approximately S\$3.4 million, or 5.1% from S\$67.1 million for the three months ended 31 December 2016 ("4Q2016") to S\$70.5 million for the three months ended 31 December 2017 ("4Q2017"). For the year ended 31 December 2017 ("FY2017"), the revenue increased by approximately S\$33.7 million, or 13.0% from S\$258.5 million for year ended 31 December 2016 ("FY2016") to S\$292.2 million for FY2017.

The gross profit for the 4Q2017 increased by S\$1.8 million, or 10.7%, from S\$16.8 million in 4Q2016 to S\$18.6 million in 4Q2017. For the FY2017, the gross profit has increased by S\$8.8 million, or 13.6%, to S\$73.8 million in FY2017.

The Group has harnessed on the growth momentum of global market which is mainly driven by the adoption of advanced and automated processes for factory automation, increasing demand for industrial robots in manufacturing processes, and ease of use and integration of components within motion control systems. The revenue generated from motion control and other specialised solutions was not only attributed by stronger demand from existing customers, but also from the expansion of customer base and orders especially in the PRC and Singapore markets. These factors have contributed to the increase in revenue and gross profit for FY2017.

Other operating income

Other operating income increased by S\$0.2 million, or 18.6% to S\$1.3 million, and S\$0.1 million, or 3.4% to S\$4.2 million for 4Q2017 and FY2017 respectively. Both periods remained relatively stable.

Distribution costs

Distribution costs increased by S\$1.6 million, or 33.0% to S\$6.6 million in 4Q2017 which was mainly due to more marketing expenses became obligation to pay.

For FY2017, distribution costs increased by S\$2.6 million, or 12.0% to S\$24.1 million in FY2017. The increase was mainly due to higher variable staff costs and marketing expenses incurred.

Administrative expenses

Administrative expenses increased by S\$1.5 million, or 19.9% to S\$8.8 million for 4Q2017 which was mainly due to increase in staff costs and general expenses.

For FY2017, administrative expenses increased by S\$0.8 million, or 2.7% to S\$31.4 million which was mainly due to the recognition of Listing expenses approximately S\$1.1 million (FY2016: S\$3.5 million) and one-off expenditure on our 30th anniversary celebration approximately S\$0.5 million (FY2016: NIL). Excluding the impact of the Listing expenses and one-off expenditure totally of S\$1.6 million (FY2016: S\$3.5 million). The administrative expenses would have been S\$29.8 million for FY2017 (FY2016: S\$27.1 million), S\$2.7 million or 9.9% higher than FY2016. The increase was mainly due to the increase in staff costs as a result of pay rise and general expenses.



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

STATEMENT OF COMPREHENSIVE INCOME ITEMS (CONT'D)

Other operating expenses

Other operating expenses increased by S\$1.5 million, or >100% to S\$1.2 million in 4Q2017, and S\$1.3 million, or 57.2% to S\$3.5 million in FY2017, which was mainly due to net exchange gain recognized in 4Q2016 and lower net exchange loss in FY2016 and lesser allowances provided for impairment of inventories in FY2016.

Finance costs

Finance costs increased by S\$0.1 million, or 31.8% to S\$0.2 million and S\$0.1 million, or 9.4% to S\$0.8 million for 4Q2017 and FY2017, which was mainly due to increase in borrowings.

Income tax expense

The income tax expense for FY2017 increased by S\$0.8 million, or 18.2% to S\$5.1 million. The increase was mainly due to higher chargeable income in FY2017. The Group's effective tax rate was 26.9% for FY2017 (FY2016: 29.9%), due to utilisation of tax losses in prior years; tax credit to offset the chargeable tax income and the provision of withholding tax on the profits of the Group's overseas subsidiaries.

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment decreased by S\$0.4 million, or 1.3% from S\$27.7 million as at 31 December 2016 to S\$27.3 million as at 31 December 2017 was mainly due to (i) depreciation of S\$2.3 million; (ii) downward exchange translation adjustment of S\$0.2 million as a result of the depreciation of RMB against SGD; and (iii) partly offset by capital expenditures of S\$2.1 million recognized in FY2017.

Associates

Interests in associates increased by S\$6.7 million, or 57.5% to S\$18.4 million as at 31 December 2017 was mainly due to approximately S\$6.6 million quasi-equity loan to associate companies.

Inventories

Inventories increased by S\$11.1 million, or 28.5% to S\$50.0 million as at 31 December 2017 was primarily due to the growth of revenue for FY2017 as compared to FY2016. In addition, the increase is to cater increased orders scheduled for delivery after FY2017.



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STATEMENT OF FINANCIAL POSITION ITEMS (CONT'D)

Trade and other receivables

Trade and other receivables increased by S\$2.9 million, or 3.3% to S\$89.2 million as at 31 December 2017, which was mainly due to the increase in advances to suppliers and sundry debtors.

Subsequent receipt of about S\$16.7 million was received from customers as at 31 January 2018. The collection represents approximately 27.0% of trade receivables as at 31 December 2017.

Trade and other payables

Trade and other payables increased by S\$3.2 million, or 4.9% to S\$68.7 million as at 31 December 2017, which was mainly due to higher advance receipts from customers, which is in line with higher order books subsequent to FY2017.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$1.1 million, or 8.6% to S\$14.5 million as at 31 December 2017. The increase was mainly due to proceeds of bank borrowings of S\$16.2 million, partially offset by repayment of bank borrowings amounted to S\$15.1 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 4Q2017, net cash generated from operating activities of S\$8.5 million arose from operating cash flow before working capital changes of S\$6.7 million was primarily attributed to increase in working capital of S\$3.4 million; and partially offset by (i) net interest paid of S\$0.2 million; and (ii) income tax paid of S\$1.4 million.

For FY2017, net cash generated from operating activities of S\$0.1 million arose from operating cash flow before working capital changes of S\$23.5 million offset by (i) decrease in working capital of S\$17.5 million, (ii) net interest paid of S\$0.7 million; and (iii) income tax paid of S\$5.2 million.

Changes in Cash Flow from Investing Activities

For 4Q17, net cash used in investing activities amounted to S\$3.6 million was primarily attributed to (i) acquisition of property, plant and equipment of S\$0.7 million; and (ii) loan of S\$2.9 million to associates.

For FY2017, net cash used in investing activities amounted to S\$8.7 million was primarily attributed to (i) acquisition of property, plant and equipment of S\$2.1 million; and (ii) loan of S\$6.6 million to associates.

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)**

CASH FLOW STATEMENT (CONT'D)

Changes in Cash Flow from Financing Activities

For 4Q2017, net cash generated from financing activities amounted to S\$0.1 million as a result of (i) net proceeds from bank borrowings of S\$0.5 million and (ii) repayment of S\$1.0 million from associates; and partially offset by, and (iii) dividend paid of S\$1.4 million.

For FY 2017, net cash generated from financing activities amounted to S\$8.6 million as a result of (i) net proceeds from public share offer of S\$8.6 million, (ii) net proceeds from bank borrowings of S\$1.1 million, (iii) release of pledged fixed deposits of S\$1.1 million and (iv) repayment of S\$1.0 million from associates; and (v) dividend paid of S\$3.1 million.

As at 31 December 2017, the Group maintained a healthy cash and cash equivalents balance of S\$38.1 million.

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

No specific forecast statement was previously disclosed to shareholders.

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

The outlook for our core Motion Control and Other Specialized Engineering Solutions businesses is expected to remain positive, as China, our key market, continues to upgrade its industrial environment from one that has traditionally been labour-intensive, to one that is technologically advanced and automated. In addition, China's official purchasing managers' index (PMI) and Caixin/Markit PMI in January 2018 show that the activity in the manufacturing sector is still expanding and this is encouraging.

We are able to offer a comprehensive range of motion control systems and specialized engineering solutions for our customers in a wide range of industries due to our extensive and diverse supplier base across the globe, as well as our ability to customize the solutions to meet customers' specific demands and requirements.

Notwithstanding that the industry we operate in is very competitive, we will continue to build on that competitive edge and expand our market share by ramping up our sales and marketing efforts this year. Our sales efforts will focus on certain fast growing industries supported by government policies and high market demand. For instance, we will continue to expand our market presence in industries related to the "Industrial 4.0" concepts, which are part of the industrial development policies of many governments around the world. In China, one such policy being promulgated by the Chinese government is the "Made in China 2025". Such policies will boost the development and use of robotics and the technological upgrades of manufacturing processes, which benefits the motion control solutions and other specialized engineering solutions industries as a whole.

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. (Cont'd)

Our focus will still be the China and Singapore markets, which accounted for more than 86% of our revenue in FY2017. One of the fastest growing industries that we serve in these two markets is the manufacturing of components for smartphones. Some of our major customers are OEM of smartphones, who are still riding the wave of increasing smartphone penetration globally. We continue to monitor the order size that they receive from major smartphone players as it is expected to impact our sales in the next 12 months. Other contributing markets to our revenue include Hong Kong and Malaysia, which together accounted for 6% of our revenue in FY2017. Nevertheless, we will also continue to expand our business in other parts of South-east Asia. We gained foothold in Vietnam and Thailand, and our expansion into these markets had accelerated in FY2017.

Going forward, we will continue to explore other growth opportunities in the renewable energy sectors through strategic partnerships and other forms of collaboration. For instance, we are exploring opportunities to collaborate with Comtec Solar System Group Limited, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to introduce our integrated engineering solutions to renewable energy sectors in order to strengthen our core engineering competencies.

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?

Name of Dividend	Final
Dividend Type	Cash
Dividend amount per share (in Singapore cents)	0.6
Tax Rate	Tax exempt (One-Tier)

- (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend amount per share (in Singapore cents)	0.3
Tax Rate	Tax exempt (One-Tier)

(d) The date the dividend is payable

Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on 5th June 2018 to shareholders whose names shall appear on the register of members of the Company on 17th May 2018.



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11. Dividend (Cont'd)

- (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.**

The book closure date shall be on 17th May 2018.

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

Not applicable.

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 statements announcement (comprising the statement of comprehensive income, statement of financial position, , statement of cash flows and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material aspect.

15. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

There has been no material usage till to the date of this announcement after the last announcement made on 14 November 2017. The Company will make further announcements when the remaining net proceeds from Second Placement are materially disbursed.

(b) Use of Net Proceeds from the Share Offer on the Main Board of The Stock Exchange of Hong Kong

There has been no material usage of net proceeds from the share offer from the Listing Date till the last announcement made on 14 November 2017. The Company will make further announcements when the remaining net proceeds from Share Offer are materially disbursed.

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

Yes.

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- 17. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

(a) Reportable Geographical Information

	Revenue from external customers		Non-current assets	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Singapore	45,252	36,977	34,128	26,811
China	207,632	180,790	22,891	23,024
Hong Kong	10,199	15,064	1,369	1,382
Malaysia	7,469	7,122	904	933
Others	21,633	18,549	230	824
	<u>292,185</u>	<u>258,502</u>	<u>59,522</u>	<u>52,974</u>



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(b) Reportable Operating Segments

	Engineering Solution - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	223,811	202,767	62,180	49,670	6,101	6,065	93	-	-	-	292,185	258,502
Inter-segment sales	3,347	3,056	1,810	1,511	170	30	-	-	(5,327)	(4,597)	-	-
	<u>227,158</u>	<u>205,823</u>	<u>63,990</u>	<u>51,181</u>	<u>6,271</u>	<u>6,095</u>	<u>93</u>	<u>-</u>	<u>(5,327)</u>	<u>(4,597)</u>	<u>292,185</u>	<u>258,502</u>
Results												
Segment results	17,974	17,848	1,713	511	579	561	(194)	(1,122)	-	-	20,072	17,798
Share of profit/(loss) of associates	1,027	462	-	-	-	-	(412)	(111)	-	-	615	351
Corporate expenses											(1,833)	(3,941)
Rental income											586	598
Interest income											187	267
Finance costs											(812)	(742)
Profit before income tax											<u>18,815</u>	<u>14,331</u>
Income tax											<u>(5,069)</u>	<u>(4,288)</u>
Profit for the year											<u><u>13,746</u></u>	<u><u>10,043</u></u>
Assets												
Segment assets	124,406	109,573	38,666	29,945	2,942	2,746	8,922	15,461	(6,789)	(3,418)	168,147	154,307
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	4,688	4,261	-	-	-	-	13,664	7,388	-	-	18,352	11,649
Investment properties											504	522
Cash and bank balances											<u>38,303</u>	<u>38,683</u>
Consolidated total assets											<u><u>236,992</u></u>	<u><u>216,847</u></u>
Liabilities												
Segment liabilities	53,609	45,896	14,109	13,195	491	603	2,777	6,389	(6,789)	(3,418)	64,197	62,665
Bank and borrowings and finance lease											<u>14,703</u>	<u>13,651</u>
Income tax liabilities											<u>1,437</u>	<u>1,574</u>
Other unallocated corporate liabilities											<u>4,763</u>	<u>2,813</u>
Consolidated total liabilities											<u><u>85,100</u></u>	<u><u>80,703</u></u>



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	Engineering Solution - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solution		Others		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Other information												
Capital expenditure on property, plant & equipment	1,332	763	693	556	43	143	27	-	-	-	2,095	1,462
Depreciation of properties, plant & equipment	1,481	1,282	608	641	11	7	90	94	-	-	2,190	2,024
Depreciation of investment properties	40	17	-	-	-	-	-	-	-	-	40	17
Other non-cash expenses												
- amortisation of land use rights	34	34	-	-	-	-	-	-	-	-	34	34
- trade and receivables written off	71	134	47	-	-	-	38	15	-	-	156	149
- allowance for inventory obsolescence	641	681	668	376	-	-	-	-	-	-	1,309	1,057
- allowance for impairment of trade receivables	34	60	33	37	-	-	-	2	-	-	67	99
- property, plant & equipment written off	4	1	-	-	-	-	-	-	-	-	4	1
- inventories written off	124	215	14	25	-	-	-	-	-	-	138	240
- write back of allowance of trade receivables	(54)	(131)	-	-	-	-	-	-	-	-	(54)	(131)
- write back of allowance of inventory obsolescence	(5)	(11)	-	(66)	-	-	-	-	-	-	(5)	(77)

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- 18. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to item 8 above for more details.

- 19. A breakdown of sales as follows:-**

	Group 2017 S\$'000	2016 S\$'000	Increase/ (decrease)
Sales reported for the first half year	145,027	120,459	20.4%
Operating profit after tax before deducing non-controlling interest reported for the first half year	6,678	3,237	106.3%
Sales reported for the second half year	147,158	138,043	6.6%
Operating profit after tax before deducing non-controlling interest reported for the second half year	7,068	6,806	3.8%

- 20. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

	Group 2017 S\$'000	2016 S\$'000
Ordinary*	1,282	1,419

- 21. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family Relationship with any Director and/or Substantial Shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Thang Yee Chin	58	Spouse of:- Teo Cher Koon - managing director and substantial shareholder	Company's name: Servo Dynamics Pte Ltd A principal Subsidiary of the Company Position in the Company: Director Appointed on: 26 September 2005 Duties: Managing the administrative functions of the subsidiary.	No Change

By Order of the Board

Gwendolyn Gn
Joint Company Secretary
ISDN Holdings Limited
27 February 2018