



(Company Registration No.: 200416788Z)

ISDN Holdings Limited
Interim Financial Statements Announcement
For the Second Quarter and Period Ended 30 June 2017



ISDN Holdings Limited

2017 Interim Financial Statements Announcement

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 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 30 June			6 months ended 30 June		
	2017	2016	% change	2017	2016	% change
	S\$'000	S\$'000	+/(-)	S\$'000	S\$'000	+/(-)
Revenue	77,365	59,808	29.4%	145,027	120,459	20.4%
Cost of sales	(58,683)	(44,479)	31.9%	(108,977)	(89,360)	22.0%
Gross profit	18,682	15,329		36,050	31,099	
Other operating income	801	1,254	-36.1%	1,509	1,977	-23.7%
Distribution costs	(5,487)	(6,233)	-12.0%	(11,091)	(10,985)	1.0%
Administrative expenses	(7,738)	(7,307)	5.9%	(15,308)	(14,432)	6.1%
Other operating expenses	(608)	(376)	61.7%	(1,895)	(1,828)	3.7%
Finance costs	(95)	(183)	-48.1%	(341)	(421)	-19.0%
Share of profit/(loss) of associates	297	(277)	n.m.	616	(476)	n.m.
Profit before taxation	5,852	2,207	n.m.	9,540	4,934	93.4%
Income tax expense	(1,824)	(743)	n.m.	(2,862)	(1,697)	68.7%
Profit for the period	4,028	1,464	n.m.	6,678	3,237	n.m.
Other comprehensive loss:						
Items that may be subsequently reclassified to profit and loss						
Exchange differences on translation of foreign operations						
Loss on translation of foreign operations	(474)	(1,375)	-65.5%	(1,524)	(3,116)	-51.1%
Reclassification	-	(260)	n.m.	-	(260)	n.m.
	(474)	(1,635)	-71.0%	(1,524)	(3,376)	-54.9%
Total comprehensive income/(loss) for the period	3,554	(171)	n.m.	5,154	(139)	n.m.
Profit for the period attributable to:						
Equity holders of the Company	3,010	878	n.m.	4,731	1,531	n.m.
Non-controlling interest	1,018	586	73.7%	1,947	1,706	14.1%
	4,028	1,464	n.m.	6,678	3,237	n.m.
Total comprehensive income/(loss) for the period attributable to:						
Owners of the Company	2,760	(372)	n.m.	3,650	(1,169)	n.m.
Non-controlling interest	794	201	n.m.	1,504	1,030	46.0%
	3,554	(171)	n.m.	5,154	(139)	n.m.

n.m.: Not meaningful

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

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

	GROUP					
	3 months ended			6 months ended		
	30 June			30 June		
	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 impairment of trade receivables	19	153	-87.6%	21	154	-86.4%
Allowance for inventories obsolescence	83	404	-79.5%	350	566	-38.2%
Amortisation and depreciation	492	486	1.2%	1,063	947	12.2%
Interest income	(24)	(59)	-59.3%	(70)	(115)	-39.1%
Foreign exchange loss/(gain), net	432	(352)	n.m.	1,437	919	56.4%
Gain on disposal of interest in associate	-	-	n.m.	-	(64)	n.m.
Gain on disposal of interest in subsidiary	(11)	(411)	-97.3%	(101)	(411)	-75.4%
Gain on disposal of property, plant and equipment	(3)	(2)	50.0%	(3)	(2)	50.0%
Inventories written off	-	124	n.m.	3	132	-97.7%
Under/(Over) provision of tax in respect of prior year	132	(117)	n.m.	126	(237)	n.m.
Trade receivables written off	64	21	n.m.	64	21	n.m.
Write back of allowance for inventories obsolescence	(4)	(33)	-87.9%	(35)	(39)	-10.3%

n.m: Not meaningful

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

	GROUP		COMPANY	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	26,730	27,682	-	-
Investment properties	512	522	-	-
Land use rights	1,335	1,376	-	-
Goodwill	11,686	11,686	-	-
Interests in subsidiaries	-	-	36,653	36,653
Interests in associates	15,826	11,649	-	31
Deferred tax assets	196	59	-	-
	56,285	52,974	36,653	36,684
Current assets				
Inventories	47,078	38,902	-	-
Trade and other receivables	97,034	86,288	148	74
Amounts due from subsidiaries	-	-	30,546	28,312
Dividend receivables	-	-	6,650	7,750
Cash and bank balances	30,165	38,683	3,326	346
	174,277	163,873	40,670	36,482
Current liabilities				
Bank borrowings	11,997	13,052	-	-
Finance leases	160	150	-	-
Trade and other payables	67,173	65,478	5,548	4,659
Current tax liabilities	1,937	1,574	-	-
	81,267	80,254	5,548	4,659
Net current assets	93,010	83,619	35,122	31,823
Non-current liabilities				
Bank borrowings	721	263	-	-
Finance leases	162	186	-	-
	883	449	-	-
Net assets	148,412	136,144	71,775	68,507
Equity				
Share capital	70,981	62,408	70,981	62,408
Warrants issue	3,384	3,384	3,384	3,384
Reserves	57,742	55,425	(2,590)	2,715
Equity attributable to owners of the Company	132,107	121,217	71,775	68,507
Non-controlling interests	16,305	14,927	-	-
Total equity	148,412	136,144	71,775	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 30 June 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
739	11,418	3,960	9,242

The amount repayable after one year;

As at 30 June 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
671	212	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) 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.

(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		6 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	5,852	2,207	9,540	4,934
Adjustments for:				
Amortisation of land use right	7	7	17	17
Trade receivables written off	64	21	64	21
Depreciation of property, plant and equipment	481	475	1,038	939
Depreciation of investment properties	4	4	8	8
Allowance for impairment of trade receivables	19	153	21	154
Allowance for inventory obsolescence	83	404	350	566
Gain on disposal of property, plant and equipment	(3)	(2)	(3)	(2)
Gain on disposal of interest in an associate	-	-	-	(64)
Gain on on disposal of interests in subsidiary	(11)	(411)	(101)	(411)
Inventories written off	-	124	3	132
Write back of allowance for inventory obsolescence	(4)	(33)	(35)	(39)
Interest expenses	95	183	341	421
Interest income	(24)	(59)	(70)	(115)
Share of (profit)/loss of associates	(297)	277	(616)	476
Unrealised foreign exchange differences	(437)	49	(1,083)	996
Operating cash flow before working capital changes	5,829	3,399	9,474	8,033
Changes in working capital:				
Inventories	(3,702)	(2,057)	(8,493)	1,724
Trade and other receivables	(4,167)	4,356	(11,805)	(6,578)
Trade and other payables	2,647	4,023	3,046	3,574
Cash generated from/(used in) operations	607	9,721	(7,778)	6,753
Interest expenses	(95)	(183)	(341)	(421)
Interest income	24	59	70	115
Income tax paid	(1,072)	(1,302)	(2,638)	(2,350)
Net cash (used in)/generated from operating activities	(536)	8,295	(10,687)	4,097



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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 30 June		6 months ended 30 June	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(340)	(1,455)	(671)	(1,731)
Proceeds from disposal of property, plant and equipment	11	5	11	5
Net cash outflow on disposal of subsidiary	-	(4,631)	-	(4,631)
Repayment from/(funds to) investee company	428	(74)	49	(401)
Loan to associates	(4,013)	(1,004)	(3,929)	-
Proceeds from the disposal of associate	-	448	-	448
Dividend from associates	-	105	-	105
Consideration for acquisition of interest of a subsidiary	-	(310)	-	(310)
Net cash generated from/(used in) investing activities	(3,914)	(6,916)	(4,540)	(6,515)
Cash flows from financing activities:				
Dividends to equity holders of the Company	(1,282)	(1,419)	(1,282)	(1,419)
Dividends to non-controlling interests	(9)	-	(69)	-
Repayment from associates	-	2	-	2
Proceeds from bank borrowings	1,581	1,140	6,918	2,395
Repayment of bank borrowings	(1,424)	(3,425)	(8,753)	(4,489)
Proceeds from/(Repayments of) trust receipts, net	2,139	(20)	1,237	41
Proceeds from/(Repayments of) finance lease	22	(41)	(15)	(80)
Decrease in fixed deposits pledged	-	-	1,041	-
Proceeds from public share offer	-	-	8,573	-
Net cash (used in)/generated from financing activities	1,027	(3,763)	7,650	(3,550)
Net decrease in cash and cash equivalents	(3,423)	(2,384)	(7,577)	(5,968)
Cash and cash equivalents at the beginning of financial period	33,201	34,675	37,292	39,096
Effect of currency translation on cash and cash equivalents	37	(86)	100	(923)
Cash and cash equivalents at the end of financial period	29,815	32,205	29,815	32,205
Additional information:				
Cash and bank balances	29,787	30,977	29,787	30,977
Fixed deposits	378	1,228	378	1,228
Less: bank deposits pledged	(350)	-	(350)	-
Total cash and cash equivalents	29,815	32,205	29,815	32,205



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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	Warrants issue	Treasury shares	Merger reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	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 period	-	-	-	-	-	-	4,731	4,731	1,947	6,678
Other comprehensive loss for the period	-	-	-	-	(1,081)	-	-	(1,081)	(443)	(1,524)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,081)	-	4,731	3,650	1,504	5,154
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	-	-	-	-	-	-	-	-	(69)	(69)
De-recognition of a subsidiary	-	-	-	-	-	(51)	-	(51)	(57)	(108)
Payment of dividends	-	-	-	-	-	-	(1,282)	(1,282)	-	(1,282)
Transfer to other reserves	-	-	-	-	-	1	(1)	-	-	-
Balance as at 30 June 2017	70,981	3,384	-	(436)	(2,350)	4,644	55,884	132,107	16,305	148,412
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 period	-	-	-	-	-	-	1,531	1,531	1,706	3,237
Other comprehensive loss for the period	-	-	-	-	(2,700)	-	-	(2,700)	(676)	(3,376)
Total comprehensive (loss)/income for the period	-	-	-	-	(2,700)	-	1,531	(1,169)	1,030	(139)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	3,200	3,200
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(3,304)	(3,304)
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	-	-	-	-	-	57	(57)	-	-	-
Balance as at 30 June 2016	63,925	3,384	(1,517)	(436)	(1,756)	4,546	48,993	117,139	12,043	129,182

(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 loss for the period	-	-	-	-	(4,023)	(4,023)
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 30 June 2017	70,981	3,384	-	(178)	(2,412)	71,775
Balance at 1 Jan 2016	63,925	3,384	(1,517)	(178)	1,544	67,158
Total comprehensive loss for the year	-	-	-	-	(2,541)	(2,541)
Payment of dividends	-	-	-	-	(1,419)	(1,419)
Balance at 30 June 2016	63,925	3,384	(1,517)	(178)	(2,416)	63,198

(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 2017 is 394,684,950 (30 June 2016: 354,684,950). The number of shares held as treasury shares as at 30 June 2017 is nil (30 June 2016: 6,365,000).

As at 30 June 2017, the outstanding convertibles are 179,972,475 warrants that can be converted into 179,972,475 ordinary shares (30 June 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.**

Total number of issued shares

Add: Share Offers

Less: Cancellation of treasury shares

Total number of issued shares excluding treasury shares

GROUP & COMPANY	
30 June 2017	31 December 2016
354,684,950	361,049,950
40,000,000	-
-	(6,365,000)
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 30 June 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**

Balance as the beginning of period

Cancellation during the period

Balance at end of period

GROUP & COMPANY	
30 June 2017	31 December 2016
-	6,365,000
-	(6,365,000)
-	-

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statement for the period ended 30 June 2017 as those used for the audited financial statement as at 31 December 2016.

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 30 June		6 months ended 30 June	
	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	392,240,506	354,684,950
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	394,684,950	354,684,950	392,240,506	354,684,950
EPS (based on consolidated net profit attributable to shareholders)				
(i) Based on weighted average number of ordinary shares in issue	0.76	0.25	1.21	0.43
(ii) On a fully diluted basis	0.76	0.25	1.21	0.43
	(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	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Net assets (S\$'000)	148,412	136,144	71,775	68,507
Issued share capital at the end of the year (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 as at respective year	37.60	38.38	18.19	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\$17.6 million, or 29.4% from S\$59.8 million for the three months ended 30 June 2016 ("2Q2016") to S\$77.4 million for the three months ended 30 June 2017 ("2Q2017"). For the six months ended 30 June 2017 ("1H2017"), the revenue increased by approximately S\$24.6 million, or 20.4% from S\$120.5 million for six months ended 30 June 2016 ("1H2016") to S\$145.0 million for 1H2017.

The gross profit for the 2Q2017 increased by S\$3.4 million, or 21.9%, from S\$15.3 million in 2Q2016 to S\$18.7 million in 2Q2017. For the 1H2017, the gross profit has increased by S\$5.0 million, or 15.9%, to S\$36.1 million in 1H2017.

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 growing customer base especially in the PRC and Hong Kong market. These factors have contributed to the increase in revenue and gross profit for both periods.

Other operating income

Other operating income decreased by S\$0.5 million, or 36.1% to S\$0.8 million, and S\$0.5 million, or 23.7% to S\$1.5 million for 2Q2017 and 1H2017 respectively. The decrease was mainly due to one-off gain on disposal of interest in subsidiaries of S\$0.4 million in 2Q2016 as compared to S\$0.1 million gain on disposal of interest in subsidiary in 1Q2017.

Distribution costs

Distribution costs decreased by S\$0.7 million, or 12.0% to S\$5.5 million in 2Q2017. The decrease was mainly due to lower expenses incurred.

For 1H2017, distribution costs remain relatively constant with 1H2016.

Administrative expenses

Administrative expenses increased by S\$0.4 million, or 5.9% to S\$7.7 million and S\$0.9 million, or 6.1% to S\$15.3 million for 2Q2017 and 1H2017 respectively, which was mainly due to increase in staff costs and general expenses.

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\$0.2 million, or 61.7% to S\$0.6 million in 2Q2017, which was mainly due to net exchange loss of S\$0.4 million recognised in 2Q2017, as compared to net exchange gain of S\$0.4 million in 2Q2016, and partially offset by less allowances provided for impairment of trade receivables and inventories in 2Q2017.

Other operating expenses for 1H2017 remained relatively stable with that for 1H2016.

Finance costs

Finance costs decreased by S\$0.1 million, or 48.1% to S\$0.1 million, and S\$0.1 million, or 19.0% to S\$0.3 million for 2Q2017 and 1H2017 respectively, which was mainly due to more repayment of bank borrowings which resulted in lower finance expenses incurred in 2Q2017 and 1H2017 respectively.

Income tax expense

Income tax expense increased by S\$1.1 million, or >100% to S\$1.8 million, and S\$1.2 million, or 68.7% to S\$2.9 million for 2Q2017 and 1H2017 respectively, mainly due to higher chargeable income in 2Q2017 and 1H2017. The Group's effective tax rate had reduced from 33.7% to 31.2% for 2Q2017 and from 34.3% to 30.0% for 1H2017, due to utilisation of tax losses in prior years and tax credit to offset the chargeable tax income.

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment decreased by S\$1.0 million, or 3.4% from S\$27.7 million as at 31 December 2016 to S\$26.7 million as at 30 June 2017 was mainly due to (i) depreciation of S\$1.0 million; and (ii) downward exchange translation adjustment of S\$0.7 million as a result of the depreciation of RMB against SGD, partly offset by capital expenditures of S\$0.7 million recognised in 1H2017.

Associates

Interests in associates increased by S\$4.2 million, or 35.6% in 1H2017 was mainly due to approximately S\$3.9 million quasi-equity loan to associate companies and share of associates' results in 1H2017.

Inventories

Inventories increased by S\$8.2 million, or 21.0% to S\$47.1 million as at 30 June 2017 was primarily due to the growth of revenue for 1H2017 as compared to 1H2016. In addition, the increase is to cater for increased order scheduled for delivery after 1H17.

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

STATEMENT OF FINANCIAL POSITION ITEMS (CONT'D)

Trade and other receivables

Trade and other receivables increased by S\$10.7 million, or 12.5% to S\$97.0 million as at 30 June 2017, which was mainly due to the growth of revenue for 1H2017 as compared to 1H2016.

Subsequent receipt of about S\$19.0 million was received from customers as at 31 July 2017. The collection represents approximately 24.5% of trade receivables as at 30 June 2017.

Trade and other payables

Trade and other payables increased by S\$1.7 million, or 2.6% to S\$67.2 million as at 30 June 2017, which was mainly due to higher advance receipts from customers, which is in line with higher order books subsequent to 1H2017.

Bank borrowings (current and non-current)

Bank borrowings decreased by S\$0.6 million, or 4.5% to S\$12.7 million as at 30 June 2017. The decrease was mainly due to repayment of bank borrowings of S\$8.8 million, partially offset by proceeds of bank borrowings amounted to S\$8.2 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 2Q2017, net cash used in operating activities of S\$0.5 million arose from operating cash flow before working capital changes of S\$5.9 million offset by (i) decrease in working capital of S\$5.2 million, (ii) net interest paid of S\$0.1 million; and (iii) income tax paid of S\$1.1 million.

For 1H2017, net cash used in operating activities of S\$10.7 million arose from operating cash flow before working capital changes of S\$9.5 million offset by (i) decrease in working capital S\$17.3 million, (ii) net interest paid of S\$0.3 million; and (iii) income tax paid of S\$2.6 million.

Changes in Cash Flow from Investing Activities

For 2Q2017, net cash used in investing activities amounted to S\$3.9 million was primarily contributed by (i) quasi-equity loan of S\$3.9 million to one of the associate companies; (ii) acquisition of property, plant and equipment of S\$0.3 million; and partially offset by (iii) repayment of S\$0.4 million from investee company .

For 1H2017, net cash used in investing activities amounted to S\$4.5 million was primarily contributed by quasi-equity loan of S\$3.9 million to one of the associate companies and acquisition of property, plant and equipment of S\$0.7 million.

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

Changes in Cash Flow from Financing Activities

For 2Q2017, net cash generated from financing activities amounted to S\$1.0 million as a result of net proceeds from bank borrowings of S\$2.3 million and partially offset by dividend paid of S\$1.3 million.

For 1H2017, net cash generated from financing activities amounted to S\$7.7 million as a result of (i) net proceeds from public share offer of S\$8.6 million and (ii) release of pledged fixed deposits of S\$1.0 million; and offset by (iii) dividend paid of S\$1.3 million; and (iv) net repayment of bank borrowings of S\$0.6 million.

As at 30 June 2017, the Group maintained a healthy cash and cash equivalents balance of S\$29.8 million.

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

No specific forecast statement was previously disclosed to shareholders.

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

The Group will continue to leverage on its depth of experience as an integrated engineering solutions provider to expand its market share in the Motion Control business, primarily in China, where the demand is expected to remain strong. While local competition is inevitable, the Group's diverse customer base and presence in growth markets in the ASEAN region will mitigate the risk. With a wide regional network of sales offices, the Group is well-positioned to take advantage of opportunities arising from the current uptrend in semiconductor equipment spending and long-term trend towards smart manufacturing in China.

Aside from the core Motion Control business, the Group is exploring other growth opportunities, including but not limited to strategic partnerships and other forms of collaboration. In particular, the Group had collaborated opportunities with Comtec Solar System Group Limited, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, for the penetration of integrated engineering solution into renewable energy sectors in order to strengthen the Group's 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? No

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

Any dividend declared for the corresponding period of the immediately preceding financial year? No

- (d) **The date the dividend is payable**

Not applicable.

- (e) **The date on which Registrable Transfers received by the Company (up to 5.00p.m.) will be registered before entitlements to the dividend are determined.**

Not applicable.

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

No dividend has been declared.

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

(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 15 May 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 10 April 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.

By Order of the Board

Gwendolyn Gn
Joint Company Secretary
ISDN Holdings Limited
14 August 2017