The Singapore Exchange Securities Trading Limited, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ISDN HOLDINGS LIMITED

億仕登控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)
(Singapore stock code: I07.SI)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2017	2016	% Change
	S$'000	S$'000	
Revenue	**145,027**	120,459	20.4%
Gross profit	**36,050**	31,099	15.9%
Profit for the period and attributable to owners of the Company	**4,731**	1,531	209.0%
Basic earnings per share	**S$1.21 cents**	S$0.43 cents	

The Board has resolved to not declare interim dividend for the current period. (2016 interim: nil)

* *For identification purposes only*

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ISDN Holdings Limited (the "**Company**") hereby announces the consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the six months ended 30 June 2016. The Group's interim results for the six months ended 30 June 2017 are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	**2017** ***S$'000*** ***(unaudited)***	2016 *S$'000* *(audited*)*
REVENUE	*5*	**145,027**	120,459
Cost of sales		**(108,977)**	(89,360)
Gross profit		**36,050**	31,099
Other operating income	*5*	**1,509**	1,977
Distribution cost		**(11,091)**	(10,985)
Administrative expenses		**(15,308)**	(14,432)
Other operating expenses		**(1,895)**	(1,828)
Finance costs	*6*	**(341)**	(421)
Share of profit/(loss) of associates		**616**	(476)
PROFIT BEFORE INCOME TAX	*7*	**9,540**	4,934
Income tax	*8*	**(2,862)**	(1,697)
PROFIT FOR THE PERIOD		**6,678**	3,237
OTHER COMPREHENSIVE INCOME:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Loss on translation of foreign operations		**(1,524)**	(3,116)
Reclassification		**-**	(260)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,154**	(139)

** the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited.*

	Note	2017 *S$'000* *(unaudited)*	2016 *S$'000* *(audited*)*
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**4,731**	1,531
Non-controlling interests		**1,947**	1,706
		6,678	3,237
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**3,650**	(1,169)
Non-controlling interests		**1,504**	1,030
		5,154	(139)
EARNINGS PER SHARE:			
Basic and diluted	*10*	**S$1.21 cents**	S$0.43 cents

** the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	**30 June 2017** **S$'000** **(unaudited)**	31 December 2016 S$'000 (audited)
ASSETS			
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 associates		**15,826**	11,649
Deferred tax assets		**196**	59
Total non-current assets		**56,285**	52,974
Current assets			
Inventories		**47,078**	38,902
Trade and other receivables	*11*	**97,034**	86,288
Cash and bank balances		**30,165**	38,683
Total current assets		**174,277**	163,873
Total assets		**230,562**	216,847

	Note	**30 June 2017** ***S$'000*** ***(unaudited)***	31 December 2016 *S$'000* *(audited)*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*12*	**70,981**	62,408
Warrants Issue		**3,384**	3,384
Reserves		**57,742**	55,425
		132,107	121,217
Non-controlling interests		**16,305**	14,927
Total equity		**148,412**	136,144
Non-current liabilities			
Bank borrowings		**721**	263
Finance leases		**162**	186
Total non-current liabilities		**883**	449
Current liabilities			
Bank borrowings		**11,997**	13,052
Finance leases		**160**	150
Trade and other payables	*13*	**67,173**	65,478
Current tax liabilities		**1,937**	1,574
		81,267	80,254
Total liabilities		**82,150**	80,703
Total liabilities and equity		**230,562**	216,847

NOTES

1. GENERAL

The Company is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The registered office of the Company is located at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, our president and managing Director and his spouse, Ms Thang Yee Chin. The Company's principal activities included the provision of technical consultancy, training services, and management services.

The shares of the Company (the "**Share(s)**") have been listed on the mainboard of SGX-ST and then subsequently were dual listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 January 2017 (the "**Listing Date**").

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the financial period ended 30 June 2017 has been prepared in accordance with Singapore Financial Reporting Standard 34 "Interim Financial Reporting" (**FRS 34**) issued by the Accounting Standards Council ("**ASC**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 December 2016.

3. ADOPTION OF NEW OR AMENDED SFRS

In the current financial period, the Group has adopted all the new and revised SFRS that are relevant to its operations and effective for the current financial period.

Amendments to FRS 7	Statement of Cash Flows – Disclosure Initiative
Amendments to FRS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these new and revised SFRS does not result in any substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

4. SEGMENT INFORMATION

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

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

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

(a) Reportable operating segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Other		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	**112,750**	95,020	**29,306**	21,861	**2,971**	3,578	**-**	-	**-**	-	**145,027**	120,45
Inter-segment sales	**1,052**	1,529	**975**	565	**66**	12	**-**	-	**(2,093)**	(2,106)	**-**	
	113,802	96,549	**30,281**	22,426	**3,037**	3,590	**-**	-	**(2,093)**	(2,106)	**145,027**	120,459
Results												
Segment results	**8,902**	7,311	**1,627**	(561)	**469**	434	**(71)**	(432)	**-**	-	**10,927**	6,75
Share of profit/(loss) of associates	**616**	(476)	**-**	-	**-**	-	**-**	-	**-**	-	**616**	(476
Corporate expenses											**(1,996)**	(1,328)
Rental income											**262**	292
Interest income											**72**	115
Finance costs											**(341)**	(421)
Profit before income tax											**9,540**	4,934
Income tax											**(2,862)**	(1,697)
Profit for the six months ended 30 June											**6,678**	3,237
Assets												
Segment assets	**117,480**	109,573	**39,350**	29,945	**3,997**	2,746	**17,514**	15,461	**(5,968)**	(3,418)	**172,373**	154,30
Goodwill	**2,178**	2,178	**9,508**	9,508	**-**	-	**-**	-	**-**	-	**11,686**	11,68
Associates	**15,826**	11,649	**-**	-	**-**	-	**-**	-	**-**	-	**15,826**	11,64
Investment properties											**512**	52
Cash and bank balances											**30,165**	38,68
Consolidated total assets as at 30 June/31 December											**230,562**	216,847
Liabilities												
Segment liabilities	**49,210**	45,896	**17,095**	13,195	**845**	603	**3,732**	6,389	**(5,968)**	(3,418)	**64,914**	62,66
Bank borrowings and finance leases											**13,040**	13,65
Income tax liabilities											**1,937**	1,57
Others unallocated corporate liabilities											**2,259**	2,81
Consolidated total liabilities as at 30 June/31 December											**82,150**	80,703
Other information												
Capital expenditure on												
-Property, plant and equipment	**310**	378	**354**	252	**1**	5	**6**	47	**-**	-	**671**	68
-Progress payments for properties under development	-	-	**-**	-	**-**	-	**-**	1,049	**-**	-	**-**	1,04
Depreciation of properties, plant and equipment	**641**	546	**347**	325	**3**	3	**47**	65	**-**	-	**1,038**	93
Depreciation of investment properties	**8**	8	**-**	-	-	-	**-**	-	**-**	-	**8**	
Other non-cash expenses:												
-amortisation of land use rights	**17**	17	**-**	-	**-**	-	**-**	-	**-**	-	**17**	
-trade receivables written off	**49**	20	**-**	1	**-**	-	**15**	-	**-**	-	**64**	[illegible]
-allowance for inventory obsolescence	**315**	406	**35**	137	**-**	23	**-**	-	**-**	-	**350**	56
-allowance for impairment of trade receivables	**21**	14	**-**	140	**-**	-	**-**	-	**-**	-	**21**	15

(b) Geographical information

The Group operates in three principal geographical areas — Singapore (country of domicile), the PRC and Malaysia.

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

	Revenue from external customers for the six months ended		**Non-current assets as at**	
			30 June	31 December
	2017	2016	**2017**	2016
	S$'000	*S$'000*	***S$'000***	*S$'000*
Singapore	**23,502**	18,419	**28,487**	26,811
People Republic of China ("PRC")	**103,480**	83,129	**24,463**	23,024
Hong Kong	**5,963**	7,154	**1,468**	1,382
Malaysia	**3,572**	3,768	**991**	933
Others	**8,510**	7,989	**876**	824
	145,027	120,459	**56,285**	52,974

(c) Information about Major Customers

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

5. REVENUE AND OTHER OPERATING INCOME

Revenue represents invoiced value of goods delivered less applicable goods and services/value-added tax and after eliminating sales within the Group.

An analysis of the Group's other operating income is as follows:

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Other operating income		
Commission income	**79**	111
Dividend income	**–**	47
Gain on disposal of interest in a subsidiary	**101**	411
Gain on disposal of interest in an associate	**–**	64
Gain on disposal of property, plant and equipment	**3**	2
Finance income		
— Interest on bank deposits	**60**	110
— Interests on loan to an associates	**12**	5
Government grants	**53**	111
Miscellaneous income	**401**	284
Operating lease rental income:		
— Investment properties	**30**	30
— Sub-let of office/warehouse premises	**232**	262
Property management income	**195**	200
Technical service income	**308**	301
Write back of allowance of inventory obsolescence	**35**	39
	1,509	1,977

6. FINANCE COSTS

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Interest expense on:		
— Bank loans	**323**	400
— Trust receipts	**9**	11
— Finance leases	**9**	10
	341	421

7. PROFIT BEFORE INCOME TAX

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Profit before income tax has been arrived at after charging		
Amortisation of land use rights	**17**	17
Depreciation of property, plant and equipment		
— Recognised in cost of sales	**193**	95
— Recognised in distribution costs	**81**	93
— Recognised in administrative expenses	**764**	751
	1,038	939
Depreciation of investment properties	**8**	8
Other operating expenses included:		
— Trade receivables written off	**64**	21
— Allowance for inventory obsolescence	**350**	566
— Allowance for impairment of trade receivable	**21**	154
— Inventories written off	**3**	132
— Foreign exchange losses, net	**1,437**	919
Operating lease rental expense	**620**	929

8. INCOME TAX

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Current income tax		
— Singapore	**447**	304
— The PRC	**2,207**	1,501
— Outside Singapore and the PRC	**221**	197
Under/(Over) provision in respect of prior year		
— Current income tax	**126**	(237)
— Deferred taxation	**(139)**	(68)
	2,862	1,697

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the periods ended 30 June 2017 and 2016 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong for the periods ended 30 June 2017 and 2016 is 25% and 16.5%, respectively.

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

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

9. DIVIDENDS PAID

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Paid during the financial period:		
Tax exempt (one-tier) final dividend of Singapore 0.3 cents per share (2016:0.4 cents) in respect of the previous year	**1,282**	1,419

Subsequent to the year ended 31 December 2016, the Board proposed a final tax-exempt dividend[#] of S$0.3 cents (2016: S$0.4 cents) per ordinary share, amounting to S$1,282,000 (2016: S$1,419,000) under the exempt-1-tier system. The proposed final dividends had been approved by the Company's shareholders and paid during the financial period ended 30 June 2017.

[#] With effect from 1 January 2003, Singapore has adopted a one-tier corporate tax system under which tax paid by a resident company on its chargeable income is a final tax. All dividends paid are tax exempt in the hands of its shareholders. There is no withholding tax on dividend payments to all shareholders.

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

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

	For the six months ended	
	2017	2016
	S$'000	*S$'000*
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**4,731**	1,531
Weighted average number of ordinary shares for the purpose of basic earnings per share	**392,240,506**	354,684,950

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the periods ended 30 June 2017 and 2016.

The outstanding warrants did not have dilutive effect on the Group's earnings per share for the periods ended 30 June 2017 and 2016 respectively, because their exercise price is higher than the average share price during the period.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	S$'000	*S$'000*
Trade receivables, net of impairment		
— Note receivables	**4,588**	6,147
— Third parties	**69,612**	59,707
— Associates	**2,155**	2,237
— Related parties	**1,226**	1,340
	77,581	69,431
Other receivables:		
Funding to investee company	**4,337**	4,476
Amount due from investor	**2,169**	3,072
Advances to		
— Suppliers	**5,472**	2,756
— Associates	**111**	113
— Related parties	**40**	24
Deposits	**590**	673
Loan to associates	**1,773**	1,313
Sundry debtors	**4,029**	3,731
	18,521	16,158
Prepayment	**932**	699
	97,034	86,288

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

	2017	2016
	S$'000	*S$'000*
Within 30 days	**36,420**	32,701
31-90 days	**25,215**	19,711
Over 90 days	**15,946**	17,019
	77,581	69,431

Trade receivables are non-interest bearing and are usually due within 30 — 90 days term. Included in trade receivables as at 30 June 2017 were trade receivables from third parties amounting to S$566,000 (2016: S$792,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables was included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

12. SHARE CAPITAL

	Issued and fully paid			
	No. of ordinary shares		Amount	
	2017	2016	**2017**	2016
			S$'000	*S$'000*
At the beginning of period/year	**354,684,950**	361,049,950	**62,408**	63,925
Add: Share offers	**40,000,000**	–	**8,573**	–
Less: Cancellation of treasury shares	**–**	(6,365,000)	**–**	(1,517)
At the end of period/year	**394,684,950**	354,684,950	**70,981**	62,408

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

13. TRADE AND OTHER PAYABLES

	2017	2016
	S$'000	*S$'000*
Trade payables		
— Note payables	**1,018**	2,083
— Third parties	**31,776**	27,641
— Associates	**72**	125
— Related parties	**4,620**	7,417
	37,486	37,266
Other payables:		
Advances received from customers	**10,279**	6,449
Accrued operating expenses	**13,638**	13,600
Amount owing to an associate	**2,750**	3,784
Others	**3,020**	4,379
	29,687	28,212
	67,173	65,478

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

	2017	2016
	S$'000	*S$'000*
Within 90 days	**34,266**	29,105
90-180 days	**2,245**	5,046
Over 180 days	**975**	3,115
	37,486	37,266

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

14. EVENT AFTER THE REPORTING PERIOD

No major subsequent event has occurred since the end of the financial period ended 30 June 2017 up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2017 ("1H2017"), 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. This was mainly attributable to the adoption of automated manufacturing, which increases the demand for industrial robots driven by motion control.

For the 1H2017, gross profit has increased by S$5.0 million, or 15.9%, to S$36.1 million in 1H2017.

Our business focus continues to be predominantly in the PRC, contributing approximately 71.4% in 1H2017 (2016: 70.0%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 16.2%, 4.1% and 2.5% of our Group's revenue in 1H2017, respectively (2016: 14.3%, 5.8% and 2.8%). We have achieved growth in overall revenue in PRC and Singapore in 2017.

The increase in our Group's revenue and gross profit were attributable to a stronger demand for our motion control solutions and other specialised engineering solutions from existing customers as well as new customers, particularly in the PRC and Hong Kong markets.

In hindsight, the upcoming smartphones release by the major market players has increased the order size from original equipment manufacturers ("OEM") in the past few months. Moreover, the increasing trend of global smartphones penetration rate continues to show demand for smartphones. Our customers, several of them are main OEMs to these market players benefit from riding the waves, and which had contributed to the growth of our revenue and gross profit.

Our Group continues to serve customers in a wide range of industries in 1H2017. The diversity of our customer base across various sectors provides us with a stable revenue stream in the face of cyclical ups and downs of the individual industries.

Going forward, we will continue to leverage our strength as a market leader in motion control solutions in Singapore and the PRC to enlarge our market share. Our extensive sales offices footprint in the PRC, Singapore, Thailand, Vietnam, Indonesia and Malaysia will enable us to mobilize our sales and marketing staff to engage existing customers, and promote our products to new customers in our key markets, namely the PRC and Singapore, as well as other markets in Southeast Asia. Furthermore, we have 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 our integrated engineering solution into renewable energy sectors in order to strengthen our core engineering competencies.

FUTURE PROSPECTS

While competition in the engineering solutions industry remains intense, the Chinese economy is transitioning from a traditionally labour-intensive industrial environment to one that is automated. This ongoing trend is positive for our core motion control and other specialised engineering solutions businesses, which provides parts and solutions for factory automation and robotics.

We will focus on industries related to the "Industry 4.0" concept about intelligent manufacturing, which is the part of the industrial development policies of many governments around the world, such as the "Made in China 2025" policy promulgated by the PRC government. Our Group sees automated machine tools and robotics as well as modern rail transport equipment as sectors that are particularly important to our business. Industries that are expected to contribute to demand for our products include medical, semiconductor, railway transportation and the oil and gas.

Our geographical focus will continue to be the PRC and Singapore markets which accounted for more than 88% of our revenue in 1H2017. Nevertheless, we will also continue to expand our business in other countries in the Southeast Asia. We have gained a foothold in Vietnam and Thailand, and would be expected to venture into other countries in the region. Going forward, we will explore new opportunities and develop new frontiers, including but not limited to the emerging markets in South-east Asia through strategic partnerships and/or other forms of collaborations.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

For the six months ended 30 June 2017 ("1H2017"), the Group recorded an increase in total revenue 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 1H2017 increased by S$5.0 million, or 15.9%, to S$36.1 million in 1H2017. Gross profit margin remained stable at 24.9% in 1H2017, as compared to 25.8% in 1H2016.

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 ever stronger demand from existing customers, but also the expanding of customer base especially in the PRC and Hong Kong market. These factors contributed to the increase in revenue and gross profit for 1H2017.

Other operating income

Other operating income decreased by S$0.5 million, or 23.7% to S$1.5 million for 1H2017. The decrease was mainly due to one-off gain on disposal of interest in associates and subsidiaries of S$0.4 million in 1H2016 as compared to S$0.1 million gain on disposal of interest in subsidiary in 1H2017.

Distribution costs

The Group recorded distribution costs of S$11.1 million for 1H2017, which remain relatively stable as compared to 1H2016.

Administrative expenses

Administrative expenses increased by S$0.9 million, or 6.1% to S$15.3 million in 1H2017, which was mainly due to increase in staff costs and general expenses.

Other operating expenses

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

Finance costs

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

Income tax expense

Income tax expense increased by S$1.2 million, or 68.7% to S$2.9 million for 1H2017, which were mainly due to higher chargeable income in 1H2017, while the Group's effective tax rate had reduced 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.

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, which 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.

Interests in associates

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

Inventories

Inventories increased by S$8.2 million, or 21.0% to S$47.1 million as at 30 June 2017, which 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 1H2017.

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.

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

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.

MATERIAL ACQUISITION AND DISPOSAL AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the financial period ended 30 June 2017, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies. Save for those disclosed in this announcement and in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2016 ("Prospectus"), the Group had no plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2017, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2017, cash and cash balances amounted to approximately S$30.2 million, which decreased by approximately 22.0% as compared to approximately S$38.7 million as at 31 December 2016. The quick ratio of the Group was approximately 1.5 times (31 December 2016: 1.6 times). As at 30 June 2017, the Group has long and short term bank borrowings of approximately S$12.7 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S$12.0 million (31 December 2016: S$13.1 million) while the bank borrowings due after one year amounted to approximately S$0.7 million (31 December 2016: S$0.3 million). As at 30 June 2017, the weighted average effective interest rates on bank borrowings is 2.43% (31 December 2016: 4.69%) per annum. The Group does not have fixed rate bank borrowings as at 30 June 2017 and 31 December 2016. Together with the obligation under finance leases of approximately S$0.3 million (31 December 2016: S$0.3 million), the Group's total borrowings amounted to S$13.0 million (31 December 2016: S$13.7 million).

GEARING RATIO

During the financial period ended 30 June 2017, the gearing ratio of the Group was about 9.9% (2016: 11.3%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The decrease in gearing ratio was mainly due to the reduction of total borrowing and the increase in our total shareholders' equity.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2017. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. We did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi ("**RMB**") and United States dollars ("**US$**"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of subsidiaries of the Group have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the financial period ended 30 June 2017, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the financial period ended 30 June 2017, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S$671,000 (2016: S$2,511,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, there were 824 (2016: 810) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the financial period ended 30 June 2017.

RISK MANAGEMENT

Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at 30 June 2017.

Charge on the Group's Assets

As at 30 June 2017, the Group's cash and cash equivalents of approximately S$0.4 million (2016: S$1.4 million) was pledged to banks to secure general banking facilities granted to the Group.

LISTING AND USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares have been listed since 12 January 2017 (the "Listing Date") on the Main Board of the Stock Exchange and raised a net proceed from IPO of approximately S$7.0 million (equivalent to HK$37.8 million). During the period between the Listing Date and 30 June 2017, approximately S$6.6 million were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group held the unutilized net proceeds in short term deposits with licensed bank in Hong Kong.

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

During the financial period ended 30 June 2017 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. On 19 December 2016, all of the treasury shares of the Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap. 50.

PROPOSED INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2017 (2016: Nil).

CORPORATE GOVERNANCE

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore Code of Corporate Governance 2012 (the "Code") and the applicable code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 to the Rules (the "Hong Kong Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout the six months ended 30 June 2017, the Group has complied with the Code and the HK CG Code, except those appropriately justified and disclosed.

Compliance with Singapore Listing Manual and Hong Kong Model Code

In compliance with Rules [1207(19) of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST")] and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules, the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code since the Listing Date, on 12 January 2017 and up to the date of this announcement.

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

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

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

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

The financial information in this report has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the financial period ended 30 June 2017 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the Main Board Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

PUBLICATION OF FINANCIAL INFORMATION

The interim results announcement for the financial period ended 30 June 2017 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.isdnholdings.com). The interim report of the Company for the period ended 30 June 2017 containing, among others, the interim financial information of the Group will be despatched to shareholders of the Company and published on the above websites in due course.

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

Singapore, 14 August 2017

As of the date of this announcement, the Board comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive directors of the Company; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive directors of the Company.