



*ISDN*Holdings
LIMITED

(Company Registration No.: 200416788Z)

ISDN Holdings Limited
Interim Financial Statements Announcement
For the Second Quarter and Period Ended 30 June 2018

1(a)(i) **A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND PERIOD ENDED 30 JUNE 2018**

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			6 months ended		
	30 June		%	30 June		%
	2018	2017	change	2018	2017	change
S\$'000	S\$'000	+/(-)	S\$'000	S\$'000	+/(-)	
Revenue	85,912	77,365	11.0%	162,104	145,027	11.8%
Cost of sales	(63,562)	(58,683)	8.3%	(120,401)	(108,977)	10.5%
Gross profit	22,350	18,682	19.6%	41,703	36,050	15.7%
Other operating income	1,737	801	n.m.	3,627	1,509	n.m.
Distribution costs	(5,854)	(5,487)	6.7%	(12,066)	(11,091)	8.8%
Administrative expenses	(8,925)	(7,738)	15.3%	(15,296)	(15,308)	-0.1%
Other operating expenses	(76)	(608)	-87.5%	(155)	(1,895)	-91.8%
Finance costs	(183)	(95)	92.6%	(416)	(341)	22.0%
Share of profit of associates	196	297	-34.0%	637	616	3.4%
Profit before taxation	9,245	5,852	58.0%	18,034	9,540	89.0%
Income tax expense	(2,570)	(1,824)	40.9%	(4,510)	(2,862)	57.6%
Profit for the period	6,675	4,028	65.7%	13,524	6,678	n.m.
Other comprehensive (income)/loss:						
Items that may be subsequently reclassified to profit and loss						
Exchange differences on translation of foreign operations						
Income/(loss) on translation of foreign operations	(1,481)	(474)	n.m.	395	(1,524)	n.m.
	<u>(1,481)</u>	<u>(474)</u>	n.m.	<u>395</u>	<u>(1,524)</u>	n.m.
Total comprehensive income for the period	5,194	3,554	46.1%	13,919	5,154	n.m.
Profit for the period attributable to:						
Equity holders of the Company	4,878	3,010	62.1%	10,076	4,731	n.m.
Non-controlling interest	1,797	1,018	76.5%	3,448	1,947	77.1%
	<u>6,675</u>	<u>4,028</u>	<u>65.7%</u>	<u>13,524</u>	<u>6,678</u>	<u>n.m.</u>
Total comprehensive income for the period attributable to:						
Owners of the Company	3,586	2,760	29.9%	10,521	3,650	n.m.
Non-controlling interest	1,608	794	n.m.	3,398	1,504	n.m.
	<u>5,194</u>	<u>3,554</u>	<u>46.1%</u>	<u>13,919</u>	<u>5,154</u>	<u>n.m.</u>

n.m.: Not meaningful



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

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

	GROUP					
	3 months ended			6 months ended		
	30 June			30 June		
	2018	2017	% change	2018	2017	% change
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Profit from operations is determined after (crediting)/charging the following:						
(Reversal of)/Allowance for impairment of trade receivables	(1)	19	n.m.	-	21	-100.0%
(Reversal of)/Allowance for inventories obsolescence	(21)	79	n.m.	(34)	315	n.m.
Amortisation and depreciation	559	492	13.6%	1,086	1,063	2.2%
Interest income	(242)	(24)	n.m.	(268)	(70)	n.m.
Foreign exchange loss/(gain), net	(813)	432	n.m.	(818)	1,437	n.m.
Gain on disposal of interest in subsidiaries	(180)	(11)	n.m.	(180)	(101)	78.2%
Gain on disposal of property, plant and equipment	(30)	(3)	n.m.	(159)	(3)	n.m.
Inventories written off	88	-	n.m.	90	3	n.m.
Under provision of tax in respect of prior year	865	132	n.m.	702	126	n.m.
Property, plant and equipment written off	1	-	n.m.	1	-	n.m.
Trade receivables written off	15	64	-76.6%	20	64	-68.8%

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 2018	31 December 2017	30 June 2018	31 December 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	27,872	27,326	-	-
Investment properties	442	504	-	-
Land use rights	1,323	1,338	-	-
Goodwill	11,686	11,686	-	-
Interests in subsidiaries	-	-	36,653	36,653
Interests in associates	19,223	18,352	130	124
Deferred tax assets	165	316	-	-
	60,711	59,522	36,783	36,777
Current assets				
Inventories	53,386	50,003	-	-
Trade and other receivables	111,702	89,164	319	115
Amounts due from subsidiaries	-	-	42,014	42,049
Dividend receivables	-	-	3,293	6,938
Cash and bank balances	32,305	38,303	1,878	2,692
	197,393	177,470	47,504	51,794
Current liabilities				
Bank borrowings	14,963	14,302	3,000	3,000
Finance leases	7	160	-	-
Trade and other payables	76,471	68,694	8,560	6,556
Current tax liabilities	3,130	1,437	-	-
	94,571	84,593	11,560	9,556
Net current assets	102,822	92,877	35,944	42,238
Non-current liabilities				
Bank borrowings	105	159	-	-
Finance leases	1	82	-	-
Deferred tax liabilities	-	266	-	-
	106	507	-	-
Net assets	163,427	151,892	72,727	79,015
Equity				
Share capital	70,981	70,981	70,981	70,981
Warrants issue	3,384	3,384	3,384	3,384
Reserves	70,803	62,313	(1,638)	4,650
Equity attributable to owners of the Company	145,168	136,678	72,727	79,015
Non-controlling interests	18,259	15,214	-	-
Total equity	163,427	151,892	72,727	79,015



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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 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
942	14,028	1,180	13,282

The amount repayable after one year;

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1	105	82	159

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 mortgages over land use rights and leasehold property of subsidiaries for a term loan. The said facilities are also secured by corporate guarantee provided by the Company and other subsidiaries as well as personal guarantee by the directors of the subsidiaries.

(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	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	9,245	5,852	18,034	9,540
Adjustments for:				
Amortisation of land use right	6	7	17	17
Trade receivables written off	15	64	20	64
Depreciation of property, plant and equipment	543	487	1,050	1,038
Depreciation of investment properties	10	(2)	19	8
(Reversal of)/Allowance for impairment of trade receivables	(1)	19	-	21
(Reversal of)/Allowance for inventory obsolescence	(21)	79	(34)	315
Gain on disposal of property, plant and equipment	(30)	(3)	(159)	(3)
Gain on on disposal of interests in subsidiary	(180)	(11)	(180)	(101)
Inventories written off	88	-	90	3
Property, plant and equipment written off	1	-	1	-
Interest expenses	183	95	416	341
Interest income	(242)	(24)	(268)	(70)
Share of profit of associates	(196)	(297)	(637)	(616)
Unrealised foreign exchange differences	(858)	(437)	401	(1,083)
Operating cash flow before working capital changes	8,563	5,829	18,770	9,474
Changes in working capital:				
Inventories	(5,404)	(3,702)	(3,575)	(8,493)
Trade and other receivables	(17,232)	(4,167)	(26,554)	(11,805)
Trade and other payables	17,906	2,647	15,800	3,046
Cash generated from/(used in) operations	3,833	607	4,441	(7,778)
Interest expenses	(183)	(95)	(416)	(341)
Interest income	242	24	268	70
Income tax paid	(1,414)	(1,072)	(2,492)	(2,638)
Net cash generated from/(used in) operating activities	2,478	(536)	1,801	(10,687)



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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		6 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(1,029)	(340)	(1,681)	(671)
Proceeds from disposal of property, plant and equipment	135	11	443	11
Net cash inflow from disposal of subsidiary	563	-	563	-
Loan to associates	(1,181)	(3,929)	(1,431)	(3,929)
Funds to investee company	-	428	-	49
Dividend from associates	155	-	155	-
Net cash (used in)/generated from investing activities	(1,357)	(3,830)	(1,951)	(4,540)
Cash flows from financing activities:				
Dividends to equity holders of the Company	(2,289)	(1,282)	(2,289)	(1,282)
Dividends to non-controlling interests	(1,793)	(9)	(3,327)	(69)
Repayment from associates	-	(84)	-	-
Proceeds from bank borrowings	7,279	1,581	7,279	6,918
Repayment of bank borrowings	(5,234)	(1,424)	(6,767)	(8,753)
Proceeds from trust receipts, net	147	2,139	96	1,237
Repayment of finance lease	(401)	22	(234)	(15)
Decrease in fixed deposits pledged	-	-	-	1,041
Proceeds from public share offer	-	-	-	8,573
Net cash generated from/(used in) financing activities	(2,291)	943	(5,242)	7,650
Net decrease in cash and cash equivalents	(1,170)	(3,423)	(5,392)	(7,577)
Cash and cash equivalents at the beginning of financial period	33,922	33,201	38,053	37,292
Effect of currency translation on cash and cash equivalents	(697)	37	(606)	100
Cash and cash equivalents at the end of financial period	32,055	29,815	32,055	29,815
Additional information:				
Cash and bank balances	31,965	29,787	31,965	29,787
Fixed deposits	340	378	340	378
Less: bank deposits pledged	(250)	(350)	(250)	(350)
Total cash and cash equivalents	32,055	29,815	32,055	29,815



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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	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 2018	70,981	3,384	(436)	(2,071)	4,921	59,899	136,678	15,214	151,892
Net profit for the period	-	-	-	-	-	10,076	10,076	3,448	13,524
Other comprehensive income/(loss) for the period	-	-	-	445	-	-	445	(50)	395
Total comprehensive income for the period	-	-	-	445	-	10,076	10,521	3,398	13,919
Dividends to non-controlling interests	-	-	-	-	-	-	-	(104)	(104)
Disposal of subsidiaries	-	-	-	181	-	77	258	(249)	9
Payment of dividends	-	-	-	-	-	(2,289)	(2,289)	-	(2,289)
Balance as at 30 June 2018	70,981	3,384	(436)	(1,445)	4,921	67,763	145,168	18,259	163,427
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

(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	Others reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 Jan 2018	70,981	3,384	(178)	4,828	79,015
Total comprehensive loss for the period	-	-	-	(3,999)	(3,999)
Payment of dividends	-	-	-	(2,289)	(2,289)
Balance at 30 June 2018	70,981	3,384	(178)	(1,460)	72,727
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

(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 2018 is 394,684,950. (30 June 2017: 394,684,950). No treasury shares were held as at 30 June 2018 (30 June 2017: nil). The number of shares held as subsidiary holdings as at 30 June 2018 is nil (30 June 2017: nil).

As at 30 June 2018, the outstanding convertibles are 179,972,475 warrants that can be converted into 179,972,475 ordinary shares (30 June 2017: 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.

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

	GROUP & COMPANY	
	30 June 2018	31 December 2017
Total number of issued shares	394,684,950	354,684,950
Add: Share Offers	-	40,000,000
Total number of issued shares excluding treasury shares	394,684,950	394,684,950

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") of the issuance and allotment of 40 million new ordinary shares.

- (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

There were no treasury shares as at 30 June 2018 and 31 December 2017.

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 2018 as those used for the audited financial statement as at 31 December 2017, save as disclosed in paragraph 5 below.

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 2018 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	
	2018	2017	2018	2017
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	394,684,950	394,684,950	394,684,950	392,240,506
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	394,684,950	394,684,950	394,684,950	392,240,506
EPS (based on consolidated net profit attributable to shareholders)				
(i) Based on weighted average number of ordinary shares in issue	1.24	0.76	2.55	1.21
(ii) On a fully diluted basis	1.24	0.76	2.55	1.21
	(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 2018	31 December 2017	30 June 2018	31 December 2017
	Net assets (S\$'000)	163,427	151,892	72,727
Issued share capital at the end of the year (net of treasury shares)	394,684,950	394,684,950	394,684,950	394,684,950
Net assets value per ordinary share based on issued share capital as at respective year	41.41	38.48	18.43	20.02
	(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\$8.5 million, or 11.0% from S\$77.4 million for the three months ended 30 June 2017 ("2Q2017") to S\$85.9 million for the three months ended 30 June 2018 ("2Q2018"). For the six months ended 30 June 2018 ("1H2018"), the revenue increased by approximately S\$17.1 million, or 11.8% from S\$145.0 million for six months ended 30 June 2017 ("1H2017") to S\$162.1 million for 1H2018.

The gross profit for the 2Q2018 increased by S\$3.7 million, or 19.6%, from S\$18.7 million in 2Q2017 to S\$22.4 million in 2Q2018. For the 1H2018, the gross profit has increased by S\$5.7 million, or 15.7%, to S\$41.7 million in 1H2018.

Our core motion control solutions continued to sustain growth in 2Q2018 and 1H2018 which was driven by the growing demands for high-tech precision control systems from medical device manufacturers, coupled with the growing customer base and orders especially in PRC and Hong Kong.

Further, the adoption of advanced and automated processes for industrial robots in manufacturing processes is also a key factor driving our businesses in the Southeast Asia region.

Other operating income

Other operating income increased by S\$0.9 million, or >100% to S\$1.7 million, and S\$2.1 million, or >100% to S\$3.6 million for 2Q2018 and 1H2018 respectively.

For 2Q2018, the increase was mainly due to the net foreign exchange gain as the Singapore dollar had strengthened against United States dollars for current reporting quarter.

For 1H2018, the increase was mainly contributed by the increase of (i) gain on disposal of property, plant and equipment of S\$0.2 million; (ii) commission income of approximately S\$0.5 million derived from the suppliers; (iii) technical consultancy income of S\$0.3 million and (iv) net foreign exchange gain of approximately S\$0.8 million.

Distribution costs

Distribution costs increased by S\$0.4 million, or 6.7% to S\$5.9 million, and S\$1.0 million, or 8.8% to S\$12.1 million for 2Q2018 and 1H2018 respectively. The increase was mainly due to the increase of sales commission to sales personnel which is in line with the increase in revenue for both periods.

Administrative expenses

Administrative expenses increased by S\$1.2 million, or 15.3% to S\$8.9 million for 2Q2018 which was mainly due to increase in provision for employees' bonuses for this quarter.

The administrative expenses reminded relatively stable for 1H2018 as compared with 1H2017.

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 decreased by S\$0.5 million, or 87.5% to S\$0.1 million, and S\$1.7 million, or 91.8% to S\$0.2 million for 2Q2018 and 1H2018. The decrease for both periods was primarily due to the absence of foreign exchange losses.

Finance costs

Finance costs increased by S\$0.1 million, or 92.6% to S\$0.2 million, and S\$0.1 million, or 22.0% to S\$0.4 million for 2Q2018 and 1H2018 respectively, which was mainly due to more bank borrowings.

Income tax expense

Income tax expense increased by S\$0.7 million, or 40.9% to S\$2.6 million, and S\$1.6 million, or 57.6% to S\$4.5 million for 2Q2018 and 1H2018 respectively, mainly due to higher chargeable income in 2Q2018 and 1H2018. The Group's effective tax rate had reduced from 31.2% to 27.8% for 2Q2018 and from 30.0% to 25.0% for 1H2018, 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 increased by S\$0.5 million, or 2.0% from S\$27.3 million as at 31 December 2017 to S\$27.9 million as at 30 June 2018 was mainly due to capital expenditures of S\$1.7 million recognised in 1H2018 and offset partially by depreciation of S\$1.1 million.

Associates

Interests in associates increased by S\$0.9 million, or 4.7% in 1H2018 was mainly due to approximately S\$1.4 million quasi-equity loan to associate companies and share of associates' results in 1H2018.

Inventories

Inventories increased by S\$3.4 million, or 6.8% to S\$53.4 million as at 30 June 2018 was primarily due to the growth of revenue for 1H2018 as compared to 1H2017. In addition, the increase is to cater for increased order scheduled for delivery after 1H18.

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\$22.5 million, or 25.3% to S\$111.7 million as at 30 June 2018, which was mainly due to the growth of revenue for 1H2018 as compared to 1H2017.

Subsequent receipt of about S\$14.8 million was received from customers as at 31 July 2018. The collection represents approximately 18% of trade receivables as at 30 June 2018.

Trade and other payables

Trade and other payables increased by S\$7.8 million, or 11.3% to S\$76.5 million as at 30 June 2018, which was mainly due to (i) higher advance receipts from customers for higher order books received subsequent to 1H2018; and (ii) increased trade payables due to third parties arising from business growth.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$0.6 million, or 4.2% to S\$15.1 million as at 30 June 2018. The increase was mainly due to proceeds of bank borrowings amounted to S\$7.3 million, partially offset by repayment of bank borrowings of S\$6.8 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 2Q2018, net cash generated from operating activities of S\$2.5 million arose from operating cash flow before working capital changes of S\$8.6 million offset by (i) decrease in working capital of S\$4.7 million, (ii) net interest income of S\$0.1 million; and (iii) income tax paid of S\$1.4 million.

For 1H2018, net cash generated from operating activities of S\$1.8 million arose from operating cash flow before working capital changes of S\$18.8 million offset by (i) decrease in working capital S\$14.3 million, (ii) net interest paid of S\$0.1 million; and (iii) income tax paid of S\$2.5 million.

Changes in Cash Flow from Investing Activities

For 2Q2018, net cash used in investing activities amounted to S\$1.4 million was primarily attributed to (i) loan of S\$1.2 million to associate companies; (ii) acquisition of property, plant and equipment of S\$1.0 million; and partially offset by (iii) net cash inflow from disposal of subsidiaries of S\$0.6 million.

For 1H2018, net cash used in investing activities amounted to S\$2.0 million was primarily attributed to (i) loan of S\$1.4 million to one of the associate companies, (ii) acquisition of property, plant and equipment of S\$1.7 million; (iii) partially offset by net cash inflow from disposal of subsidiaries of S\$0.6 million; and (iv) proceeds from disposal of property, plant and equipment of S\$0.4 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 2Q2018, net cash used in financing activities amounted to S\$2.3 million as a result of net proceeds from bank borrowings of S\$2.0 million and partially offset by total dividends paid of S\$4.1 million.

For 1H2018, net cash used in financing activities amounted to S\$5.2 million as a result of (i) total dividends paid of S\$5.6 million; and (ii) partially offset by net proceeds from bank borrowings of S\$0.5 million.

As at 30 June 2018, the Group maintained a healthy cash and cash equivalents balance of S\$32.1 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 Group continued to grow our core Motion Control and Other Specialized Engineering Solutions business in the first half of 2018. Looking ahead, however, the business climate is starting to show signs of caution; the Semiconductor and Electronic sectors appear to be facing some headwinds following 18 months of spectacular growth. The imminent trade war also looms larger day by day, and this has begun to affect growth momentum. The Group is monitoring the situation prudently, and working closely with suppliers and customers to stay abreast of any new developments. Nonetheless, consistent with past experience, the Group expects the diversity of our customer base to provide stable revenue stream in the face of cyclical ups and downs.

To drive growth, the Group will continue to build on and expand its market and industry presence by ramping up sales and marketing efforts in targeted industries. These include areas such as medical devices, environmental protection, Artificial Intelligence and electric vehicles, which present growth opportunities due to increasing levels of adoption and innovation.

Moving forward, the group will continue to 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.

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.



**ISDN Holdings Limited
Financial Results Announcement
For Second Quarter and Period ended 30 June 2018**

15. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

There has been no material disbursement of the net proceeds from the Second Placement and the Share Offer between the date of the last announcement made on 14 May 2018 and the date of this announcement. The Company will make further announcements as and when the net proceeds from the Second Placement and the Share Offer 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 May 2018. 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
8 August 2018