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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2016	2015	% Change
	S$'000	*S$'000*	
Revenue	**258,502**	235,299	9.9%
Gross profit	**64,999**	65,710	–1.1%
Profit for the year and attributable to owners of the Company	**5,153**	8,721	–40.9%
Basic earnings per share	**S$1.45 cents**	S$2.46 cents	

* *For identification purposes only*

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ISDN Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015. These results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016**	2015
		S$'000	*S$'000*
REVENUE	*5*	**258,502**	235,299
Cost of sales		**(193,503)**	(169,589)
Gross profit		**64,999**	65,710
Other operating income	*5*	**4,039**	3,233
Distribution cost		**(21,556)**	(22,016)
Administrative expenses		**(30,557)**	(27,785)
Other operating expenses		**(2,203)**	(1,950)
Finance costs	*6*	**(742)**	(774)
Share of profit of associates		**351**	795
PROFIT BEFORE INCOME TAX	*7*	**14,331**	17,213
Income tax	*8*	**(4,288)**	(5,329)
PROFIT FOR THE YEAR		**10,043**	11,884
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		**(1,825)**	(151)
— Reclassification		**(260)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,958**	11,733

	Note	**2016**	2015
		S$'000	*S$'000*
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**5,153**	8,721
Non-controlling interests		**4,890**	3,163
		10,043	11,884
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**2,940**	9,063
Non-controlling interests		**5,018**	2,670
		7,958	11,733
EARNINGS PER SHARE:			
Basic and Diluted	*10*	**S$1.45 cents**	S$2.46 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016** *S$'000*	2015 *S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**27,682**	35,554
Investment properties		**522**	542
Land use rights		**1,376**	1,461
Goodwill		**11,686**	11,686
Interests in associates		**11,649**	5,033
Deferred tax assets		**59**	149
Total non-current assets		**52,974**	54,425
Current assets			
Inventories		**38,902**	40,855
Trade and other receivables	*11*	**86,288**	73,134
Cash and bank balances		**38,683**	39,096
Total current assets		**163,873**	153,085
Total assets		**216,847**	207,510

	Note	2016	2015
		S$'000	*S$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*12*	**62,408**	63,925
Warrants Issue		**3,384**	3,384
Treasury shares		**–**	(1,517)
Reserves		**55,425**	53,935
		121,217	119,727
Non-controlling interests		**14,927**	19,541
Total equity		**136,144**	139,268
Non-current liabilities			
Bank borrowings		**263**	360
Finance leases		**186**	339
Total non-current liabilities		**449**	699
Current liabilities			
Bank borrowings		**13,052**	13,925
Finance leases		**150**	160
Trade and other payables	*13*	**65,478**	51,911
Current tax liabilities		**1,574**	1,547
		80,254	67,543
Total liabilities		**80,703**	68,242
Total liabilities and equity		**216,847**	207,510

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 financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "**Act**"), the Singapore Financial Reporting Standards ("**SFRS**") including related interpretation of SFRS ("**INT SFRS**") issued by the Singapore Accounting Standards Council and the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The preparation of financial statements in conformity with SFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. ADOPTION OF NEW OR AMENDED SFRS

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

Amendments to FRS 1	Disclosure Initiative
Amendments to FRS 27	Equity Method in Separate Financial Statements
Amendments to FRS 107	Financial Instruments: Disclosures
Amendments to FRS 111	Accounting for Acquisition of Interests in Joint Operations

The adoption of these new and revised SFRS and INT 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 years.

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**202,767**	184,101	**49,670**	46,127	**6,065**	5,071	**–**	–	**–**	–	**258,502**	235,299
Inter-segment sales	**3,056**	1,763	**1,511**	1,410	**30**	70	**–**	–	**(4,597)**	(3,243)	**–**	–
	205,823	185,864	**51,181**	47,537	**6,095**	5,141	**–**	–	**(4,597)**	(3,243)	**258,502**	235,299
Results												
Segment results	**17,848**	22,259	**511**	84	**561**	775	**(1,122)**	(2,910)	**–**	–	**17,798**	20,208
Share of profit of associates	**351**	795	**–**	–	**–**	–	**–**	–	**–**	–	**351**	795
Corporate expenses											**(3,941)**	(3,990)
Rental income											**598**	748
Interest income											**267**	226
Finance costs											**(742)**	(774)
Profit before income tax											**14,331**	17,213
Income tax											**(4,288)**	(5,329)
Profit for the year											**10,043**	11,884
Assets												
Segment assets	**109,573**	103,959	**29,945**	30,750	**2,746**	2,276	**15,461**	19,065	**(3,418)**	(4,897)	**154,307**	151,153
Goodwill	**2,178**	2,178	**9,508**	9,508	**–**	–	**–**	–	**–**	–	**11,686**	11,686
Associates	**11,649**	5,033	**–**	–	**–**	–	**–**	–	**–**	–	**11,649**	5,033
Investment properties											**522**	542
Cash and bank balances											**38,683**	39,096
Consolidated total assets											**216,847**	207,510
Liabilities												
Segment liabilities	**45,896**	33,442	**13,195**	15,295	**603**	698	**6,389**	5,628	**(3,418)**	(4,897)	**62,665**	50,166
Bank borrowings and finance leases											**13,651**	14,784
Income tax liabilities											**1,574**	1,547
Others unallocated corporate liabilities											**2,813**	1,745
Consolidated total liabilities											**80,703**	68,242
Other information												
Capital expenditure on												
— Property, plant and equipment	**763**	1,720	**556**	900	**143**	–	**–**	23	**–**	–	**1,462**	2,643
— Progress payments for properties under development	**–**	–	**–**	–	**–**	–	**–**	3,358	**–**	–	**–**	3,358
Depreciation of properties, plant and equipment	**1,282**	1,367	**641**	676	**7**	6	**94**	129	**–**	–	**2,024**	2,178
Depreciation of investment properties	**17**	17	**–**	–	**–**	–	**–**	–	**–**	–	**17**	17
Other non-cash expenses												
— amortisation of land use rights	**34**	36	**–**	–	**–**	–	**–**	–	**–**	–	**34**	36
— trade receivables written off	**134**	192	**–**	18	**–**	–	**15**	–	**–**	–	**149**	210
— allowance for inventory obsolescence	**681**	425	**376**	774	**–**	23	**–**	–	**–**	–	**1,057**	1,222
— allowance for impairment of trade receivables	**60**	(100)	**37**	235	**–**	–	**2**	–	**–**	–	**99**	135
— property, plant and equipment written off	**1**	2	**–**	1	**–**	–	**–**	–	**–**	–	**1**	3
— inventories written off	**215**	135	**25**	93	**–**	–	**–**	–	**–**	–	**240**	228
— write back of allowance of trade receivables	**(131)**	(1)	**–**	(12)	**–**	–	**–**	–	**–**	–	**(131)**	(13)
— write back of allowance of inventory obsolescence	**(11)**	(114)	**(66)**	–	**–**	–	**–**	–	**–**	–	**(77)**	(114)

(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		**Non-current assets**	
	2016	2015	**2016**	2015
	S$'000	*S$'000*	***S$'000***	*S$'000*
Singapore	**36,977**	35,004	**26,811**	20,765
People Republic of China ("PRC")	**180,790**	165,638	**23,024**	30,775
Hong Kong	**15,064**	10,932	**1,382**	780
Malaysia	**7,122**	5,723	**933**	1,037
Others	**18,549**	18,002	**824**	1,068
	258,502	235,299	**52,974**	54,425

(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:

	2016	2015
	S$'000	*S$'000*
Other operating income		
Commission income	**172**	102
Gain on disposal of property, plant and equipment	**11**	31
Gain on disposal of interest in a subsidiary	**411**	–
Gain on disposal of interest in an associate	**64**	–
Finance income		
— Interest on bank deposits	**197**	207
— Interests on loan to an associates	**70**	19
Government grants *(Note)*	**336**	223
Miscellaneous income	**918**	484
Operating lease rental income:		
— Investment properties	**59**	53
— Sub-let of office/warehouse premises	**539**	695
Property management income	**308**	451
Recovery of bad debts written off	**3**	23
Technical service income	**743**	818
Write back of allowance of inventory obsolescence	**77**	114
Write back of allowance of trade receivables	**131**	13
	4,039	3,233

Note: The government grants in the form of cash donations have been received for the Group's contribution to various of government grants given to the Company and its Singapore and PRC subsidiaries include mainly for Special Employment Credit (Singapore), SME Cash Grant (Singapore) and Advanced Tax Contribution Award (PRC). There are no unfulfilled conditions or contingencies attaching to these grants.

6. FINANCE COSTS

	2016	2015
	S$'000	*S$'000*
Interest expense on:		
— Bank loans	**697**	719
— Trust receipts	**26**	32
— Finance leases	**19**	23
	742	774

7. PROFIT BEFORE INCOME TAX

	2016	2015
	S$'000	*S$'000*
Profit before income tax has been arrived at after charging		
Amortisation of land use rights	**34**	36
Depreciation of property, plant and equipment		
— Recognised in cost of sales	**202**	282
— Recognised in distribution costs	**260**	255
— Recognised in administrative expenses	**1,562**	1,641
	2,024	2,178
Depreciation of investment properties	**17**	17
Other operating expenses included:		
— Trade receivables written off	**149**	210
— Allowance for inventory obsolescence	**1,057**	1,222
— Allowance for impairment of trade receivable	**99**	135
— Property, plant and equipment written off	**1**	3
— Inventories written off	**240**	228
— Foreign exchange losses	**668**	17
Operating lease rental expense	**1,636**	1,382

8. INCOME TAX

	2016	2015
	S$'000	*S$'000*
Current income tax		
— Singapore	**113**	317
— The PRC	**4,331**	4,658
— Outside Singapore and the PRC	**222**	227
(Over)/Under provision in respect of prior year		
— Current income tax	**(358)**	125
— Deferred taxation	**(20)**	2
	4,288	5,329

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the years ended 31 December 2016 and 2015 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia and Hong Kong for the years ended 31 December 2016 and 2015 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

	2016	2015
	S$'000	*S$'000*
Paid during the financial year:		
Tax exempt (one-tier) final dividend of Singapore 0.4 cents per share in respect of the previous year	**1,419**	1,419

Subsequent to the year ended 31 December 2016, the Board proposed a final tax-exempt dividend# of S$0.3 cents (2015: S$0.4 cents) per ordinary share, amounting to S$1,184,000 (2015: S$1,419,000) under the exempt-1-tier system. The proposed final dividends had not been recognized as a liability at the end of reporting period.

#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 per share attributable to owners of the Company is based on the following data:

	2016	2015
	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	**5,153**	8,721
Weighted average number of ordinary shares for the purpose of basic earnings per share	**354,680,950**	354,680,950

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the years ended 31 December 2015 and 2016.

The outstanding warrants did not have dilutive effect on the Group's earnings per share for the year ended 31 December 2016 and 2015 respectively, because their exercise price is higher than the average share price during the period.

11. TRADE AND OTHER RECEIVABLES

	2016 *S$'000*	2015 *S$'000*
Trade receivables, net of impairment		
— Note receivables	**6,147**	7,336
— Third parties	**59,707**	45,957
— Associates	**2,237**	1,847
— Related parties	**1,340**	814
	69,431	55,954
Other receivables:		
Funding to investee company	**4,476**	7,820
Amount due from investor	**3,072**	–
Advances to		
— Suppliers	**2,756**	3,284
— Associates	**113**	149
— Related parties	**24**	36
Deposits	**673**	671
Loan to associates	**1,313**	1,031
Sundry debtors	**3,731**	3,457
	16,158	16,448
Prepayment	**699**	732
	86,288	73,134

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

	2016 *S$'000*	2015 *S$'000*
Within 30 days	**32,701**	28,281
31–90 days	**19,711**	15,424
Over 90 days	**17,019**	12,249
	69,431	55,954

Trade receivables are non-interest bearing and are usually due within 30 — 90 days term. Included in trade receivables as at 31 December 2016 were trade receivables from third parties amounting to S$792,000 (2015: S$546,000), 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	
	2016	2015	**2016**	2015
	S$'000	*S$'000*	***S$'000***	*S$'000*
At the beginning and at the end of year	**361,049,950**	361,049,950	**63,925**	63,925
Less: Cancellation of treasury shares	**(6,365,000)**	–	**(1,517)**	–
At the beginning and at the end of year	**354,684,950**	361,049,950	**62,408**	63,925

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

	2016	2015
	S$'000	*S$'000*
Trade payables		
— Note payables	**2,083**	–
— Third parties	**27,641**	21,152
— Associates	**125**	143
— Related parties	**7,417**	2,857
	37,266	24,152
Other payables:		
Advances received from customers	**6,449**	7,248
Accrued operating expenses	**13,600**	10,431
Amount owing to non-controlling interests	**–**	4,347
Amount owing to an associate	**3,784**	–
Others	**4,379**	5,733
	28,212	27,759
	65,478	51,911

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

	2016	2015
	S$'000	*S$'000*
Within 90 days	**29,105**	20,654
91–180 days	**5,046**	1,474
Over 180 days	**3,115**	2,024
	37,266	24,152

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

14. EVENT AFTER THE REPORTING PERIOD

On 12 January 2017, 40,000,000 shares were issued at a price of HK$1.25 share in connection with the Company's Listing. The gross proceeds of HK$50,000,000 (approximate equivalent to S$9.3 million) were credited to the Company's share capital subsequent to the financial year ended 31 December 2016. Dealings in the shares on the Stock Exchange commenced on 12 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2016, our Group achieved 9.9% growth in total revenue, from S$235.3 million in 2015 to S$258.5 million in 2016, mainly as a result of the increase in demand driven by the general increase in precision and personalization required in contemporary manufacturing, fuelled partly by the supportive governmental policies in the PRC and other Asian countries on production automation. On the other hand, the demand for more technologically advanced and tailor made products is also the driving force of the integrated engineering solutions market in 2016.

Our business focus continues to be predominantly in the PRC, contributing approximately 70.0% in 2016 (2015: 70.4%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.3%, 5.8% and 2.8% of our Group's revenue in 2016, respectively (2015: 14.9%, 4.6% and 2.4%). We have achieved growth in overall revenue in all of the above countries in 2016.

Our Group continues to serve our customers in a wide range of industries in the year. Our wide customer profile across different sectors assisted the Group to diversify its exposure to ups and downs in individual industry, and helped the Group to adapt to the slow macroeconomic environment in 2016. In particular, our customers in the pharmaceutical industry exhibit a steady growth which offsets the impact of cyclical decrease in demand in the semiconductor and mobile phone industries.

Competition in the engineering solutions industry is always keen. Nevertheless, as one of the largest motion control solutions provider in Singapore and the PRC, we will strive to leverage on our competitive advantage and market position to boost our sales and further conquer additional market share. In the future, we will continue its efforts with the increase our market shares in our key geographical segment by provision of comprehensive engineering solutions in growing industries to strengthen market penetration.

FUTURE PROSPECTS

We expect the overall industry landscape to remain competitive against the backdrop of a Chinese economy that is transitioning into a more automated industrial environment from one that has been traditionally labour-intensive. This is expected to spell good news for our motion control and other specialised engineering solutions business which provides parts and solutions for factory automation and robotics.

We seek to build on this competitive edge and expand our market share by continuing to engage the customers more proactively at the ground level and up. This customised approach will allow us to offer solutions with a greater technological edge with enhanced value, placing us in good stead as manufacturers in China place increasing emphasis on product quality and make further inroads into international markets. We envision that the motion control solution sector will continue to account for the bulk of the Group revenue and revenue from the PRC will remain strong.

Apart from continue to serve our customers in the existing business segments and to capture a larger market share, we also aim to mobilise our sales and marketing staff to continue to engage our customers and promote our products to enlarge our customer base, and also promote our solutions to certain fast growing industries nurtured by governmental policies and natural economic need in their respective countries. For example, we aim to place strong emphasis on industries related to the "Industrial 4.0" concepts, 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. It is expected that such governmental policies and industrial development trend will boost the development and use of robotics and the general technological upgrades of the manufacturing processes, which in turn benefits the motion control solutions and other specialised engineering solutions industries as a whole. Our Group is expected to continue to ride on the market growth fuelled by the general industry trend for intelligent manufacturing and factory automation leading to an increase in demand for engineering solutions and the trend of demand for more technologically advanced and tailor made products, which the Group is well positioned to capture such market.

Our focus will still be the PRC and Singapore market which accounted for more than 84% of our revenue in 2016. Nevertheless, we will also continue to expand our business in other countries in the South East Asia. We have gain our foothold in Vietnam and Thailand and are expected to venture into other countries in the region. Going forward, we will continue to develop new frontiers, including but not limited to the emerging markets in South-east Asia to explore new business opportunities.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

We have recorded an increase in our total revenue by approximately S$23.2 million or 9.9% from S$235.3 million for financial year ended 31 December 2015 ("**FY2015**") to S$258.5 million for financial year ended 31 December 2016 ("**FY2016**") primarily due to the fact that (i) we remained capable and competitive in offering a variety of professional engineering solutions and products to satisfy our customers' wide range of engineering needs; and (ii) we leveraged our established presence in the region we operate to retain our customers. Our revenue from each of motion control solutions, other specialized engineering solutions and industrial computing solutions increases primarily attributable to (a) the fact that we managed to generate an increase in revenue from the motion control solution markets in the PRC and Hong Kong as a result of: the increased demand for high-tech precision control systems arising from the general market trend in the PRC; our focused marketing efforts on our relatively more technologically advanced products in the PRC to suit the market needs; and the increase in the order size of an industrial supplier of equipment and materials and (b) the relatively strong demand for our other specialised engineering and industrial computing solutions in Singapore as a result of: the increase in engineering parts and industrial computing systems such as liquid-crystal display (LCD) monitors and associated parts supplied for a railway project; and more copies of the Wonderware software sold, partly offset by (1) a decrease in revenue from other specialised engineering solutions in the PRC as a result of our more focused marketing efforts on our relatively more technologically advanced motion control products to capture the market potential, together with the fact that more hinges and locks were sold in the previous corresponding period to fulfil orders from railway companies during that period; and (2) a decrease in revenue from motion control solutions in Singapore as the country's general economic condition was considered relatively stagnant.

Our overall gross profit margin decreased from approximately 27.9% for FY2015 to 25.1% for FY2016; which was primarily due to (i) our PRC customers' resistance to accepting part of the general product price increments in the midst of the depreciation of RMB; and (ii) the intensified market competition, the variety of products available in the market and the number of industry players in the industry.

Other operating income

Our other operating income increased by approximately S$0.8 million or 24.9% from S$3.2 million for FY2015 to S$4.0 million for FY2016 primarily due to (1) a gain of approximately S$0.5 million on the disposal of 17.5% of shares ("**Partial Disposal of Aenergy**") in Aenergy Holdings Company Limited ("**Aenergy**"); (2) a gain of approximately S$0.1 million on the disposal of all of our equity interests in Schneeberger Linear Technology Pte Ltd (a then associated company); (3) the increase of government reliefs and incentives of approximately S$0.1 million; and (4) an write back of allowance of trade receivables of approximately S$0.1 million.

Distribution costs

Our distribution costs decreased by approximately S$0.4 million or 2.1% to S$21.6 million for FY2016 primarily due to our cost control measures in respect of major costs of operations including distribution costs in terms of their percentage to our total revenue as a result of reduced sales and marketing expenses.

Administrative expenses

Our administrative expenses increased by approximately S$2.8 million or 10.0% to S$30.6 million for FY2016 primarily due to (i) the expenses of S$3.5 million incurred in connection with the Listing; and (ii) an increase of S$0.5 million in our employee benefit costs as a result of the general pay rise, partly offset by a decrease of our general office expense and travelling expense as a result of our cost control measures.

Listing expenses

The total expenses for the Listing (including underwriting fee and commission payable by us) are approximately S$4.7 million, of which S$0.8 million is directly attributable to the issue of the Offer Shares in the share offer and to be accounted for as deduction to equity (none had been accounted for as at 31 December 2016) and approximately S$3.9 million is to be charged as administrative expenses to our consolidated statements of comprehensive income, in which approximately S$3.5 million had been charged for the financial year ended 31 December 2016. The remaining S$0.4 million is to be charged to our consolidated statements of comprehensive income in FY2017. The increase of S$0.5 million in the actual listing expenses are mainly due to the outlay incurred by professional teams during the course of the Listing and the increase share registrar expense due to the unexpected level of over subscription of our shares in the public offer. The final net proceeds amount to S$7.0 million (equivalent to HK$37.8 million).

Shares of Group have been listed on the Main Board of the Stock Exchange since 12 January 2017 (the "**Listing Date**").

Other operating expenses

Our other operating expenses increased by approximately S$0.3 million or 13.0% to S$2.2 million for FY2016 mainly due to our net foreign exchange losses.

Finance costs

Our finance costs remain stable at approximately S$0.7 million.

Income tax expense

Our income tax expense decreased by S$1.0 million or 19.5% to S$4.3 million in FY2016. The effective tax rates for the year ended 31 December 2016 was 29.9% (FY2015: 31.0%). Excluding the impact of S$3.5 million of listing expenses which are non-tax deductible and certain of our costs and expense being non-deductible in compliance with the relevant tax laws and regulations, the effective tax rate for FY2016 was 24.0% due to utilization of tax losses in prior years and tax credit to offset the income tax expenses.

Profit for the year

Net profit decreased by S$1.8 million or 15.5% to S$10.0 million for FY2016. Excluding the impact of the S$3.5 million listing expenses in FY2016, the net profit would have been S$13.5 million, S$1.7 million or 14.0% higher than that for FY2015. The increase in our profit primarily due to the increase in revenue of approximately S$23.2 million which generated gross profit approximately S$5.9 million and increase in other operating income, partially offset by a decrease in our gross profit by S$6.9 million due to the effect of decreased gross profit margin from approximately 27.9% for FY2015 to 25.1% for FY2016.

Property, plant and equipment

Our property, plant and equipment decreased by S$7.9 million or 22.1% to S$27.7 million in FY2016 primarily due the Partial Disposal of Aenergy. Aenergy ceased to be a subsidiary of our Company and the financial position and operating results of Aenergy and its group companies ceased to be consolidated as subsidiaries into our Group from 30 June 2016 Onwards. Property, plant and equipment with carrying value of S$19.6 million are pledged as securities of the borrowings.

Investment in associates

Our investment in associates increased by S$6.6 million or 131.5% to S$11.6 million in FY2016 primarily due the partial reduction of shareholding interest in Aenergy. Aenergy and its group companies become associates of our Company from 30 June 2016 onwards.

Inventories

Our inventories decreased by S$2.0 million or 4.8% to S$38.9 million in FY2016 primarily due to the growth of revenue for the 4Q16 as compared to 4Q15.

Trade and other receivables

Our trade and other receivables increased by S$13.2 million or 18.0% to S$86.3 million in FY2016 was primarily in line with an increased revenue for the 4Q16 as compared to 4Q15.

Trade and other payables

Our trade and other payables increased by S$13.6 million or 26.1% to S$65.5 million in FY2016 primarily due to the growth of revenue for the 4Q16 as compared to 4Q15.

Bank borrowings

Our bank borrowing decreased by S$1.0 million or 7.0% to S$13.3 million in FY2016 primarily due to the repayment of bank borrowings of approximately S$13.0 million, partially offset by the proceeds of bank borrowing of approximately S$10.9 million. As at 31 December 2016, approximate S$13.1 million are due within 1 year and S$0.4 million are due beyond 1 year; approximate S$1.8 million are of fixed rate and approximate S$11.7 million are of floating rate.

MATERIAL ACQUISITION AND DISPOSAL

Apart from those disclosed in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**"), there were no material acquisition and disposal in the year ended 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2016, the Group's working capital was financed by both internal resources and bank borrowings. As at 31 December 2016, cash and cash balances amounted to approximately S$38.7 million, which decreased by approximately 1.1% as compared to approximately S$39.1 million as at 31 December 2015. The quick ratio of the Group was approximately 1.6 times (2015: 1.7 times). As at 31 December 2016, the Group has long and short term borrowings, inclusive of finance lease, amounted to S$13.7 million (2015: S$14.8 million).

GEARING RATIO

During the year ended 31 December 2016, the gearing ratio of the Group was about 11.3% (2015: 12.3%) 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 Reporting Period. 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.

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. 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 year ended 31 December 2016, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the year ended 31 December 2016, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S$2,511,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, there were 810 (2015: 901) 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 Reporting Period.

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 31 December 2016.

Charge on the Group's Assets

As at 31 December 2016, the Group's cash and cash equivalents of approximately S$1.4 million (2015: nil) 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 on the Main Board of the Stock Exchange. The final total net proceeds from the Listing which involved the issue of 40,000,000 ordinary Shares of HK$1.25 each of the Company amounted to approximately S$7.0 million (equivalent to HK$37.8 million). During the period between the Listing Date and date of this announcement, the net proceeds from the Listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds would be utilized according to the use disclosed 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

From the Listing Date 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.

As at 31 December 2015, the Company held 6,365,000 ordinary shares as treasury shares. On 19 December 2016, all of the treasury shares of our Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap. 50.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of S$0.3 cents (equivalent to HK$1.7 cents) per ordinary share for the year ended 31 December 2016. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on 28 April 2017 at 9:30 a.m. (Singapore Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on 5 June 2017 to shareholders whose names shall appear on the register of members of the Company on 17 May 2017.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 April 2017 to 28 April 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 28 April 2017, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on 25 April 2017.

The register of members of the Company will be closed from 17 May 2017 to 18 May 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 31/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on 16 May 2017.

CORPORATE GOVERNANCE

As the shares of the Company were not listed on the Stock Exchange until 12 January 2017, the Code on Corporate Governance (the "**CG Code**") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the year ended 31 December 2016. The Company has adopted the CG Code since to Listing Date (12 January 2017). The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

As the Shares have not been listed on the Stock Exchange as at 31 December 2016, the Model Code as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the year ended 31 December 2016. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 12 January 2017. Based on specific enquiry with the Directors, all the Directors have compiled with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

RECONCILIATION BETWEEN SFRS AND IFRS

For the year ended 31 December 2016, there were no material differences between the consolidated financial statements of the Group prepared under SFRS and IFRS (which include all IFRS, International Accounting Standards and Interpretations).

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 has reviewed, with the management and the external auditors of the Company, Messrs. Moore Stephens LLP, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results announcement of the Company for the year ended 31 December 2016.

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.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditors, Moore Stephens LLP (the "**Auditors**"), to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by the Auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditors on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The annual results announcement for the year ended 31 December 2016 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.isdn.com). The annual report of the Company for the year ended 31 December 2016 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, 24 February 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.