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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 2018

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 June		
	2018	2017	% Change
	S\$'000	S\$'000	
Revenue	162,104	145,027	11.8%
Gross profit	41,703	36,050	15.7%
Profit for the period and attributable to owners of the Company	10,076	4,731	n.m.
Basic earnings per share	S\$2.55 cents	S\$1.21 cents	

The Board has resolved to not declare interim dividend for the current period. (2017 interim: nil)

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 2018 (the “1H2018”), together with the comparative figures for the six months ended 30 June 2017 (the “1H2017”). The Group’s interim results for 1H2018 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 2018

	Note	2018 S\$'000 (unaudited)	2017 S\$'000 (unaudited)
REVENUE	5	162,104	145,027
Cost of sales		(120,401)	(108,977)
Gross profit		41,703	36,050
Other operating income	5	3,627	1,509
Distribution costs		(12,066)	(11,091)
Administrative expenses		(15,296)	(15,308)
Other operating expenses		(155)	(1,895)
Finance costs	6	(416)	(341)
Share of profit of associates		637	616
PROFIT BEFORE INCOME TAX	7	18,034	9,540
Income tax	8	(4,510)	(2,862)
PROFIT FOR THE PERIOD		13,524	6,678
OTHER COMPREHENSIVE INCOME:			
<u>Items that may be subsequently reclassified to profit or loss</u>			
- Exchange differences on translation of foreign operations			
Income/(loss) on translation of foreign operations		395	(1,524)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,919	5,154

	<i>Note</i>	2018 S\$'000 (unaudited)	2017 <i>S\$'000</i> <i>(unaudited)</i>
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Equity holders of the Company		10,076	4,731
Non-controlling interests		3,448	1,947
		13,524	6,678
TOTAL COMPREHENSIVE INCOME FOR			
THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		10,521	3,650
Non-controlling interests		3,398	1,504
		13,919	5,154
EARNINGS PER SHARE:			
Basic and diluted	<i>10</i>	S\$2.55 cents	S\$1.21 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		30 June 2018 S\$'000 (unaudited)	31 December 2017 S\$'000 (audited)
	Note		
ASSETS			
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 associates		19,223	18,352
Deferred tax assets		165	316
Total non-current assets		60,711	59,522
Current assets			
Inventories		53,386	50,003
Trade and other receivables	11	111,702	89,164
Cash and bank balances		32,305	38,303
Total current assets		197,393	177,470
Total assets		258,104	236,992

		30 June 2018 S\$'000 (unaudited)	31 December 2017 S\$'000 (audited)
	<i>Note</i>		
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	70,981	70,981
Warrants Issue		3,384	3,384
Reserves		70,803	62,313
		145,168	136,678
Non-controlling interests		18,259	15,214
Total equity		163,427	151,892
Non-current liabilities			
Bank borrowings		105	159
Finance leases liabilities		1	82
Deferred tax liabilities		-	266
Total non-current liabilities		106	507
Current liabilities			
Bank borrowings		14,963	14,302
Finance leases liabilities		7	160
Trade and other payables	13	76,471	68,694
Current tax liabilities		3,130	1,437
		94,571	84,593
Total liabilities		94,677	85,100
Total liabilities and equity		258,104	236,992

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 the Stock Exchange.

2. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2018 but are extracted from that report.

The unaudited condensed consolidated interim financial information for the financial period ended 30 June 2018 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 2017.

3. ADOPTION OF NEW OR AMENDED FRS

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

FRS 109	Financial Instruments
FRS 115	Revenue from Contracts with Customers
Amendments to FRS 40	Transfer of Investment Property
Improvements to FRSs (December 2016)	
- Amendments to FRS 28	Investment in Associates and Joint Ventures

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	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	126,948	112,750	31,071	29,306	3,179	2,971	906	-	-	-	162,104	145,027
Inter-segment sales	9,224	1,052	697	975	93	66	-	-	(10,014)	(2,093)	-	-
	136,172	113,802	31,768	30,281	3,272	3,037	906	-	(10,014)	(2,093)	162,104	145,027
Results												
Segment results	12,246	8,902	5,675	1,627	110	469	(130)	(71)	-	-	17,901	10,927
Share of profit/(loss) of associates	809	740	-	-	-	-	(172)	(124)	-	-	637	616
Corporate expenses											(531)	(1,996)
Rental income											175	262
Interest income											268	72
Finance costs											(416)	(341)
Profit before income tax											18,034	9,540
Income tax											(4,510)	(2,862)
Profit for the six months ended 30 June											13,524	6,678
Assets												
Segment assets	144,014	124,406	40,897	38,666	2,937	2,942	13,865	8,922	(7,265)	(6,789)	194,448	168,147
Goodwill	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Associates	5,730	4,688	-	-	-	-	13,493	13,664	-	-	19,223	18,352
Investment properties											442	504
Cash and bank balances											32,305	38,303
Consolidated total assets as at 30 June/31											258,104	236,992
Liabilities												
Segment liabilities	59,415	53,609	18,999	14,109	510	491	290	2,777	(7,265)	(6,789)	71,949	64,197
Bank borrowings and finance leases											15,076	14,703
Income tax liabilities											3,130	1,437
Others unallocated corporate liabilities											4,522	4,763
Consolidated total liabilities											94,677	85,100
Other information												
Capital expenditure on -Property, plant and equipment	1,188	310	487	354	-	1	6	6	-	-	1,681	671
Depreciation of properties,	649	641	380	347	8	3	13	47	-	-	1,050	1,038
Depreciation of investment properties	19	8	-	-	-	-	-	-	-	-	19	8
Other non-cash expenses:												
-amortisation of land use rights	17	17	-	-	-	-	-	-	-	-	17	17
-trade receivables written off	3	49	17	-	-	-	-	15	-	-	20	64
-allowance for inventory obsolescence	-	315	-	35	-	-	-	-	-	-	-	350
-allowance for impairment	-	21	-	-	-	-	-	-	-	-	-	21
-inventories written off	90	3	-	-	-	-	-	-	-	-	90	3
-write back of allowance of	(34)	(35)	-	-	-	-	-	-	-	-	(34)	(35)

(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	
	2018	2017	30 June 2018	31 December 2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Singapore	23,402	23,502	31,512	34,128
People Republic of China ("PRC")	113,235	103,480	23,322	22,891
Hong Kong	9,070	5,963	998	1,369
Malaysia	4,074	3,572	903	904
Others	12,323	8,510	3,976	230
	162,104	145,027	60,711	59,522

(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	
	2018	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Other operating income		
Commission income	520	79
Foreign exchange gain, net	818	—
Gain on disposal of interest in a subsidiary	180	101
Gain on disposal of property, plant and equipment	159	3
Finance income		
— Interest on bank deposits	152	60
— Interests on loan to an associate	116	12
Government grants	92	53
Miscellaneous income	978	401
Operating lease rental income:		
— Investment properties	17	30
— Sub-let of office/warehouse premises	158	232
Property management income	80	195
Technical service income	326	308
Write back of allowance of inventory obsolescence	31	35
	3,627	1,509

6. FINANCE COSTS

	For the six months ended	
	2018	2017
	S\$'000	S\$'000
Interest expense on:		
— Bank loans	365	323
— Trust receipts	28	9
— Finance leases	9	9
— Others	14	-
	416	341

7. PROFIT BEFORE INCOME TAX

	For the six months ended	
	2018	2017
	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	190	193
— Recognised in distribution costs	124	81
— Recognised in administrative expenses	736	764
	1,050	1,038
Depreciation of investment properties	19	8
Other operating expenses included:		
— Trade receivables written off	20	64
— Allowance for inventory obsolescence	-	350
— Allowance for impairment of trade receivable	-	21
— Inventories written off	90	3
— Foreign exchange losses, net	-	1,437
— Fixed assets written off	1	-
Operating lease rental expense	935	620

8. INCOME TAX

	For the six months ended	
	2018	2017
	S\$'000	S\$'000
Current income tax		
— Singapore	818	447
— The PRC	2,663	2,207
— Outside Singapore and the PRC	1	-
— Over provision in respect of prior year	702	221
Deferred Taxation		
— Withholding tax on the profits of the Group's subsidiaries	9	126
— Under/(Over) provision in respect of prior year	317	(139)
	4,510	2,862

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the periods ended 30 June 2018 and 2017 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 2018 and 2017 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	
	2018	2017
	S\$'000	S\$'000
Paid during the financial period:		
Tax exempt (one-tier) final dividend of Singapore		
0.6 cents per share (2017:0.3 cents) in respect of the previous year	2,289	1,282

Subsequent to the year ended 31 December 2017, the Board proposed a final tax-exempt dividend[#] of S\$0.6 cents (2017: S\$0.3 cents) per ordinary share, amounting to S\$2,289,000 (2017: S\$1,282,000) 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 2018.

[#] 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	
	2018	2017
	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	10,076	4,731
Weighted average number of ordinary shares for the purpose of basic earnings per share	394,684,950	392,240,506

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the periods ended 30 June 2018 and 2017.

The outstanding warrants did not have dilutive effect on the Group's earnings per share for the periods ended 30 June 2018 and 2017 respectively, because their exercise price is higher than the average share price during the period.

11. TRADE AND OTHER RECEIVABLES

	2018 S\$'000	2017 S\$'000
Trade receivables, net of impairment		
— Note receivables	4,979	6,247
— Third parties	80,023	58,119
— Associates	2,907	2,490
— Related parties	201	1,597
	88,110	68,453
Other receivables:		
Funding to investee company	4,550	4,532
Amount due from investor	3,611	3,536
Advances to		
— Suppliers	5,531	5,158
— Associates	596	122
— Related parties	91	138
Deposits	335	530
Loan to associates	1,988	817
Promissory note due	1,307	1,280
Sundry debtors	4,554	4,131
	22,563	20,244
Prepayment	1,029	467
	111,702	89,164

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

	2018 S\$'000	2017 S\$'000
Within 30 days	38,855	32,554
31-90 days	27,843	20,473
Over 90 days	21,412	15,426
	88,110	68,453

Trade receivables are non-interest bearing and are usually due within 30 — 90 days term. Included in trade receivables as at 30 June 2018 were trade receivables from third parties amounting to S\$824,000 (2017: S\$566,000), 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

	No. of ordinary shares		Issued and fully paid Amount	
	2018	2017	2018 S\$'000	2017 S\$'000
At the beginning of period/year	394,684,950	354,684,950	70,981	62,408
Add: Share offers	-	40,000,000	-	8,573
At the end of period/year	394,684,950	394,684,950	70,981	70,981

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

	2018 S\$'000	2017 S\$'000
Trade payables		
— Note payables	3	1
— Third parties	39,116	30,935
— Associates	24	48
— Related parties	5,398	4,712
	44,541	35,696
Other payables:		
Advances received from customers	10,864	9,125
Accrued operating expenses	16,205	15,982
Amount owing to an associate	291	1,280
Amount owing to non-controlling interests	720	716
Others payables	3,850	5,895
	76,471	68,694

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

	2018 S\$'000	2017 S\$'000
Within 90 days	40,170	32,269
90-180 days	3,083	2,601
Over 180 days	1,288	826
	44,541	35,696

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 2018 up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For 1H2018, revenue increased by approximately S\$17.1 million, or 11.8% from S\$145.0 million for 1H2017 to S\$162.1 million for 1H2018.

For the 1H2018, gross profit has increased by S\$5.7 million, or 15.7%, to S\$41.7 million.

Our business focus continues to be predominantly in the PRC, contributing approximately 70.0% to our revenue in 1H2018 (FY2017: 71.1%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.4%, 5.6% and 2.5% of our Group's revenue in 1H2018, respectively (2017: 15.5%, 3.5% and 2.6%). We have achieved growth in overall revenue in PRC, Hong Kong, Vietnam, Singapore and Malaysia in 1H2018.

The increase in our Group's revenue and gross profit were attributable to 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. The stronger demand was mainly attributable to the adoption of Robotics, Artificial Intelligence ("AI") and Industrial 4.0 which increases demand for motion control engineering solutions. Our Group also benefited from medical device manufacturers' growing demand for precision control systems.

Our Group continues to serve customers in a wide range of industries in 1H2018. 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. For instance, our Group receives more orders from original equipment manufacturers that supply to major smartphone brands, prior to the launch of new smartphone models.

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.

FUTURE PROSPECTS

Our Group has benefited from growing demand from its customers with its revenue growing by 11.8% 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 trade war looms larger day by day, which may also slow down the momentum of growth. Our Group is monitoring the situation, and working closely with suppliers and customers to stay abreast of any new developments.

To drive growth, our Group will continue to build on and expand its market and industry presence by ramping up sales and marketing efforts in targeted industries. Growing demand by medical device manufacturers for high-tech precision control systems, enhanced services required in the field of AI, and the continuous development in industries such as environmental protection and electric vehicles present opportunities for our Group's core motion control and other specialised engineering solutions businesses, as businesses and consumers seek to reduce carbon footprint.

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 highly automated and precise. Long term, this ongoing trend is positive for our group's core motion control and other specialised engineering solutions businesses, which provides parts and solutions for factory automation, robotics, AI and Industrial 4.0.

We will focus on customers adopting the Industrial 4.0 manufacturing strategy which is a strategy very much encouraged by many governments around the world, such as the "Made in China 2025" policy promulgated by the PRC government. Our Group sees Industrial 4.0, AI, robotics solution and modern rail transport equipment as sectors that are particularly important to our business. These are also the areas of current and future industry growth.

Our geographical focus will continue to be the PRC and Singapore markets which accounted for more than 84% of our revenue in 1H2018. Nevertheless, we will also continue to expand our business in other countries in Southeast Asia like Vietnam, Thailand and Indonesia.

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

The Group recorded an increase in total revenue by approximately S\$17.1 million, or 11.8% from S\$145.0 million in 1H2017 to S\$162.1 million 1H2018.

The gross profit increased by \$5.7 million, or 15.7%, to S\$41.7 million in 1H2018.

Our core motion control solutions continued to sustain growth in 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 process for industrial robots in manufacturing processes is also key factor driving our businesses in Southeast Asia Regions.

Other operating income

Other operating income increased by S\$2.1 million, or >100% to S\$3.6 million in 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\$1.0 million, or 8.8% to S\$12.1 million in 1H2018. The increase was mainly due to the increase of sales commission to sales personnel which is in line with the increase in revenue.

Administrative expenses

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

Other operating expenses

Other operating expenses decreased by S\$1.7 million, or 91.8% to S\$0.2 million for 1H2018. The decrease was due to absence of foreign exchange loss.

Finance costs

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

Income tax expense

Income tax expense increased by S\$1.6 million, or 57.6% to S\$4.5 million for 1H2018, mainly due to higher chargeable income in 1H2018. The Group's effective tax rate had reduced 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.

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.

Interests in 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 1H2018.

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.

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, which is in line with higher order books subsequent to 1H2018; and (ii) increased in trade payables due to the business growth.

Bank borrowings

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.

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

Apart from those disclosed in the prospectus of the Company dated 30 December 2016 (the “Prospectus”), there were no material acquisitions and disposals in 1H2018.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2018, the Group’s working capital was financed by both internal resources and bank borrowings. As at 30 June 2018, cash and cash balances amounted to approximately S\$32.3 million, which decreased by approximately 15.7% as compared to approximately S\$38.3 million as at 31 December 2017. The quick ratio of the Group was approximately 1.5 times (31 December 2017: 1.5 times).

As at 30 June 2018, the Group has long and short-term bank borrowings of approximately S\$15.1 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$15.0 million (31 December 2017: S\$14.3 million) while the bank borrowings due after one year amounted to approximately S\$0.1 million (31 December 2017: S\$0.2 million).

As at 31 December 2017, the weighted average effective interest rates on bank borrowings is 4.84% (31 December 2017: 5.25%) per annum. The Group does not have fixed rate bank borrowings as at 30 June 2018 and 31 December 2017. Together with the obligation under finance leases of approximately S\$0.1 million (31 December 2017: S\$0.2 million), the Group’s total borrowings amounted to S\$15.0 million (31 December 2017: S\$14.5 million).

GEARING RATIO

During the financial period ended 30 June 2018, the gearing ratio of the Group was about 10.4% (2017: 9.9%) 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 increase in gearing ratio was mainly due to the increase in bank borrowings.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2018. 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 2018, 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 2018, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$1,681,000 (2017: S\$671,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, there were 868 (2017: 824) 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 2018.

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 2018.

Charge on the Group's Assets

As at 30 June 2018, the Group's cash and cash equivalents of approximately S\$0.3 million (2017: S\$0.4 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 2018, 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 2018 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.

PROPOSED INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2018 (2017: 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 period ended 30 June 2018, 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 2018 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 2018 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 2018 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, 8 August 2018

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.