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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 QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

The announcement is made pursuant to Inside Information Provision under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This quarterly report is prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The financial information set out in this report has been prepared in accordance with Singapore Financial Reporting Standard and has not been audited nor reviewed by auditors. Shareholders of ISDN Holdings Limited (the “Company”) and public investors should exercise caution when trading in the shares of the Company.

By order of the Board
ISDN HOLDINGS LIMITED

Mr. Teo Cher Koon

President and Managing Director

Hong Kong, 7 November 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.



ISDN Holdings Limited
2018 Interim Financial Statements Announcement for the
Third Quarter and Period Ended 30 September 2018



(Company Registration No.: 200416788Z)

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For the Third Quarter and Period Ended 30 September 2018



ISDN Holdings Limited
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1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND PERIOD ENDED 30 SEPTEMBER 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 30 September		%	9 months ended 30 September		%
	2018	2017		2018	2017	
	S\$'000	S\$'000	change +/(-)	S\$'000	S\$'000	change +/(-)
Revenue	68,739	76,693	-10.4%	230,843	221,720	4.1%
Cost of sales	(49,432)	(57,513)	-14.1%	(169,833)	(166,490)	2.0%
Gross profit	19,307	19,180	0.7%	61,010	55,230	10.5%
Other operating income	1,013	1,335	-24.1%	3,825	2,844	34.5%
Distribution costs	(6,021)	(6,481)	-7.1%	(18,087)	(17,572)	2.9%
Administrative expenses	(7,436)	(7,234)	2.8%	(22,732)	(22,542)	0.8%
Other operating expenses	(1,302)	(379)	n.m.	(642)	(2,274)	-71.8%
Finance costs	(173)	(243)	-28.8%	(589)	(584)	0.9%
Share of profit of associates	(201)	20	n.m.	436	636	-31.4%
Profit before taxation	5,187	6,198	-16.3%	23,221	15,738	47.5%
Income tax expense	(938)	(1,475)	-36.4%	(5,448)	(4,337)	25.6%
Profit for the period	4,249	4,723	-10.0%	17,773	11,401	55.9%
Other comprehensive (loss)/income:						
Items that may be subsequently reclassified to profit and loss						
Net fair value changes on cash flow hedge	(59)	-	n.m.	(59)	-	n.m.
Exchange differences on translation of foreign operations	(2,255)	264	n.m.	(1,860)	(1,260)	47.6%
	(2,314)	264	n.m.	(1,919)	(1,260)	52.3%
Total comprehensive income for the period	1,935	4,987	-61.2%	15,854	10,141	56.3%
Profit for the period attributable to:						
Equity holders of the Company	2,391	2,984	-19.9%	12,467	7,715	61.6%
Non-controlling interest	1,858	1,739	6.8%	5,306	3,686	44.0%
	4,249	4,723	-10.0%	17,773	11,401	55.9%
Total comprehensive income for the period attributable to:						
Owners of the Company	568	3,127	-81.8%	11,089	6,777	63.6%
Non-controlling interest	1,367	1,860	-26.5%	4,765	3,364	41.6%
	1,935	4,987	-61.2%	15,854	10,141	56.3%

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			9 months ended		
	30 September			30 September		
	2018	2017	% change	2018	2017	% change
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Profit from operations is determined after (crediting)/charging the following:						
Allowance for impairment of trade receivables	94	5	n.m.	94	26	n.m.
Allowance for inventories obsolescence	378	138	n.m.	344	453	-24.1%
Amortisation and depreciation	532	589	-9.7%	1,618	1,652	-2.1%
Interest income	(12)	(12)	0.0%	(205)	(82)	n.m.
Foreign exchange loss, net	829	107	n.m.	11	1,544	-99.3%
Gain on disposal of interest in subsidiaries	-	-	n.m.	(180)	(101)	78.2%
Loss/(gain) on disposal of property, plant and equipment, net	2	-	n.m.	(157)	(3)	n.m.
Inventories written off	3	112	-97.3%	93	115	-19.1%
(Over)/Under provision of tax in respect of prior year	(347)	(64)	n.m.	355	62	n.m.
Property, plant and equipment written off	-	-	n.m.	1	-	n.m.
Trade receivables written off	1	9	-88.9%	21	73	-71.2%

n.m: Not meaningful

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(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 September 2018	31 December 2017	30 September 2018	31 December 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	27,077	27,326	36	-
Investment properties	502	504	-	-
Land use rights	1,281	1,338	-	-
Goodwill	11,686	11,686	-	-
Interests in subsidiaries	-	-	50,410	36,653
Interests in associates	18,874	18,352	130	124
Deferred tax assets	157	316	-	-
	59,577	59,522	50,576	36,777
Current assets				
Inventories	50,089	50,003	-	-
Trade and other receivables	113,508	89,164	320	115
Amounts due from subsidiaries	-	-	37,011	42,049
Dividend receivables	-	-	2,993	6,938
Cash and bank balances	34,177	38,303	2,317	2,692
	197,774	177,470	42,641	51,794
Current liabilities				
Bank borrowings	14,201	14,302	2,351	3,000
Finance leases	106	160	-	-
Trade and other payables	66,628	68,694	8,098	6,556
Current tax liabilities	2,785	1,437	-	-
	83,720	84,593	10,449	9,556
Net current assets	114,054	92,877	32,192	42,238
Non-current liabilities				
Bank borrowings	11,541	159	11,464	-
Finance leases	279	82	-	-
Deferred tax liabilities	-	266	-	-
	11,820	507	11,464	-
Net assets	161,811	151,892	71,304	79,015
Equity				
Share capital	70,981	70,981	70,981	70,981
Warrants issue	3,384	3,384	3,384	3,384
Reserves	71,371	62,313	(3,061)	4,650
Equity attributable to owners of the Company	145,736	136,678	71,304	79,015
Non-controlling interests	16,075	15,214	-	-
Total equity	161,811	151,892	71,304	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 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,855	11,452	1,180	13,282

The amount repayable after one year;

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
11,744	76	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 mortgage over land use rights and leasehold properties of the Group 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.



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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.

	GROUP			
	3 months ended		9 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	5,187	6,198	23,221	15,738
Adjustments for:				
Amortisation of land use rights	8	11	25	28
Trade receivables written off	1	9	21	73
Depreciation of property, plant and equipment	514	557	1,564	1,595
Depreciation of investment properties	10	21	29	29
Allowance for impairment of trade receivables	94	5	94	26
Allowance for inventory obsolescence	378	138	344	453
Loss/(gain) on disposal of property, plant and equipment, net	2	-	(157)	(3)
Gain on disposal of interests in subsidiaries	-	-	(180)	(101)
Inventories written off	3	112	93	115
Property, plant and equipment written off	-	-	1	-
Interest expenses	173	243	589	584
Interest income	(12)	(12)	(205)	(82)
Share of results of associates	201	(20)	(436)	(636)
Foreign currency on translation of foreign operations	(1,889)	96	(1,488)	(987)
Operating cash flow before working capital changes	4,670	7,358	23,515	16,832
Changes in working capital:				
Inventories	2,915	(3,219)	(660)	(11,712)
Trade and other receivables	6,785	5,600	(19,769)	(6,205)
Trade and other payables	(12,877)	(6,133)	2,923	(3,087)
Cash generated from/(used in) operations	1,493	3,606	6,009	(4,172)
Interest expenses	(173)	(243)	(589)	(584)
Interest income	12	12	205	82
Income tax paid	(1,546)	(1,135)	(4,038)	(3,773)
Net cash (used in)/generated from operating activities	(214)	2,240	1,587	(8,447)



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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		9 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(157)	(722)	(1,838)	(1,393)
Proceeds from disposal of property, plant and equipment	(8)	18	435	29
Net cash inflow on disposal of subsidiaries	-	-	563	-
Loan to associates	(9,207)	151	(10,638)	(3,778)
Funds to investee company	-	(86)	-	(37)
Dividends from associates	-	75	155	75
Net cash used in investing activities	(9,372)	(564)	(11,323)	(5,104)
Cash flows from financing activities:				
Dividends to equity holders of the Company	-	-	(2,289)	(1,282)
Dividends to non-controlling interests	(50)	(332)	(3,377)	(401)
Repayment from associates	373	-	373	-
Proceeds from bank borrowings	14,776	6,458	22,055	13,376
Repayment of bank borrowings	(3,644)	(4,381)	(10,411)	(13,134)
(Repayments of)/Proceeds from trust receipts, net	(519)	(864)	(423)	373
Proceeds from/(Repayment of) finance lease	92	(39)	(142)	(54)
Decrease in fixed deposits pledged	-	-	-	1,041
Proceeds from public share offer	-	-	-	8,573
Net cash generated from financing activities	11,028	842	5,786	8,492
Net increase/(decrease) in cash and cash equivalents	1,442	2,518	(3,950)	(5,059)
Cash and cash equivalents at the beginning of financial period	32,055	29,815	38,053	37,292
Effect of currency translation on cash and cash equivalents	430	(50)	(176)	50
Cash and cash equivalents at the end of financial period	33,927	32,283	33,927	32,283
Additional information:				
Cash and bank balances	33,834	32,255	33,834	32,255
Fixed deposits	343	378	343	378
Less: bank deposits pledged	(250)	(350)	(250)	(350)
Total cash and cash equivalents	33,927	32,283	33,927	32,283



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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.

	Share capital	Warrants issue	Merger reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	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	-	-	-	-	-	12,467	12,467	5,306	17,773
Other comprehensive loss for the period	-	-	-	(1,319)	(59)	-	(1,378)	(541)	(1,919)
Total comprehensive (loss)/income for the period	-	-	-	(1,319)	(59)	12,467	11,089	4,765	15,854
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,655)	(3,655)
Disposal of subsidiaries	-	-	-	181	-	77	258	(249)	9
Payment of dividends	-	-	-	-	-	(2,289)	(2,289)	-	(2,289)
Balance as at 30 September 2018	70,981	3,384	(436)	(3,209)	4,862	70,154	145,736	16,075	161,811
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	-	-	-	-	-	7,715	7,715	3,686	11,401
Other comprehensive loss for the period	-	-	-	(938)	-	-	(938)	(322)	(1,260)
Total comprehensive (loss)/income for the period	-	-	-	(938)	-	7,715	6,777	3,364	10,141
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	-	-	-	-	-	-	-	(4,149)	(4,149)
Acquisition of non-controlling interests	-	-	-	-	-	(524)	(524)	524	-
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 September 2017	70,981	3,384	(436)	(2,207)	4,644	58,344	134,710	14,609	149,319

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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. (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
Net loss for the period	-	-	-	(5,363)	(5,363)
Other comprehensive loss for the period	-	-	(59)	-	(59)
Total comprehensive loss for the period	-	-	(59)	(5,363)	(5,422)
Payment of dividends	-	-	-	(2,289)	(2,289)
Balance at 30 September 2018	70,981	3,384	(237)	(2,824)	71,304
Balance at 1 Jan 2017	62,408	3,384	(178)	2,893	68,507
Total comprehensive loss for the period	-	-	-	(5,380)	(5,380)
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 September 2017	70,981	3,384	(178)	(3,769)	70,418

- (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, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 September 2018 is 394,684,950 (30 September 2017: 394,684,950). No treasury shares were held as at 30 September 2018 (30 September 2017: nil). The number of shares held as subsidiary holdings as at 30 September 2018 is nil (30 September 2017: nil).

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. There was no exercise of warrants during the current and previous financial period. As at 30 September 2018, the number of outstanding warrants amounted to 179,972,475 (30 September 2017: 179,972,475). The rights to subscribe for new ordinary shares in the capital of the Company by way of exercise of the warrants expired on 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 September 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 sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

- 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 September 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 has adopted the new financial reporting framework, SFRS(I) and also concurrently applied the new SFRS(I)s, amendments to and interpretations of SFRS(I) that are effective for the financial period beginning 1 January 2018 and are relevant to its operations.

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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 September		9 months ended 30 September	
	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	393,067,303
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	394,684,950	394,684,950	394,684,950	393,067,303
EPS (based on consolidated net profit attributable to shareholders)				
(i) Based on weighted average number of ordinary shares in issue	0.61	0.76	3.16	1.96
(ii) On a fully diluted basis	0.61	0.76	3.16	1.96
	(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 September	31 December	30 September	31 December
	2018	2017	2018	2017
Net assets (S\$'000)	161,811	151,892	71,304	79,015
Issued share capital (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	41.00	38.48	18.07	20.02
	(S\$ cents)	(S\$ cents)	(S\$ cents)	(S\$ cents)



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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's revenue of S\$68.7 million for the three months ended 30 September 2018 ("3Q2018") was S\$8.0 million, or 10.4% lower than the three months ended 30 September 2017 ("3Q2017") mainly due to the challenging market conditions and effect of the ongoing global trade war that has begun to affect the growth momentum in China. The Group continues to explore the latest smart manufacturing solutions in various industries to further enhance the needs of our existing and potential customers.

For the nine months ended 30 September 2018 ("9M2018"), the Group's total revenue increased by approximately S\$9.1 million, or 4.1% from S\$221.7 million for the nine months ended 30 September 2017 ("9M2017") to S\$230.8 million for 9M2018.

The gross profit for the three months ended 30 September 2018 ("3Q2018") increased by S\$0.1 million, or 0.7% as compared to corresponding quarter last year. For the nine months ended 30 September 2018 ("9M2018"), the gross profit has increased by S\$5.8 million, or 10.5%, to S\$61.0 million in 9M2018. The overall gross profit margin was marginally higher than the corresponding nine months last year by 1.5%, from 24.9% to 26.4%.

In overall view, our core motion control solutions still maintained a positive growth in 9M2018 which was mainly driven by the growing domestic demand for high-tech precision control systems from medical device manufacturers, coupled with the consistent growing customer base.

Other operating income

For 3Q2018, the Group's other operating income decreased by approximately S\$0.3 million as compared to corresponding quarter last year. This is mainly due to lower commission income derived from the suppliers.

For 9M2018, the increase of S\$1.0 million was mainly due to (i) gain on disposal of plant and equipment of S\$0.2 million; (ii) interest income of S\$0.1 million; (iii) technical consultancy income of S\$0.5 million; (iv) Gain on disposal of subsidiaries of S\$0.1 million.

Distribution costs

For 3Q2018, the Group's distribution costs decreased by S\$0.5 million, or 7.1% to S\$6.0 million. The decrease was mainly due to lower variable staff costs and marketing expenses incurred.

For 9M2018, distribution costs increased by S\$0.5 million, or 2.9% to S\$18.1 million. 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

Administrative expenses in 3Q2018 has increased by S\$0.2 million, or 2.8% to S\$7.4 million mainly due to higher technical service fees.

For 9M2018, administrative expenses increased by S\$0.2 million, or 0.8% to S\$22.7 million. The increase was mainly due to higher technical service fees offset by the absence of one-off listing expenses incurred in 2017.



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

STATEMENT OF COMPREHENSIVE INCOME ITEMS (CONT'D)

Other operating expenses

Other operating expenses increased by S\$0.9 million to S\$1.3 million in 3Q2018. This was mainly due to net foreign exchange loss arising from the weakening of RMB against other foreign currencies, allowance for impairment of trade receivables and allowance for inventory obsolescence.

For 9M2018, other operating expenses decreased by S\$1.6 million, or 71.8% to S\$0.6 million. This was mainly due to lower allowance for inventory obsolescence and net foreign exchange loss.

Finance costs

For 3Q2018, finance costs decreased by S\$0.1 million, or 28.8% due to more borrowings in 3Q2017. For 9M2018, finance costs remain relatively constant as compared to 9M2017.

Income tax expense

Income tax expense for 3Q2018 decreased by S\$0.5 million, or 36.4% to S\$0.9 million which is mainly due to reversal of prior year's tax provision.

For 9M2018, income tax expense increased by S\$1.1 million, or 25.6% to S\$5.4 million. The increase was mainly due to higher chargeable income. The Group's effective tax rate had reduced from 23.8% to 18.1% for 3Q2018 and from 27.6% to 23.5% for 9M2018, 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

The decrease of S\$0.2 million in the Group's net carrying amount of property, plant and equipment was mainly attributable to depreciation charges, partially offset by the net additions of property, plant and equipment.

Associates

Interests in associates increased by S\$0.5 million, or 2.8% to S\$18.9 million as at 30 September 2018. This was mainly attributed to share of associates' results in 9M2018.

Inventories

Inventories increased by S\$0.1 million, or 0.2% to S\$50.1 million as at 30 September 2018. This was primarily due to the growth of revenue in 9M2018 as compared to 9M2017.



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STATEMENT OF FINANCIAL POSITION ITEMS (CONT'D)

Trade and other receivables

Trade and other receivables increased by S\$24.4 million, or 27.3% to S\$113.5 million as at 30 September 2018. This was mainly due to the growth of revenue in 9M2018 as compared to 9M2017 resulting in an increase in trade receivables of S\$12.7 million and loan to associates of S\$10.0 million.

Subsequent receipt of approximately S\$19.8 million was received from customers as at 31 October. The collection represents approximately 24.4% of trade receivables as at 30 September 2018.

Trade and other payables

Trade and other payables decreased by S\$2.1 million, or 3.0% to S\$66.6 million as at 30 September 2018, which was mainly due to payment to trade suppliers as they became due and lesser other payables.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$11.3 million, or 78.0% to S\$25.7 million as at 30 September 2018. The increase was mainly due to proceeds of bank borrowings of S\$22.1 million, offset by repayment of bank borrowings amounting to S\$10.8 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 3Q2018, net cash used in operating activities of S\$0.2 million arose from operating cash flow before working capital changes of S\$4.7 million offset by (i) decrease in working capital of S\$3.2 million, (ii) net interest paid of S\$0.2 million; and (iii) income tax paid of S\$1.5 million.

For 9M2018, net cash generated from operating activities of S\$1.6 million arose from operating cash flow before working capital changes of S\$23.5 million offset by (i) decrease in working capital S\$17.5 million, (ii) net interest paid of S\$0.4 million; and (iii) income tax paid of S\$4.0 million.

Changes in Cash Flow from Investing Activities

For 3Q2018, net cash used in investing activities amounted to S\$9.4 million was primarily attributed to (i) loan to associates of S\$9.2 million; (ii) acquisition of property, plant and equipment of S\$0.2 million.

For 9M2018, net cash used in investing activities amounted to S\$11.3 million was primarily attributed to loans of S\$10.6 million to associate companies and acquisition of property, plant and equipment of S\$1.8 million. This was offset by the proceeds from disposal of property, plant and equipment of S\$0.4 million and net cash inflow on disposal of subsidiaries of S\$0.6 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 3Q2018, net cash generated from financing activities amounted to S\$11.0 million as a result of net proceeds from bank borrowings of S\$10.6 million and repayment from associates amounting to S\$0.4 million.

For 9M2018, net cash generated from financing activities amounted to S\$5.8 million as a result of net proceeds from bank borrowings of S\$11.2 million and repayment from associates amounting to S\$0.4 million which is offset by total dividends paid of S\$5.7 million.

Overall, the Group's cash and cash equivalent balance as at 30 September 2018 of \$33.9 million was higher by S\$1.6 million as compared to 31 December 2017.

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.**

Based on its financial performance for the first nine months of 2018, the Group is on track to end the year with a higher annual net profit compared to the previous year, barring any unforeseen circumstances. While the Group will seek to build on its momentum in the quarters ahead, it is mindful that overall business sentiment has turned somewhat cautious amid the growing trade dispute between the United States and China, which is its largest market by revenue. In particular, the outlook for export-dependent manufacturers in China, especially those that count the United States as a key market, is increasingly being clouded by the trade spat.

The Group expects its diversified customer base to offer some respite during this time. It has more than 10,000 customers, ranging from small- and medium-enterprises to larger companies and multinational corporations, all hailing from a broad range of sectors, including medical, aerospace, defence, automotive and semiconductor. At the same time, the emerging trend of reliance on automation and robotics in manufacturing should underpin demand for the Group's engineering services.

Even as it seeks to further develop its core engineering business, the Group will continue to pursue new avenues of growth to diversify its income streams. The renewable energy sector, which it ventured into in recent years, is where it will continue to explore growth opportunities, especially those that enable it to leverage its expertise in integrated engineering.

In Indonesia, ISDN's venture into the development of mini-hydropower plants will yield some definitive results from 2019. Its first two plants, capable of producing 4.6MW and 9MW of electricity respectively, are expected to be operational by the middle of next year, while a third plant, which can yield 10MW, will be ready by 2020.



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- 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. (cont'd)**

This 10MW facility is the first of five plants with similar production capacities that ISDN will be rolling out. It has another eight hydropower plants in the pipeline in Indonesia.

Besides hydropower in Indonesia, ISDN's renewable energy push also extends to China, where it has been operating a 1MW rooftop solar power plant at its industrial park in Wujiang, an urban district in Suzhou, for the past eight months. In collaboration with Hong Kong-listed Comtec Solar Systems Group Limited, ISDN intends to set up an energy storage system at the industrial park soon to showcase its energy storage capability.

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.



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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 statements announcement (comprising the statement of comprehensive income, statement of financial position, , statement of cash flows and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material aspect.

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 8 August 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

The Board wishes to update the Shareholders on the Group's utilisation of the net proceeds of approximately S\$7,000,000 (after deducting expenses of approximately S\$2,369,000) from the issuance and allotment of 40,000,000 new ordinary Shares in connection with the Listing, as set out below:

Prospects/ Future Plans	Amount of net proceeds allocated	Amount utilised to date	Amount unutilised to date
	S\$'000	S\$'000	S\$'000
Repayment of debts	6,300	(6,300)	-
Working capital requirements	700	(700)	-
Total	7,000	(7,000)	-

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
7 November 2018