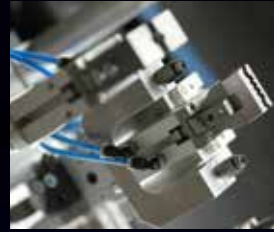




**ISDN Holdings**  
LIMITED

Incorporated in Singapore with limited liability  
(Singapore Stock code : I07.SI) (Hong Kong Stock code : 1656)



# INTERIM REPORT 2018

LEADING THROUGH INNOVATIONS IN TECHNOLOGY





ISDN launched a commemorative book, "The Next Chapter", a compilation of career journeys written by the Group's long-service staff. Over 700 staff were invited to a retreat at Lushan, China, to celebrate ISDN's 30 years in the motion control business. Silver coins were given to all staff as souvenirs at the grand dinner during the retreat. Hot on the heels of these precious milestones, ISDN made a new achievement when it was awarded "FT1000: High-Growth Companies Asia Pacific" by the Financial Times at the beginning of 2018.

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*\* In case of any discrepancies between the English language version and the Chinese language version, the English version shall prevail.*



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Lim Siang Kai (*Chairman*)  
Teo Cher Koon  
Kong Deyang  
Soh Beng Keng  
Tan Soon Liang

## AUDIT COMMITTEE

Lim Siang Kai (*Chairman*)  
Soh Beng Keng  
Tan Soon Liang

## REMUNERATION COMMITTEE

Tan Soon Liang (*Chairman*)  
Lim Siang Kai  
Soh Beng Keng

## NOMINATING COMMITTEE

Soh Beng Keng (*Chairman*)  
Lim Siang Kai  
Teo Cher Koon

## RISK MANAGEMENT COMMITTEE

Lim Siang Kai (*Chairman*)  
Soh Beng Keng  
Teo Cher Koon

## COMPLIANCE ADVISER

**Shenwan Hongyuan Capital  
(H.K.) Limited**  
Level 19  
28 Hennessy Road  
Hong Kong

## JOINT COMPANY SECRETARIES

**Gn Jong Yuh Gwendolyn  
LLB (Hons)**  
1 Robinson Road  
#18-00 AIA Tower  
Singapore 048542

Tang Chi Chiu  
CPA (Practising)  
Room A, 21/F  
128 Wellington Street, Central  
Hong Kong

## AUDITOR

**Moore Stephens LLP**  
10 Anson Road  
#29-15, International Plaza  
Singapore 079903

## REGISTERED OFFICE

No. 10 Kaki Bukit Road 1  
#01-30 KB Industrial Building  
Singapore 416175

## SINGAPORE PRINCIPAL SHARE REGISTRAR

**Boardroom Corporate & Advisory  
Services Pte Ltd**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## HONG KONG BRANCH SHARE REGISTRAR

**Boardroom Share Registrars (HK)  
Limited**  
31/F, 148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL BANKERS

**Standard Chartered Bank**  
Main Branch  
Marina Bay Financial Centre  
Tower 1  
8 Marina Boulevard  
Singapore 018981

## United Overseas Bank Limited

Main Branch  
80 Raffles Place  
UOB Plaza 1  
Singapore 048624

## DBS Bank Limited

Main Branch  
Marina Bay Financial Centre Tower  
12 Marina Boulevard  
Singapore 0189892

## DBS Bank (China) Limited

Suzhou Branch  
7/F International Building  
2 Su Hua Road  
Suzhou Industrial Park  
Suzhou 215021, PRC

## United Overseas Bank (China) Limited

101 – 104, 1/F  
111 Dong Yuan Road  
Pudong New Area  
Shanghai 200120, PRC

## China Construction Bank Co., Ltd

Suzhou New & Hi-Tech Industrial  
Development Zone Sub-Branch  
No. 95 Shishan Road  
Suzhou New District, PRC



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of ISDN Holdings Limited (the "Company") announces the condensed consolidated interim results (the "Interim Results") of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 together with the comparative figures for the six months ended 30 June 2017. The Group's Interim Results are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

	Note	Six months ended 30 June	
		2018 S\$'000 (unaudited)	2017 S\$'000 (unaudited)
<b>Revenue</b>	4	162,104	145,027
Cost of sales		(120,401)	(108,977)
<b>Gross profit</b>		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
<b>Profit before income tax</b>	7	18,034	9,540
Income tax	8	(4,510)	(2,862)
<b>Profit for the period</b>		13,524	6,678
<b>Other comprehensive income/(loss):</b>			
<u>Items that may be subsequently reclassified to profit or loss</u>			
<i>Exchange differences on translation of foreign operations</i>			
- Income/(loss) on translation of foreign operations		395	(1,524)
<b>Total comprehensive income for the period</b>		13,919	5,154
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		10,076	4,731
Non-controlling interests		3,448	1,947
		13,524	6,678
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		10,521	3,650
Non-controlling interests		3,398	1,504
		13,919	5,154
<b>Earnings per share attributable to the holder of the Company:</b>	9		
Basic and diluted		S\$2.55 cents	S\$1.21 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2018

	Note	As at 30 June 2018 S\$'000 <i>(unaudited)</i>	As at 31 December 2017 S\$'000 <i>(audited)</i>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	10	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
<b>Total non-current assets</b>		60,711	59,522
<b>Current Assets</b>			
Inventories		53,386	50,003
Trade and other receivables	11	111,702	89,164
Cash and bank balances		32,305	38,303
<b>Total current assets</b>		197,393	177,470
<b>Total Assets</b>		258,104	236,992
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	70,981	70,981
Warrants issue	13	3,384	3,384
Reserves		70,803	62,313
		145,168	136,678
Non-controlling interests		18,259	15,214
<b>Total Equity</b>		163,427	151,892
<b>Non-current Liabilities</b>			
Bank borrowings	14	105	159
Finance leases		1	82
Deferred tax liabilities		-	266
<b>Total non-current liabilities</b>		106	507
<b>Current Liabilities</b>			
Bank borrowings	14	14,963	14,302
Finance leases		7	160
Trade and other payables	15	76,471	68,694
Current tax liabilities		3,130	1,437
<b>Total current liabilities</b>		94,571	84,593
<b>Total Liabilities</b>		94,677	85,100
<b>Total Liabilities and Equity</b>		258,104	236,992

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Attributable to equity holders of the Company								
	Share capital S\$'000	Warrants issue S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
<b>Group</b>									
<b>2018</b>									
Balance at 1 January (audited)	70,981	3,384	(436)	(2,071)	4,921	59,899	136,678	15,214	151,892
Profit for the period	-	-	-	-	-	10,076	10,076	3,448	13,524
Other comprehensive income/ (loss) for the period	-	-	-	445	-	-	445	(50)	395
Total comprehensive income for the period	-	-	-	445	-	10,076	10,521	3,398	13,919
Dividends to non-controlling interest	-	-	-	-	-	-	-	(104)	(104)
Disposal of subsidiaries	-	-	-	181	-	77	258	(249)	9
Payment of dividends	-	-	-	-	-	(2,289)	(2,289)	-	(2,289)
Balance at 30 June (unaudited)	70,981	3,384	(436)	(1,445)	4,921	67,763	145,168	18,259	163,427
<b>2017</b>									
Balance at 1 January (audited)	62,408	3,384	(436)	(1,269)	4,694	52,436	121,217	14,927	136,144
Profit for the period	-	-	-	-	-	4,731	4,731	1,947	6,678
Other comprehensive loss for the period	-	-	-	(1,081)	-	-	(1,081)	(443)	(1,524)
Total comprehensive (loss)/ income for the period	-	-	-	(1,081)	-	4,731	3,650	1,504	5,154
Increase in share capital arising from share offer:									
Consideration shares	9,373	-	-	-	-	-	9,373	-	9,373
Share issue expenses	(800)	-	-	-	-	-	(800)	-	(800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(69)	(69)
De-recognition of a subsidiary	-	-	-	-	(51)	-	(51)	(57)	(108)
Payment of dividends	-	-	-	-	-	(1,282)	(1,282)	-	(1,282)
Transfer to other reserves	-	-	-	-	1	(1)	-	-	-
Balance at 30 June (unaudited)	70,981	3,384	(436)	(2,350)	4,644	55,884	132,107	16,305	148,412

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 S\$'000 <i>(unaudited)</i>	2017 S\$'000 <i>(unaudited)</i>
<b>Cash Flows from Operating Activities:</b>		
Profit before income tax	18,034	9,540
Adjustments for:		
Amortisation of land use rights	17	17
Trade receivables written off	20	64
Depreciation of property, plant and equipment	1,050	1,038
Depreciation of investment properties	19	8
Allowance for impairment of trade receivables	-	21
(Reversal of)/Allowance for inventory obsolescence	(34)	315
Gain on disposal of property, plant and equipment	(159)	(3)
Gain on disposal of interests in subsidiaries	(180)	(101)
Inventories written off	90	3
Property, plant and equipment written off	1	-
Interest expenses	416	341
Interest income	(268)	(70)
Share of profit of associates	(637)	(616)
Unrealised foreign exchange differences	401	(1,083)
Operating cash flow before working capital changes	18,770	9,474
Changes in working capital:		
Inventories	(3,575)	(8,493)
Trade and other receivables	(26,554)	(11,805)
Trade and other payables	15,800	3,046
Cash generated from/(used in) operations	4,441	(7,778)
Interest paid	(416)	(341)
Interest received	268	70
Income tax paid	(2,492)	(2,638)
<b>Net cash generated from/(used in) operating activities</b>	<b>1,801</b>	<b>(10,687)</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant and equipment	(1,681)	(671)
Proceeds from disposal of property, plant and equipment	443	11
Net cash inflow on disposal of a subsidiary	563	-
Loan to associates	(1,431)	(3,929)
Funds to investee companies	-	49
Dividend from associates	155	-
<b>Net cash used in investing activities</b>	<b>(1,951)</b>	<b>(4,540)</b>
<b>Cash Flows from Financing Activities:</b>		
Dividends to equity holders of the Company	(2,289)	(1,282)
Dividends to non-controlling interests	(3,327)	(69)
Proceeds from bank borrowings	7,279	6,918
Repayment of bank borrowings	(6,767)	(8,753)
Proceeds from trust receipts, net	96	1,237
Repayment of finance leases	(234)	(15)
Decrease in fixed deposits pledged	-	1,041
Proceeds from public share offer	-	8,573
<b>Net cash (used in)/generated from financing activities</b>	<b>(5,242)</b>	<b>7,650</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,392)</b>	<b>(7,577)</b>
Cash and cash equivalents at beginning of period	38,053	37,292
Effect of currency translation on cash and cash equivalents	(606)	100
<b>Cash and cash equivalents at end of period</b>	<b>32,055</b>	<b>29,815</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 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 Assestraise Holdings Limited, a company incorporated in the British Virgin Islands. Assestraise 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 principal activities of its subsidiary companies are principally focusing on motion control, industrial computing and other specialized engineering solutions.

The shares of the Company (the "Share(s)") have been listed on the mainboard of SGX-ST and the Main Board of the Stock Exchange of Hong Kong Limited ("the "Stock Exchange").

### 2 Basis of Preparation

#### (a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical convention and are presented in Singapore dollars ("S\$") except otherwise indicated. The Group has applied the same accounting policies and methods of computation in the preparation of the condensed consolidated financial statements for the current reporting period compared with those of the audited consolidated financial statements for the year ended 31 December 2017.

The condensed consolidated financial statements have 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 (the "Listing Rules").

#### (i) Adoption of revised FRSs which are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018 as follows:

Description	Effective for annual periods beginning on or after
FRS 109	1 January 2018
<i>Financial Instruments</i>	
FRS 115	1 January 2018
<i>Revenue from Contracts with Customers</i>	
Amendments to FRS 40	1 January 2018
<i>Transfers of Investment Property</i>	
Improvements to FRSs (December 2016)	
Amendments to FRS 28	1 January 2018
<i>Investment in Associates and Joint Ventures</i>	

The adoption of these amendments to FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the Group's financial performance or financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 2 Basis of Preparation (Continued)

#### (a) Basis of Preparation (Continued)

##### (ii) New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but not yet effective:

Description		Effective for annual periods beginning on or after
Amendments to FRS 28	<i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to FRS 110 and FRS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined but is available for adoption
FRS 116	<i>Leases</i>	1 January 2019
Improvements to FRSs (March 2018)		
- Amendments to FRS 103	<i>Business Combinations</i>	1 January 2019
- Amendments to FRS 12	<i>Income Taxes</i>	1 January 2019
- Amendments to FRS 23	<i>Borrowing Costs</i>	1 January 2019

Except for FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future period will have no material impact on the financial statements in the period of initial application.

#### FRS 116 Leases

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for accounting periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 Revenue from Contracts with Customers at or before the date of initial application of FRS 116.

The Group has entered into lease agreements, which are expected to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects in future financial years prior to adoption.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3 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

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. 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.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3 Segment Information (Continued)

#### (a) Reportable Operating Segments (Continued)

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June	
	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
	<i>(unaudited)</i>											
<b>Other information</b>												
Capital expenditure on												
- Property, plant and equipment	1,188	310	487	354	-	1	6	6	-	-	1,681	671
Depreciation of property, plant and equipment	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 of trade receivables	-	21	-	-	-	-	-	-	-	-	-	21
- inventories written off	90	3	-	-	-	-	-	-	-	-	90	3
- write back of allowance for inventory obsolescence	(34)	(35)	-	-	-	-	-	-	-	-	(34)	(35)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 3 Segment Information (Continued)

#### (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 as at	
	for the six months ended		30 June	31 December
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
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%.

### 4 Revenue

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 5 Other Operating Income

	Six months ended 30 June	
	2018	2017
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
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	181	3
Finance income:		
- interest on bank deposits	152	60
- interest on loan to an associate	116	12
Government grants	92	53
Miscellaneous income	953	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	34	35
	3,627	1,509
	3,627	1,509

### 6 Finance Costs

	Six months ended 30 June	
	2018	2017
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expense on:		
- bank loans	365	323
- trust receipts	28	9
- finance leases	9	9
- others	14	-
	416	341
	416	341



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 7 Profit before Income Tax

	Six months ended 30 June	
	2018 S\$'000 <i>(unaudited)</i>	2017 S\$'000 <i>(unaudited)</i>
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
Directors' fees	68	70
Directors' remuneration		
- salaries and related costs	2,941	2,070
- defined contribution plans	15	13
Staff costs (other than directors)		
- salaries and related costs	12,502	12,044
- defined contribution plans	1,580	1,852
Other operating expenses included:		
- trade receivables written off	20	64
- allowance for inventory obsolescence	-	350
- allowance for impairment of trade receivables	-	21
- inventories written off	90	3
- foreign exchange losses, net	-	1,437
- fixed assets written off	1	-
- loss on disposal of property, plant and equipment	22	-
Operating lease rental expense	935	620

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 8 Income Tax

	Six months ended 30 June	
	2018 S\$'000 <i>(unaudited)</i>	2017 S\$'000 <i>(unaudited)</i>
Current income tax		
- Singapore	818	447
- The PRC	2,663	2,207
- Outside Singapore and the PRC	1	221
- Under provision in respect of prior year	702	-
Deferred taxation		
- Current income tax	9	126
- Under/(Over) provision in respect of prior years	317	(139)
	4,510	2,862

### 9 Earnings Per Share

	Six months ended 30 June	
	2018 <i>(unaudited)</i>	2017 <i>(unaudited)</i>
Basic earnings per share <i>(Singapore cents)</i>	2.55	1.21
Fully diluted earnings per share <i>(Singapore cents)</i>	2.55	1.21

#### Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2018 and 2017, excluding treasury shares.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 9 Earnings Per Share (Continued)

#### Basic earnings per share (Continued)

The basic earnings per share calculated based on the above is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the year attributable to equity holders 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 six months period ended 30 June 2018 and 2017.

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

### 10 Property, plant and equipment

During the six months ended 30 June 2018, the Group has an addition of property, plant and equipment of approximately S\$1,681,000 (2017: S\$2,095,000). As at 30 June 2018, the carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 14 was S\$16,161,000 (2017: S\$16,312,000) and the carrying amount of property, plant and equipment held under finance lease was Nil (2017: 278,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 11 Trade and Other Receivables

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<u>Trade receivables, net of impairment:</u>		
- Note receivables	4,979	6,247
- Third parties	80,023	58,119
- Associates	2,907	2,490
- Related parties	201	1,597
	<b>88,110</b>	<b>68,453</b>
<u>Other receivables:</u>		
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
Loans to associates	1,988	817
Promissory note due	1,307	1,280
Sundry debtors	4,554	4,131
	<b>22,563</b>	<b>20,244</b>
Prepayments	1,029	467
	<b>111,702</b>	<b>89,164</b>

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

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	38,855	32,554
31 – 90 days	27,843	20,473
Over 90 days	21,412	15,426
	<b>88,110</b>	<b>68,453</b>

Trade receivables are non-interest bearing and are usually due within 30 to 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\$734,000), 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 were included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 12 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	(unaudited)	(audited)	(unaudited)	(audited)
Balance at 1 January	394,684,950	354,684,950	70,981	62,408
Share offers	-	40,000,000	-	8,573
Balance at 30 June/31 December	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 Warrant Issue

	No. of warrants		Amount	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	(unaudited)	(audited)	(unaudited)	(audited)
			S\$'000	S\$'000

#### Group and Company

Balance at beginning and end of the period/year	179,972,475	179,972,475	3,384	3,384
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On 13 November 2013, the Company issued a renounceable non-written rights issue of 179,972,475 warrants at an issue price of S\$0.02 for each warrant. Each warrant carries the right to subscribe to one new ordinary share of the Company at an exercise price of S\$0.60 for each new share, on the basis of one warrant for every 2 existing ordinary shares, to be exercised at any time during the period commencing on and including the date of issue of the warrants 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 year. As at 30 June 2018, the number of outstanding warrants amounted to 179,972,475 (2017: 179,972,475).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 14 Bank Borrowings

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Non-current liabilities</b>		
Unsecured bank loans	105	159
<b>Current liabilities</b>		
Secured bank loans	935	2,367
Unsecured bank loans	7,512	5,604
Unsecured loan from financial institution	3,000	3,000
Trust receipts	2,692	2,597
Account receivables bulk factoring	824	734
	<u>14,963</u>	<u>14,302</u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$16,161,000 (2017: S\$16,312,000) (Note 10), and land use rights with carrying amounts of S\$1,323,000 (2017: \$1,338,000).

### 15 Trade and Other Payables

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables:		
- note payables	3	1
- third parties	39,116	30,935
- associates	24	48
- related parties	5,398	4,712
	<u>44,541</u>	<u>35,696</u>
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	3,850	5,895
	<u>31,930</u>	<u>32,998</u>
	<u>76,471</u>	<u>68,694</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 15 Trade and Other Payables (Continued)

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

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 90 days	40,170	32,269
91 – 180 days	3,083	2,601
Over 180 days	1,288	826
	<u>44,541</u>	<u>35,696</u>

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

### 16 Operating Lease Commitments

#### Where the Group is a lessor

The Group leases out investment properties and sub-let of office/warehouse premises under non-cancellable operating leases. These leases have varying terms and renewal rights.

At the statement of financial position date, commitments in respect of non-cancellable operating leases for the rental of the Group's investment properties are as follows:

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Future minimum lease payment receivable:		
- not later than one year	616	544
- later than one year and not later than five years	487	466
	<u>1,103</u>	<u>1,010</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2017: 1 to 3 years).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 16 Operating Lease Commitments (Continued)

#### *Where the Group is a lessee*

The Group leases various office spaces and office equipment under non-cancellable operating leases. These leases have varying terms and renewal rights.

As the balance sheet date, commitments in respect of non-cancellable operating leases for the Group's rental of office premises and office equipment are as follows:

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Future minimum lease payment payable:		
- not later than one year	1,331	1,537
- later than one year and not later than five years	909	1,350
	<u>2,240</u>	<u>2,887</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2017: 1 to 3 years).

### 17 Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(unaudited)</i>	<i>(audited)</i>
Commitment in respect of plant and equipment	<u>50</u>	<u>58</u>

### 18 Corporate Guarantees

	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2017 S\$'000</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	<u>12,068</u>	<u>11,461</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

### 19 Related Party Transactions

In addition to the related party information disclosed, the following are significant transactions of the Group with related parties at mutually agreed amounts during the six months ended 30 June 2018 and 2017.

		<b>Group</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<b>S\$'000</b>	<b>S\$'000</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Sales to:			
- associates		(942)	(799)
- related parties	(i)	(2,929)	(2,093)
Purchases from:			
- associates		203	389
- related parties	(i)	22,288	19,209
Administrative income charged to associates		-	(25)
Rental charged to:			
- associates		(3)	(3)
- a related party	(ii)	(212)	(204)
Interest income charged to associates		(116)	(34)
Interest charged by a related party	(i)	-	12
Management fee charged to related parties	(i)	-	(20)
Other expenses charged by related parties	(i) & (ii)	148	91
Other income charged to a related party	(i)	(96)	(16)

(i) The related parties mainly pertain to non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.

(ii) Mr Teo, the managing Director of the Group, is a director of the related parties.

### 20 Subsequent Events

#### ***Additional investment in a subsidiary***

On 19 July 2018, the Company has subscribed 10,000,000 ordinary shares in the share capital of its wholly-owned subsidiary, ISDN Investments Pte Ltd for a total cash consideration of S\$13,757,000. As a result, the issued and paid-up share capital of ISDN Investments Pte Ltd has increased to S\$13,757,001.

#### ***Striking-off of a subsidiary***

On 23 July 2018, the Company announced that a wholly-owned subsidiary of the Group, Agri Source Suzhou Co., Ltd, had been voluntarily struck off.

# 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 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% of our revenue in 1H2018 (FY2017: 71.4%), 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: 16.2%, 4.1% and 2.5%). 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



# MANAGEMENT DISCUSSION AND ANALYSIS

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 are also the key factors driving our businesses in Southeast Asia region, including Malaysia and Vietnam.

### **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 remained relatively stable for 1H2018 as compared with 1H2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 no foreign exchange loss in 1H2018.

## 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 the increase in 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. This 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. The increase 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 30 June 2018.

## 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 additional bank borrowings amounted to S\$7.3 million, partially offset by repayment of bank borrowings of S\$6.8 million.

## 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\$2,095,000).



# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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 30 June 2018, 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\$15.1 million (31 December 2017: S\$14.7 million).

As at 31 December 2017 and 30 June 2018, the carrying amounts of the Group's cash and bank balances and bank borrowings are denominated in the below currencies:

	<b>RMB</b>	<b>USD</b>	<b>SGD</b>	<b>HKD</b>	<b>CHF</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>30 June 2018</b>								
Cash and bank balances	18,114	6,425	2,836	75	923	1,495	2,437	32,305
Bank borrowings	6,143	2,649	5,860	-	-	-	416	15,068
<b>31 December 2017</b>								
Cash and bank balances	20,153	7,697	3,757	1,025	1,489	1,072	3,110	38,303
Bank borrowings	5,587	2,666	5,784	-	-	-	424	14,461

## GEARING RATIO

As at 30 June 2018, the gearing ratio of the Group was about 10.4% (31 December 2017: 10.8%) 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.

# MANAGEMENT DISCUSSION AND ANALYSIS



## 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 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.

## 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\$0.3 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.

# OTHER INFORMATION

## Interim dividend

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2018 (2017: Nil).

## Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures and its Associated Corporation

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") in the Shares or underlying shares of or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which will be required, recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act (Cap. 50) of Singapore, or, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

### (i) Long Position in the Shares, Underlying Shares or Debentures of the Company as at 30 June 2018

Name of director	Capacity	Number of ordinary shares		Number of underlying shares held under share option scheme	Number of underlying shares held under warrant listing	Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests				
Mr. Teo Cher Koon (Note)	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	49.41%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	1,025,000	3,075,000	0.78%

Note: These shares and warrants were held by Asstraise Holdings Limited, an associated corporation of the Company which is beneficially owned by Mr. Teo Cher Koon ("Mr. Teo") and his spouse, Ms. Thang Yee Chin. Accordingly, Mr. Teo was deemed to be interested in these 131,055,150 shares and 63,945,125 warrants by virtue of the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors or Chief Executive of the Company had registered an interest or short position in the Shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the SEHK pursuant to the Model Code.



# OTHER INFORMATION

## Share option scheme

The Company's Employee Share Option Scheme (the "ESOS") and the amendments to the ESOS were approved by shareholders on an Extraordinary General Meeting held on 22 April 2016 and 16 December 2016, respectively.

Since the commencement of the ESOS till the end of the financial period:

- (1) No options have been granted to the controlling shareholder of the Company and his associates;
- (2) No participant has received 5% or more of the total options available under the ESOS;
- (3) No options have been granted to directors and employees of the Company or its subsidiaries;
- (4) No shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares; and
- (5) No outstanding options to take up unissued shares of the Company or its subsidiaries at the end of the financial year.

## Employee Performance Share Plan

The Company's Employee Performance Share Plan (the "EPSP") and the amendments to the EPSP were approved by shareholders on an Extraordinary General Meeting held on 17 February 2012 and 16 December 2016 respectively.

The plan is administrated by the Remuneration Committee of the Board with such discretion, powers and duties as are conferred on it by the Board of Directors.

All Directors are eligible to participate in the EPSP. The controlling shareholders and associates who are eligible to participate in the EPSP are Mr. Teo Cher Koon and his spouse, Ms. Thang Yee Chin.

## Arrangements to purchase, sale or redemption of Listed Securities

The Company did not redeem any of its listed securities during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the same period.

## Deed of Non-competition

The Company has received the written confirmations from Mr. Teo and Mrs. Teo in respect of the compliance with the provisions of the deed of non-competition ("Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with Controlling Shareholders - Non-Competition Undertaking" of the Prospectus, during the period and up to the date of this interim report.

The Independent Non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the year and up to the date of this interim report.



# OTHER INFORMATION

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2018, the persons or entities who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name of director	Capacity	Number of ordinary shares		Number of underlying shares held under share option scheme	Number of underlying shares held under warrant listing	Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests				
Assetraise Holdings Limited (Note)	Interest of controlled operation	-	131,055,150	-	63,945,125	195,000,275	49.41%
Mr. Karl Walter Braun	Beneficial owner	20,000,000	-	-	-	20,000,000	5.07%

Note: Assetraise Holdings Limited, which is beneficially owned by Mr. Teo Cher Koon and his spouse Ms. Thang Yee Chin, are the beneficial owner of 131,055,150 Shares. By virtue of the SFO, Mr. Teo Cher Koon and his spouse Ms. Thang Yee Chin, are deemed to be interested in all of the Shares held by Assetraise Holdings Limited. Assetraise Holdings Limited held 63,945,125 Warrants.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any persons (who were not Directors or Chief Executive) who had registered an interest or short position in the Shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

# OTHER INFORMATION

## 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 for Securities Transaction

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.



# OTHER INFORMATION

## **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 the interim report**

The interim report of the Company for the six months ended 30 June 2018 is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.isdnholdings.com](http://www.isdnholdings.com)).

By order of the Board  
**Lim Siang Kai**  
*Chairman*

Hong Kong  
17 September 2018

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*ISDN*Holdings  
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Company registration No. 200416788Z