



ISDNHoldings
LIMITED



INTERIM REPORT 2017

GROWTH THROUGH INNOVATION



Incorporated in Singapore with limited liability
(Singapore Stock code : 107.SI) (Hong Kong Stock code : 1656)



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CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

200416788Z

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
Tan Soon Liang

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 018982

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 2017

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 2017 together with the comparative figures for the six months ended 30 June 2016. 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	
		2017	2016
		S\$'000 (unaudited)	S\$'000 (audited*)
Revenue	4	145,027	120,459
Cost of sales		(108,977)	(89,360)
Gross profit		36,050	31,099
Other operating income	5	1,509	1,977
Distribution costs		(11,091)	(10,985)
Administrative expenses		(15,308)	(14,432)
Other operating expenses		(1,895)	(1,828)
Finance costs	6	(341)	(421)
Share of profit/(loss) of associates		616	(476)
Profit before income tax	7	9,540	4,934
Income tax	8	(2,862)	(1,697)
Profit for the period		6,678	3,237
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
<i>Exchange differences on translation of foreign operations</i>			
- Loss on translation of foreign operations		(1,524)	(3,116)
- Reclassification		-	(260)
		(1,524)	(3,376)
Total comprehensive income/(loss) for the period		5,154	(139)
Profit for the period attributable to:			
Equity holders of the Company		4,731	1,531
Non-controlling interests		1,947	1,706
		6,678	3,237
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		3,650	(1,169)
Non-controlling interests		1,504	1,030
		5,154	(139)
Earnings per share attributable to the holder of the Company:	9		
Basic and diluted		<u>S\$1.21 cents</u>	<u>S\$0.43 cents</u>

* the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	As at 30 June 2017 S\$'000 <i>(unaudited)</i>	As at 31 December 2016 S\$'000 <i>(audited)</i>
ASSETS			
Non-current Assets			
Property, plant and equipment	10	26,730	27,682
Investment properties		512	522
Land use rights		1,335	1,376
Goodwill		11,686	11,686
Interests in associates		15,826	11,649
Deferred tax assets		196	59
Total non-current assets		<u>56,285</u>	<u>52,974</u>
Current Assets			
Inventories		47,078	38,902
Trade and other receivables	11	97,034	86,288
Cash and bank balances		30,165	38,683
Total current assets		<u>174,277</u>	<u>163,873</u>
Total Assets		<u><u>230,562</u></u>	<u><u>216,847</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	70,981	62,408
Warrants issue	13	3,384	3,384
Reserves		57,742	55,425
		<u>132,107</u>	<u>121,217</u>
Non-controlling interests		16,305	14,927
Total Equity		<u>148,412</u>	<u>136,144</u>
Non-current Liabilities			
Bank borrowings	14	721	263
Finance leases		162	186
Total non-current liabilities		<u>883</u>	<u>449</u>
Current Liabilities			
Bank borrowings	14	11,997	13,052
Finance leases		160	150
Trade and other payables	15	67,173	65,478
Current tax liabilities		1,937	1,574
Total current liabilities		<u>81,267</u>	<u>80,254</u>
Total Liabilities		<u><u>82,150</u></u>	<u><u>80,703</u></u>
Total Liabilities and Equity		<u><u>230,562</u></u>	<u><u>216,847</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Attributable to equity holders of the Company							Non-controlling interests	Total equity	
	Share capital	Warrants issue	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings			Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group 2017										
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 interests	-	-	-	-	-	-	-	-	(69)	(69)
De-recognition of a subsidiary	-	-	-	-	-	(51)	-	(51)	(57)	(108)
Payment of dividends	-	-	-	-	-	-	(1,282)	(1,282)	-	(1,282)
Transfer to other reserves	-	-	-	-	-	1	(1)	-	-	-
Balance 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 CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Attributable to equity holders of the Company							Non-controlling interests	Total equity	
	Share capital	Warrants issue	Treasury shares	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings			Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group 2016										
Balance at 1 January (audited)	63,925	3,384	(1,517)	(436)	944	4,489	48,938	119,727	19,541	139,268
Profit for the period	-	-	-	-	-	-	1,531	1,531	1,706	3,237
Other comprehensive loss for the period	-	-	-	-	(2,700)	-	-	(2,700)	(676)	(3,376)
Total comprehensive (loss)/ income for the period	-	-	-	-	(2,700)	-	1,531	(1,169)	1,030	(139)
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	-	3,200	3,200
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(3,304)	(3,304)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(310)	(310)
De-recognition of a subsidiary	-	-	-	-	-	-	-	-	(8,114)	(8,114)
Payment of dividends	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Transfer to other reserves	-	-	-	-	-	57	(57)	-	-	-
Balance at 30 June (audited*)	63,925	3,384	(1,517)	(436)	(1,756)	4,546	48,993	117,139	12,043	129,182

* the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited*)</i>
Cash Flows from Operating Activities:		
Profit before income tax	9,540	4,934
Adjustments for:		
Amortisation of land use rights	17	17
Trade receivables written off	64	21
Depreciation of property, plant and equipment	1,038	939
Depreciation of investment properties	8	8
Allowance for inventory obsolescence	350	566
Allowance for impairment of trade receivables	21	154
Gain on disposal of interests in subsidiaries	(101)	(411)
Gain on disposal of property, plant and equipment	(3)	(2)
Gain on disposal of interest in an associate	-	(64)
Inventories written off	3	132
Write back of allowance for inventory obsolescence	(35)	(39)
Interest expense	341	421
Interest income	(70)	(115)
Share of (profit)/loss of associates	(616)	476
Unrealised foreign exchange differences	(1,083)	996
Operating cash flow before working capital changes	9,474	8,033
Changes in working capital:		
Inventories	(8,493)	1,724
Trade and other receivables	(11,805)	(6,578)
Trade and other payables	3,046	3,574
Cash (used in)/generated from operations	(7,778)	6,753
Interest paid	(341)	(421)
Interest received	70	115
Income tax paid	(2,638)	(2,350)
Net cash (used in)/generated from operating activities	(10,687)	4,097

* the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited*)</i>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(671)	(1,731)
Proceeds from disposal of property, plant and equipment	11	5
Net cash outflows on disposal of a subsidiary	-	(4,631)
Repayment from/(Funds to) investee companies	49	(401)
Loan to associates	(3,929)	-
Proceeds from the disposal of associate	-	448
Dividend from associates	-	105
Consideration for acquisition of interest of a subsidiary	-	(310)
Net cash used in investing activities	(4,540)	(6,515)
Cash Flows from Financing Activities:		
Dividends to equity holders of the Company	(1,282)	(1,419)
Dividends to non-controlling interests	(69)	-
Proceeds from bank borrowings	6,918	2,395
Repayment of bank borrowings	(8,753)	(4,489)
Proceeds from trust receipts, net	1,237	41
Repayment of finance leases	(15)	(80)
Repayment from associates	-	2
Decrease in fixed deposits pledged	1,041	-
Proceeds from public share offer	8,573	-
Net cash generated from/(used in) financing activities	7,650	(3,550)
Net decrease in cash and cash equivalents	(7,577)	(5,968)
Cash and cash equivalents at beginning of period	37,292	39,096
Effect of currency translation on cash and cash equivalents	100	(923)
Cash and cash equivalents at end of period	29,815	32,205

* the financial results for the six months ended 30 June 2016 was audited for the purpose of public share offer on The Stock Exchange of Hong Kong Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1 General

The Company is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office of the Company is located at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned by Mr Teo Cher Koon, our president and managing Director and his spouse, Ms Thang Yee Chin. The Company's principal activities included the provision of technical consultancy, training services, and management services. The 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 then subsequently were dual listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2017 (the "Listing Date").

2 Basis of Preparation

(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 2016.

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 2017 as follows:

Description		Effective for annual periods beginning on or after
Amendments to FRS 7	<i>Statement of Cash Flows – Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12	<i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Improvements to FRS FRS 112	<i>Disclosure of Interest in Other Entities</i>	1 January 2017

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 2017

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
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 <i>Sale or Contribution of Assets between an Investor and its</i> and FRS 28 <i>Associate or Joint Venture</i>	To be determined

Except for FRS 115, FRS 109 and 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 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs*.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 115 will not have a material impact to the Group's financial statements.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 109 will not have a material impact to the Group's financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

2 Basis of Preparation (Continued)

(a) Basis of Preparation (Continued)

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

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.

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 2017

3 Segment Information (Continued)

(a) Reportable Operating Segments

	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	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
	<i>(unaudited)</i> (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited)											
Revenue	112,750	95,020	29,306	21,861	2,971	3,578	-	-	-	-	145,027	120,459
External sales	1,052	1,529	975	565	66	12	-	(2,093)	(2,106)	-	-	-
Inter-segment sales	113,802	96,549	30,281	22,426	3,037	3,590	-	(2,093)	(2,106)	-	145,027	120,459
Results	8,902	7,311	1,627	(561)	469	434	(71)	(432)	-	-	10,927	6,752
Segment results	616	(476)	-	-	-	-	-	-	-	-	616	(476)
Share of profit/(loss) of associates											(1,996)	(1,328)
Corporate expenses											262	292
Rental income											72	115
Interest income											(341)	(421)
Finance costs											9,540	4,934
Profit before income tax											(2,862)	(1,697)
Income tax												
Profit for the six months ended 30 June											6,678	3,237
Assets	117,480	109,573	39,350	29,945	3,997	2,746	17,514	15,461	(5,968)	(3,418)	172,373	154,307
Segment assets	2,178	2,178	9,508	9,508	-	-	-	-	-	-	11,686	11,686
Goodwill	15,826	11,649	-	-	-	-	-	-	-	-	15,826	11,649
Associates											512	522
Investment properties											30,165	38,683
Cash and bank balances												
Consolidated total assets as at 30 June/31 December											230,562	216,847
Liabilities	49,210	45,896	17,095	13,195	845	603	3,732	6,389	(5,968)	(3,418)	64,914	62,665
Segment liabilities											13,040	13,651
Bank borrowings and finance leases											1,937	1,574
Income tax liabilities												
Others unallocated corporate liabilities											2,259	2,813
Consolidated total liabilities as at 30 June/31 December											82,150	80,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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> (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited) (unaudited) (audited)											
Other information												
Capital expenditure on												
- Property, plant and equipment	310	378	354	252	1	5	6	47	-	-	671	682
- Progress payments for properties under development	-	-	-	-	-	-	-	1,049	-	-	-	1,049
Depreciation of properties, plant and equipment	641	546	347	325	3	3	47	65	-	-	1,038	939
Depreciation of investment properties	8	8	-	-	-	-	-	-	-	-	8	8
Other non-cash expenses:												
- amortisation of land use rights	17	17	-	-	-	-	-	-	-	-	17	17
- trade receivables written off	49	20	-	1	-	-	15	-	-	-	64	21
- allowance for inventory obsolescence	315	406	35	137	-	23	-	-	-	-	350	566
- allowance for impairment of trade receivables	21	14	-	140	-	-	-	-	-	-	21	154
- inventories written off	3	130	-	2	-	-	-	-	-	-	3	132
- write back of allowance for inventory obsolescence	(35)	(39)	-	-	-	-	-	-	-	-	(35)	(39)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3 Segment Information (Continued)

(b) Geographical Information

The Group operates in four principal geographical areas - Singapore (country of domicile), the PRC, Hong Kong 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 2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited)</i>	30 June 2017 S\$'000 <i>(unaudited)</i>	31 December 2016 S\$'000 <i>(audited)</i>
Singapore	23,502	18,419	28,487	26,811
People Republic of China ("PRC")	103,480	83,129	24,463	23,024
Hong Kong	5,963	7,154	1,468	1,382
Malaysia	3,572	3,768	991	933
Others	8,510	7,989	876	824
	<u>145,027</u>	<u>120,459</u>	<u>56,285</u>	<u>52,974</u>

(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 2017

5 Other Operating Income

	Six months ended 30 June	
	2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited)</i>
Commission income	79	111
Dividend income	-	47
Gain on disposal of interest in a subsidiary	101	411
Gain on disposal of interest in an associate	-	64
Gain on disposal of property, plant and equipment	3	2
Finance income:		
- interest on bank deposits	60	110
- interest on loan to an associate	12	5
Government grants	53	111
Miscellaneous income	401	284
Operating lease rental income:		
- investment properties	30	30
- sub-let of office/warehouse premises	232	262
Property management income	195	200
Technical service income	308	301
Write back of allowance of inventory obsolescence	35	39
	<u>1,509</u>	<u>1,977</u>

6 Finance Costs

	Six months ended 30 June	
	2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited)</i>
Interest expense on:		
- bank loans	323	400
- trust receipts	9	11
- finance leases	9	10
	<u>341</u>	<u>421</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7 Profit before Income Tax

	Six months ended 30 June	
	2017 S\$'000 (<i>unaudited</i>)	2016 S\$'000 (<i>audited</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	193	95
- recognised in distribution costs	81	93
- recognised in administrative expenses	764	751
	1,038	939
Depreciation of investment properties	8	8
Directors' fees	70	65
Directors' remuneration		
- salaries and related costs	2,070	1,240
- defined contribution plans	13	14
Staff costs (other than directors)		
- salaries and related costs	12,044	11,935
- defined contribution plans	1,852	1,611
Other operating expenses included:		
- trade receivables written off	64	21
- allowance for inventory obsolescence	350	566
- allowance for impairment of trade receivables	21	154
- inventories written off	3	132
- foreign exchange losses, net	1,437	919
Operating lease rental expense	620	929

8 Income Tax

	Six months ended 30 June	
	2017 S\$'000 (<i>unaudited</i>)	2016 S\$'000 (<i>audited</i>)
Current income tax		
- Singapore	447	304
- The PRC	2,207	1,501
- Outside Singapore and the PRC	221	197
Under/(Over) provision in respect of prior years:		
- current income tax	126	(237)
- deferred taxation	(139)	(68)
	2,862	1,697

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

9 Earnings Per Share

	Six months ended 30 June	
	2017 <i>(unaudited)</i>	2016 <i>(audited)</i>
Basic earnings per share (<i>Singapore cents</i>)	1.21	0.43
Fully diluted earnings per share (<i>Singapore cents</i>)	1.21	0.43

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 2017 and 2016, excluding treasury shares.

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

	Six months ended 30 June	
	2017 S\$'000 <i>(unaudited)</i>	2016 S\$'000 <i>(audited)</i>
Profit for the year attributable to equity holders of the Company	4,731	1,531
Weighted average number of ordinary shares for the purpose of basic earnings per share	392,240,506	354,684,950

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 2017 and 2016.

The outstanding warrants did not have dilutive effect on the Group's earnings per share for the six months ended 30 June 2017 and 2016 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 2017, the Group has an addition of property, plant and equipment of approximately S\$671,000 (2016: S\$2,511,000). As at 30 June 2017, the carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 14 was S\$19,467,000 (2016: S\$20,092,000); and the carrying amount of property, plant and equipment held under finance lease was S\$ 446,000 (2016: S\$474,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

11 Trade and Other Receivables

	As at 30 June 2017 S\$'000	As at 31 December 2016 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
<u>Trade receivables, net of impairment:</u>		
- Note receivables	4,588	6,147
- Third parties	69,612	59,707
- Associates	2,155	2,237
- Related parties	1,226	1,340
	<hr/> 77,581	<hr/> 69,431
<u>Other receivables:</u>		
Funding to investee company	4,337	4,476
Amount due from investor	2,169	3,072
Advances to		
- Suppliers	5,472	2,756
- Associates	111	113
- Related parties	40	24
Deposits	590	673
Loans to associates	1,773	1,313
Sundry debtors	4,029	3,731
	<hr/> 18,521	<hr/> 16,158
Prepayments	932	699
	<hr/> 97,034	<hr/> 86,288

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

	As at 30 June 2017 S\$'000	As at 31 December 2016 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	36,420	32,701
31 – 90 days	25,215	19,711
Over 90 days	15,946	17,019
	<hr/> 77,581	<hr/> 69,431

Trade receivables are non-interest bearing and are usually due within 30 to 90 days term. Included in trade receivables as at 30 June 2017 were trade receivables from third parties amounting to S\$566,000 (2016: S\$792,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables was included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	(<i>unaudited</i>)	(<i>audited</i>)	(<i>unaudited</i>)	(<i>audited</i>)
			S\$'000	S\$'000
Balance at 1 January	354,684,950	361,049,950	62,408	63,925
Share offers	40,000,000	-	8,573	-
Cancellation	-	(6,365,000)	-	(1,517)
Balance at 30 June/31 December	394,684,950	354,684,950	70,981	62,408

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 ordinary shares		Amount	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	(<i>unaudited</i>)	(<i>audited</i>)	(<i>unaudited</i>)	(<i>audited</i>)
			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

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 financial year. As at 30 June 2017, the number of outstanding warrants amounted to 179,972,475 (2016: 179,972,475).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

14 Bank Borrowings

	As at 30 June 2017 S\$'000 <i>(unaudited)</i>	As at 31 December 2016 S\$'000 <i>(audited)</i>
Non-current liabilities		
Unsecured bank loans	721	263
Current liabilities		
Secured bank loans	579	3,810
Unsecured bank loans	7,729	6,564
Trust receipts	3,123	1,886
Account receivables bulk factoring	566	792
	<u>11,997</u>	<u>13,052</u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$19,467,000 (2016: S\$20,092,000) (Note 10), investment properties with carrying amount of S\$459,000 (2016: S\$467,000) and land use rights with carrying amounts of S\$1,335,000 (2016: \$1,376,000).

15 Trade and Other Payables

	As at 30 June 2017 S\$'000 <i>(unaudited)</i>	As at 31 December 2016 S\$'000 <i>(audited)</i>
Trade payables:		
- note payables	1,018	2,083
- third parties	31,776	27,641
- associates	72	125
- related parties	4,620	7,417
	<u>37,486</u>	<u>37,266</u>
Other payables:		
Advances received from customers	10,279	6,449
Accrued operating expenses	13,638	13,600
Amount owing to an associate	2,750	3,784
Others	3,020	4,379
	<u>29,687</u>	<u>28,212</u>
	<u>67,173</u>	<u>65,478</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

15 Trade and Other Payables (Continued)

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

	As at 30 June 2017 S\$'000	As at 31 December 2016 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 90 days	34,266	29,105
91 – 180 days	2,245	5,046
Over 180 days	975	3,115
	<u>37,486</u>	<u>37,266</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 balance sheet date, commitments in respect of non-cancellable operating leases for the rental of the Group's investment properties are as follows:

	As at 30 June 2017 S\$'000	As at 31 December 2016 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Future minimum lease payment receivable:		
- not later than one year	411	522
- later than one year and not later than five years	367	310
	<u>778</u>	<u>832</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2016: 1 to 3 years).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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:

	As at 30 June 2017 S\$'000 <i>(unaudited)</i>	As at 31 December 2016 S\$'000 <i>(audited)</i>
Future minimum lease payment payable:		
- not later than one year	1,425	1,221
- later than one year and not later than five years	945	779
	<u>2,370</u>	<u>2,000</u>

The remaining tenure period of the aforesaid operating leases are within 1 to 3 years (2016: 1 to 3 years).

17 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	As at 30 June 2017 S\$'000 <i>(unaudited)</i>	As at 31 December 2016 S\$'000 <i>(audited)</i>
Commitment in respect of plant and equipment	258	290

18 Corporate Guarantees

	As at 30 June 2017 S\$'000 <i>(Unaudited)</i>	As at 31 December 2016 S\$'000 <i>(Audited)</i>
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	12,718	13,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 and 2016.

	Group	
	Six months ended 30 June	
	2017	2016
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Sales to:		
- associates	(799)	(599)
- related parties	(i) (2,093)	(1,585)
Purchases from:		
- associates	389	544
- related parties	(i) 19,209	17,700
Administrative income charged to associates	(25)	(25)
Rental charged to:		
- associates	(3)	(3)
- a related party	(ii) (204)	(146)
Interest income charged to associate	(34)	-
Interest charged by a related party	(i) 12	12
Management fee charged to related party	(i) (20)	(20)
Other expenses charged by related parties	(i) & (ii) 91	134
Other income charged to a related party	(i) (16)	(1)

(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

On 16 August 2017, the Company announced the incorporation of a new associated company, C&I Renewable Limited ("C&I"), with its solar manufacturing partner. The Group has subscribed for 30% of the issued and paid up share capital of C&I in cash.

C&I will further establish subsidiaries in (i) Hong Kong (the "HK Co") and the (ii) People's Republic of China ("PRC") (the "PRC Co"). It is expected that the PRC Co will set up and operate a distributed generation solar power station with an estimated scale of approximately 1 megawatt on the roof of the industrial park owned by the Group located in Suzhou, the PRC. The total investment amount to C&I and its subsidiaries would be no more than RMB8 million.

For further details, please refer to the announcement of the Company dated 16 August 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2017 (“1H2017”), revenue increased by approximately S\$24.6 million, or 20.4% from S\$120.5 million for six months ended 30 June 2016 (“1H2016”) to S\$145.0 million for 1H2017. This was mainly attributable to the adoption of automated manufacturing, which increases the demand for industrial robots driven by motion control.

For the 1H2017, gross profit has increased by S\$5.0 million, or 15.9%, to S\$36.1 million in 1H2017.

Our business focus continues to be predominantly in the PRC, contributing approximately 71.4% in 1H2017 (1H2016: 70.0%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 16.2%, 4.1% and 2.5% of the Group’s revenue in 1H2017, respectively (1H2016: 14.3%, 5.8% and 2.8%). We have achieved growth in overall revenue in PRC and Singapore in 2017.

The increase in the Group’s revenue and gross profit were attributable to a 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 Group’s revenue increased by S\$24.6 million, or 20.4% from S\$120.5 million for 1H2016 to S\$145.0 million for 1H2017, which was primarily due to the respective increases in revenue of S\$17.7 million, or 18.7% and S\$7.4 million, or 34.1% for our motion control solutions and other specialised engineering solutions segments in 1H2017, partly offset by the decrease in revenue of S\$0.6 million or 17.0% for our industrial computing solutions segment in the same period.

In hindsight, the upcoming smartphones release by the major market players has increased the order size from original equipment manufacturers (“OEM”) in the past few months. Moreover, the increasing trend of global smartphones penetration rate continues to show demand for smartphones. Our customers, several of them are main OEMs to these market players benefit from riding the waves, and which had contributed to the growth of our revenue and gross profit especially in the motion control solutions and other specialised engineering solutions segments.

The Group continues to serve customers in a wide range of industries in 1H2017. 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.

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 mobilise 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. Furthermore, we are exploring opportunities to collaborate with Comtec Solar System Group Limited, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, to introduce our integrated engineering solutions to renewable energy sectors in order to strengthen our core engineering competencies.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

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 automated. This ongoing trend is positive for our core motion control and other specialised engineering solutions businesses, which provides parts and solutions for factory automation and robotics.

We will focus on industries related to the “Industry 4.0” concept about intelligent manufacturing, which is the part of the industrial development policies of many governments around the world, such as the “Made in China 2025” policy promulgated by the PRC government. The Group sees automated machine tools and robotics as well as modern rail transport equipment as sectors that are particularly important to our business. Industries that are expected to contribute to demand for our products include medical, semiconductor, railway transportation and the oil and gas.

Our geographical focus will continue to be the PRC and Singapore markets which accounted for more than 88% of our revenue in 1H2017. Nevertheless, we will also continue to expand our business in other countries in the Southeast Asia. We have gained a foothold in Vietnam and Thailand, and would be expected to venture into other countries in the region. 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

For the 1H2017, the Group recorded an increase in total revenue by approximately S\$24.6 million, or 20.4% from S\$120.5 million for 1H2016 to S\$145.0 million for 1H2017.

The gross profit for the 1H2017 increased by S\$5.0 million, or 15.9%, to S\$36.1 million in 1H2017. Gross profit margin remained stable at 24.9% in 1H2017, as compared to 25.8% in 1H2016.

The Group has harnessed on the growth momentum of global market which is mainly driven by the adoption of advanced and automated processes for factory automation, increasing demand for industrial robots in manufacturing processes, and ease of use and integration of components within motion control systems. The revenue generated from motion control and other specialised engineering solutions was not only attributed by ever stronger demand from existing customers, but also the expanding of customer base especially in the PRC and Hong Kong market. These factors contributed to the increase in revenue and gross profit for 1H2017.

Other operating income

Other operating income decreased by S\$0.5 million, or 23.7% to S\$1.5 million for 1H2017. The decrease was mainly due to one-off gain on disposal of interest in associates and subsidiaries of S\$0.4 million in 1H2016 as compared to S\$0.1 million gain on disposal of interest in subsidiary in 1H2017.



MANAGEMENT DISCUSSION AND ANALYSIS

Distribution costs

The Group recorded distribution costs of S\$11.1 million for 1H2017, which remain relatively stable as compared to 1H2016.

Administrative expenses

Administrative expenses increased by S\$0.9 million, or 6.1% to S\$15.3 million in 1H2017, which was mainly due to increase in staff costs and general expenses.

Other operating expenses

Other operating expenses for 1H2017 remained relatively stable with that for 1H2016.

Finance costs

Finance costs decreased by S\$0.1 million, or 19.0% to S\$0.3 million for 1H2017, which was mainly due to repayment of bank borrowings which resulted in lower finance expenses incurred in 1H2017.

Income tax expense

Income tax expense increased by S\$1.2 million, or 68.7% to S\$2.9 million for 1H2017, which were mainly due to higher chargeable income in 1H2017, while the Group's effective tax rate had reduced from 34.3% to 30.0% for 1H2017, 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 decreased by S\$1.0 million, or 3.4% from S\$27.7 million as at 31 December 2016 to S\$26.7 million as at 30 June 2017, which was mainly due to (i) depreciation of S\$1.0 million; and (ii) downward exchange translation adjustment of S\$0.7 million as a result of the depreciation of RMB against SGD, partly offset by capital expenditures of S\$0.7 million recognised in 1H2017.

Interests in associates

Interests in associates increased by S\$4.2 million, or 35.6% in 1H2017, which was mainly due to approximately S\$3.9 million quasi-equity loan to one of the associate companies and share of associate's results in 1H2017.

Inventories

Inventories increased by S\$8.2 million, or 21.0% to S\$47.1 million as at 30 June 2017, which was primarily due to the growth of revenue for 1H2017 as compared to 1H2016. In addition, the increase is to cater for increased order scheduled for delivery after 1H2017.

Trade and other receivables

Trade and other receivables increased by S\$10.7 million, or 12.5% to S\$97.0 million as at 30 June 2017, which was mainly due to the growth of revenue for 1H2017 as compared to 1H2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

Trade and other payables increased by S\$1.7 million, or 2.6% to S\$67.2 million as at 30 June 2017, which was mainly due to higher advance receipts from customers, which is in line with higher order books subsequent to 1H2017.

Bank borrowings

Bank borrowings decreased by S\$0.6 million, or 4.5% to S\$12.7 million as at 30 June 2017. The decrease was mainly due to repayment of bank borrowings of S\$8.8 million, partially offset by proceeds of bank borrowings amounted to S\$8.2 million.

CAPITAL EXPENDITURES

During the financial period ended 30 June 2017, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$671,000 (2016: S\$2,511,000).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the financial period ended 30 June 2017, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies. Save for those disclosed in this announcement and in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2016 ("Prospectus"), the Group had no plan authorized by the Board for other material investments or additions of capital assets as at the date of this report.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2017, the Group's working capital was financed by both internal resources (including cash generated from operations) and bank borrowings. As at 30 June 2017, cash and cash balances amounted to approximately S\$30.2 million, which decreased by approximately 22.0% as compared to approximately S\$38.7 million as at 31 December 2016. The quick ratio of the Group was approximately 1.5 times (31 December 2016: 1.6 times). As at 30 June 2017, the Group has long and short term bank borrowings of approximately S\$12.7 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$12.0 million (31 December 2016: S\$13.1 million) while the bank borrowings due after one year amounted to approximately S\$0.7 million (31 December 2016: S\$0.3 million). As at 30 June 2017, the weighted average effective interest rates on bank borrowings is 2.43% (31 December 2016: 4.69%) per annum. The Group does not have fixed rate bank borrowings as at 30 June 2017 and 31 December 2016. Together with the obligation under finance leases of approximately S\$0.3 million (31 December 2016: S\$0.3 million), the Group's total borrowings amounted to S\$13.0 million (31 December 2016: S\$13.7 million). The Group obtained bank financing as per the business and capital expenditure needs and are generally not subject to seasonality.



MANAGEMENT DISCUSSION AND ANALYSIS

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

	RMB S\$'000	USD S\$'000	SGD S\$'000	HKD S\$'000	CHF S\$'000	Euro S\$'000	Others S\$'000	Total S\$'000
30 June 2017								
Cash and bank balances	15,266	4,161	3,083	3,293	965	1,032	2,365	30,165
Bank borrowings	5,480	1,917	2,609	-	-	1,207	423	12,718
31 December 2016								
Cash and bank balances	17,884	9,159	5,622	*	1,479	2,035	2,504	38,683
Bank borrowings	6,749	890	4,236	-	-	996	444	13,315

* Amount less than S\$1,000

GEARING RATIO

During the financial period ended 30 June 2017, the gearing ratio of the Group was about 9.9% (2016: 11.3%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The decrease in gearing ratio was mainly due to the reduction of total borrowing and the increase in our total shareholders' equity.

TREASURY POLICIES

The Group has adopted a prudent treasury policy to ensure (i) sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation; and (ii) compliance with the covenants and conditions stipulated in the loan agreements which we entered into, and thus maintained a healthy liquidity position throughout the six months ended 30 June 2017. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, we may borrow funds from banks in the currency that coincident the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. We did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB") and United States dollars ("US\$"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of subsidiaries of the Group have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the financial period ended 30 June 2017, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, there were 824 (2016: 810) 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 six months ended 30 June 2017.

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 2017.

Charge on the Group's Assets

As at 30 June 2017, the Group's cash and cash equivalents of approximately S\$0.4 million (2016: S\$1.4 million) was pledged to banks to secure general banking facilities granted to the Group.

LISTING AND USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares have been listed since 12 January 2017 (the "Listing Date") on the Main Board of the Stock Exchange and raised a net proceed from IPO of approximately S\$7.0 million (equivalent to HK\$37.8 million). During the period between the Listing Date and 30 June 2017, 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 six months ended 30 June 2017 (2016: 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 2017, 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

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 Assetraise 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 2017, 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 year:

- (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 2017. 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-completion"), 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 2017, 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 substantial shareholder	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 2017, 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 Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company fully complied with the relevant code provisions in the CG Code for the six months ended 30 June 2017.

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 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 on terms no less exacting than the required standards of the Model Code and these are applicable to all its employees 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 throughout the six months ended 30 June 2017.

The Company and its employees 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

Reconciliation between SFRS and IFRS

For the six months ended 30 June 2017, there were no material differences between the condensed consolidated financial statements of the Group prepared under SFRS and IFRS (which include all IFRS, International Accounting Standards and Interpretations).

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee 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 by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2017 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the 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 2017 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.isdnholdings.com).

By order of the Board
Lim Siang Kai
Chairman

Hong Kong, 20 September 2017

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Company registration No. 200416788Z