



ISDN Holdings
LIMITED

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



INTERIM REPORT 2019

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亿仕登高科技工业园
ISDN High Tech Industrial Park

Corporate Information

COMPANY REGISTRATION NUMBER

200416788Z

BOARD OF DIRECTORS

Lim Siang Kai (*Chairman*)
Teo Cher Koon
Kong Deyang
Soh Beng Keng
Tan Soon Liang
Toh Hsiang-Wen Keith (appointed with effect from 10 May 2019)

REGISTERED OFFICE

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

JOINT COMPANY SECRETARIES

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

Cheng Lucy
(*Chartered Secretary*)
31/F., 148 Electric Road
North Point
Hong Kong

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

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
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

AUDITOR

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

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, the People's Republic of China (the "PRC")

United Overseas Bank (China) Limited
101 – 104, 1/F
111 Dong Yuan Road
Pudong New Area
Shanghai 200120, the PRC

China Construction Bank Co., Ltd
Suzhou New & Hi-Tech Industrial
Development Zone Sub-Branch
No. 95 Shishan Road
Suzhou New District, the PRC

Condensed Consolidated Statement of Comprehensive Income

For The Six Months Period Ended 30 June 2019

The board (the "Board") of directors (the "Directors") of ISDN Holdings Limited (the "Company" or "ISDN") hereby 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 2019 (the "1H2019") together with the relevant comparative audited or unaudited figures. The Group's Interim Results for 1H2019 are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").

	Notes	Six months ended 30 June	
		2019	2018
		S\$'000 (unaudited)	S\$'000 (unaudited)
Revenue	4	146,963	162,104
Cost of sales		(109,564)	(120,401)
Gross profit		37,399	41,703
Other operating income	5	2,331	3,627
Distribution costs		(12,363)	(12,066)
Administrative expenses		(15,179)	(15,296)
Net impairment gain on financial assets		82	-
Other operating expenses		(794)	(155)
Finance costs	6	(827)	(416)
Share of profit of associates, net		272	637
Profit before income tax	7	10,921	18,034
Income tax	8	(2,597)	(4,510)
Profit for the period		8,324	13,524
Other comprehensive income/(loss):			
<u>Items that may be subsequently reclassified to profit or loss</u>			
- Net fair value changes on cash flow hedge		32	-
- Exchange differences on translation		(1,094)	395
Total comprehensive income for the period		7,262	13,919
Profit for the period attributable to:			
Equity holders of the Company		5,548	10,076
Non-controlling interests		2,776	3,448
		8,324	13,524
Total comprehensive income for the period attributable to:			
Equity holders of the Company		4,625	10,521
Non-controlling interests		2,637	3,398
		7,262	13,919
Earnings per share attributable to the holder of the Company:			
Basic and diluted	9	1.35 cents	2.55 cents

Condensed Consolidated Statement of Financial Position

As At 30 June 2019

	Notes	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
ASSETS			
Non-current Assets			
Property, plant and equipment	11	39,338	39,314
Investment properties		489	497
Land use rights		1,236	1,270
Goodwill		12,227	12,227
Associates		5,793	6,136
Service concession receivables	13	32,576	30,233
Other financial assets	12	900	-
Deferred tax assets		143	139
Total non-current assets		92,702	89,816
Current Assets			
Inventories		50,650	55,183
Trade and other receivables	13	108,299	96,225
Cash and bank balances		41,071	41,877
Total current assets		200,020	193,285
Total Assets		292,722	283,101
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	76,381	70,984
Warrants issue	15	-	-
Reserves		77,392	72,767
		153,773	143,751
Non-controlling interests		40,792	38,457
Total Equity		194,565	182,208
Non-current Liabilities			
Bank borrowings	16	11,692	11,842
Finance leases liabilities		200	224
Deferred tax liabilities		655	657
Total non-current liabilities		12,547	12,723
Current Liabilities			
Bank borrowings	16	17,950	16,423
Finance leases liabilities		63	81
Trade and other payables	17	66,289	69,380
Current tax liabilities		1,308	2,286
Total current liabilities		85,610	88,170
Total Liabilities		98,157	100,893
Total Equity and Liabilities		292,722	283,101

Condensed Consolidated Statement of Changes in Equity

For The Six Months Period Ended 30 June 2019

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Warrants issue	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 2019									
Balance at 1 January (audited)	70,984	-	(436)	(2,053)	4,820	70,436	143,751	38,457	182,208
Profit for the period	-	-	-	-	-	5,548	5,548	2,776	8,324
Other comprehensive (loss)/income for the period	-	-	-	(955)	32	-	(923)	(139)	(1,062)
Total comprehensive (loss)/income for the period	-	-	-	(955)	32	5,548	4,625	2,637	7,262
Issue of shares	5,397	-	-	-	-	-	5,397	-	5,397
Dividends to non-controlling interests	-	-	-	-	-	-	-	(302)	(302)
Balance at 30 June (unaudited)	76,381	3,384	(436)	(3,008)	4,852	75,984	153,773	40,792	194,565
2018									
Balance at 1 January (audited)	70,981	3,384	(436)	(802)	4,921	58,572	136,620	15,206	151,826
Adjustment on initial application of SFRS(I) 9	-	-	-	-	-	(254)	(254)	(96)	(350)
Adjusted balance at 1 January (audited)	70,981	3,384	(436)	(802)	4,921	58,318	136,366	15,110	151,476
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 interests	-	-	-	-	-	-	-	(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)	(176)	4,921	66,182	144,856	18,155	163,011

Condensed Consolidated Statement of Cash Flows

For The Six Months Period Ended 30 June 2019

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Cash Flows from Operating Activities:		
Profit before income tax	10,921	18,034
Adjustments for:		
Amortisation of land use rights	17	17
Trade receivables written off	5	20
Depreciation of property, plant and equipment	1,036	1,050
Depreciation of investment properties	8	19
Allowance for impairment of trade receivables	49	-
Allowance for inventory obsolescence	192	-
Gain on disposal of property, plant and equipment, net	(3)	(159)
Gain on disposal of interests in subsidiaries	-	(180)
Inventories written off	227	90
Property, plant and equipment written off	2	1
Write back of allowance for inventory obsolescence	(295)	(34)
Write back of allowance for trade receivables	(131)	-
Interest expenses	827	416
Interest income	(204)	(268)
Share of results of associates	(272)	(637)
Foreign currency on translation of foreign operations	1,462	401
Operating cash flow before working capital changes	13,841	18,770
Changes in working capital:		
Inventories	4,409	(3,575)
Trade and other receivables	(10,782)	(26,554)
Trade and other payables	(5,953)	15,800
Cash from operating activities before service concession arrangements	1,515	4,441
Change in receivables from service concession arrangements	(2,628)	-
Cash (used in)/generated from operations after service concession arrangements	(1,113)	4,441
Interest paid	(827)	(416)
Interest received	204	268
Income tax paid	(3,582)	(2,492)
Net cash (used in)/generated from operating activities	(5,318)	1,801

Condensed Consolidated Statement of Cash Flows

For The Six Months Period Ended 30 June 2019

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(1,594)	(1,681)
Proceeds from disposal of property, plant and equipment	61	443
Net cash inflow on disposal of subsidiaries	-	563
Loan to associates	-	(1,431)
Dividend from associates	222	155
Acquisition of other financial assets	(900)	-
Net cash used in investing activities	(2,211)	(1,951)
Cash Flows from Financing Activities:		
Dividends to equity holders of the Company	-	(2,289)
Dividends to non-controlling interests	(274)	(3,327)
Repayment from non-controlling interests	250	-
Proceeds from bank borrowings	11,478	7,279
Repayment of bank borrowings	(12,218)	(6,767)
Proceeds from trust receipts, net	2,106	96
Repayment of finance leases	(42)	(234)
Increase in fixed deposits pledged	(2,274)	-
Proceeds from issue of shares	5,397	-
Net cash generated from/(used in) financing activities	4,423	(5,242)
Net decrease in cash and cash equivalents	(3,106)	(5,392)
Cash and cash equivalents at beginning of the financial period	37,255	38,053
Effect of currency translation on cash and cash equivalents	82	(606)
Cash and cash equivalents at end of the financial period	34,231	32,055

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

1 General

The Company is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's registered office and principal place of business is 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 ("**Mr. Teo**"), the Managing Director and President of the Company and his spouse, Ms. Thang Yee Chin ("**Ms. Thang**").

The Company's principal activities included the provision of technical consultancy, training services and management services. The principal activities of its subsidiaries and associates are principally focusing on motion control, industrial computing, other specialized engineering solutions and construction of hydropower plant.

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 (International) ("**SFRS(I)**"). The financial statements have been prepared under the historical convention and are presented in Singapore dollars ("**S\$**" or "**SGD**") 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 2018.

The condensed consolidated financial statements have been prepared in accordance with SFRS(I) 1-34 "Interim Financial Reporting" (**SFRS(I) 1-34**) issued by the Accounting Standards Council and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Hong Kong Listing Rules**").

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

2 Basis of Preparation (Continued)

(a) Basis of Preparation (Continued)

(i) Adoption of SFRS(I)s 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 2019 as follows:

Description	Effective for annual periods beginning on or after	
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 3	Amendments to SFRS(I) 3 Business Combinations	1 January 2019
SFRS(I) 1-12	Amendments to SFRS(I) 1-12 Income Taxes	1 January 2019
SFRS(I) 1-23	Amendments to SFRS(I) 1-23 Borrowing costs	1 January 2019
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019

The adoption of these amendments to SFRS(I) 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.

(ii) New/Revised SFRS(I)s which are issued but not yet effective

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

Description	Effective for annual periods beginning on or after	
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely, early application is still permitted
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

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 Financial Statements

For The Six Months Ended 30 June 2019

3 Segment Information (Continued)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue												
External sales	112,080	126,948	28,848	31,071	3,346	3,179	2,689	906	-	-	146,963	162,104
Inter-segment sales	7,694	9,224	587	697	63	93	-	-	(8,344)	(10,014)	-	-
	119,774	136,172	29,435	31,768	3,409	3,272	2,689	906	(8,344)	(10,014)	146,963	162,104
Results												
Segment results	11,077	15,957	1,711	1,964	538	110	(734)	(130)	-	-	12,592	17,901
Share of profit of associates	273	809	-	-	-	-	(1)	(172)	-	-	272	637
Corporate expenses											(1,586)	(531)
Rental income											266	175
Interest income											204	268
Finance costs											(827)	(416)
Profit before income tax											10,921	18,034
Income tax											(2,597)	(4,510)
Profit for the six months ended 30 June											8,324	13,524
Assets												
Segment assets	132,354	133,491	39,261	38,760	2,915	2,476	65,561	58,981	(6,949)	(11,344)	233,142	222,364
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	4,923	5,266	-	-	-	-	870	870	-	-	5,793	6,136
Investment properties											489	497
Cash and bank balances											41,071	41,877
Consolidated total assets as at 30 June/31 December											292,722	283,101
Liabilities												
Segment liabilities	47,526	55,274	15,701	14,163	453	305	4,428	3,007	(6,949)	(11,344)	61,159	61,405
Bank borrowings and finance leases liabilities											29,905	28,570
Income tax liabilities											1,308	2,286
Others unallocated corporate liabilities											5,785	8,632
Consolidated total liabilities as at 30 June/31 December											98,157	100,893

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

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 2019	2018	For six months ended 30 June 2019	2018	For six months ended 30 June 2019	2018	For six months ended 30 June 2019	2018	For six months ended 30 June 2019	2018	For six months ended 30 June 2019	2018
	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>											
Other information												
Capital expenditure on												
- Property, plant and equipment	575	1,188	970	487	2	-	47	6	-	-	1,594	1,681
Depreciation of												
- Property, plant and equipment	610	649	388	380	19	8	19	13	-	-	1,036	1,050
- Investment properties	8	19	-	-	-	-	-	-	-	-	8	19
Other non-cash expenses:												
- Amortisation of land use rights	17	17	-	-	-	-	-	-	-	-	17	17
- trade receivables written off	5	3	-	17	-	-	-	-	-	-	5	20
- allowance for inventory obsolescence	186	-	6	-	-	-	-	-	-	-	192	-
- allowance for impairment of trade receivables	22	-	27	-	-	-	-	-	-	-	49	-
- property, plant and equipment written off	-	1	2	-	-	-	-	-	-	-	2	1
- inventories written off	219	90	8	-	-	-	-	-	-	-	227	90
- write back of allowance for inventory obsolescence	(295)	(34)	-	-	-	-	-	-	-	-	(295)	(34)
- write back of allowance for trade receivables	(131)	-	-	-	-	-	-	-	-	-	(131)	-

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

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	
	Six months ended 30 June		30 June	31 December
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Singapore	21,753	23,402	21,820	18,538
PRC	103,186	113,235	21,855	22,439
Hong Kong	2,856	9,070	1,139	993
Malaysia	5,171	4,074	895	890
Others	13,997	12,323	46,993	46,956
Total	146,963	162,104	92,702	89,816

(c) Information about Major Customers

The Group's revenue from any single external customer is less than 10%.

4 Revenue

	Six months ended 30 June	
	2019	2018
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Engineering Solutions	144,335	162,104
Construction Revenue	2,628	-
Total	146,963	162,104

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

5 Other Operating Income

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Interest income:		
- Interest on bank deposits	150	152
- Interest on loan to an associate	54	116
Total interest income on financial assets at amortised cost	204	268
Commission income	433	520
Foreign exchange gain, net	-	818
Gain on disposal of interest in a subsidiary	-	180
Gain on disposal of property, plant and equipment, net	3	159
Government grants	103	92
Miscellaneous income	627	975
Operating lease rental income:		
- investment properties	27	17
- sub-let of office/warehouse premises	239	158
Property management income	178	80
Technical service income	222	326
Write back of allowance of inventory obsolescence	295	34
	2,331	3,627

6 Finance Costs

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Interest expense on:		
- bank loans	767	365
- trust receipts	27	28
- finance leases	5	9
- others	28	14
	827	416

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

7 Profit Before Income Tax

	Six months ended 30 June	
	2019 S\$'000 (unaudited)	2018 S\$'000 (unaudited)
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	191	190
- recognised in distribution costs	95	124
- recognised in administrative expenses	750	736
	1,036	1,050
Depreciation of investment properties	8	19
Directors' fees	74	68
Directors' remuneration		
- salaries and related costs	2,294	2,941
- defined contribution plans	14	15
Staff costs (other than directors)		
- salaries and related costs	13,787	12,502
- defined contribution plans	1,640	1,580
Other operating expenses included:		
- trade receivables written off	5	20
- allowance for inventory obsolescence	192	-
- inventories written off	227	90
- foreign exchange losses, net	339	-
- property, plant and equipment written off	2	1
Operating lease rental expense	968	935

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

8 Income Tax

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Current income tax		
- Singapore	330	818
- The PRC	2,303	2,663
- Outside Singapore and the PRC	-	1
- (Over)/under provision in respect of prior year	(29)	702
Deferred taxation		
- Withholding tax on the profits of the Group's subsidiaries	-	9
- (Over)/under provision in respect of prior years	(7)	317
	<u>2,597</u>	<u>4,510</u>

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the periods ended 30 June 2019 and 2018 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the periods ended 30 June 2019 and 2018 is 24%.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("**HK\$**") 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

For those entities of the Group operating in the PRC, the PRC income tax is calculated at the applicable tax rate in accordance with the relevant laws and regulations in the PRC. On 16 March 2007, the Enterprise Income Tax Law was passed at the Fifth Session of the Tenth National People's Congress of the PRC, in which the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 (Order of the President [2007] No. 63).

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

9 Earnings Per Share

	Six months ended 30 June	
	2019 <i>(unaudited)</i>	2018 <i>(unaudited)</i>
Basic earnings per share (<i>Singapore cents</i>)	1.35	2.55
Fully diluted earnings per share (<i>Singapore cents</i>)	1.35	2.55

Basic earnings per share

Basic earnings per share is calculated by dividing the Group's net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2019 and 2018, excluding treasury shares.

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019 S\$'000 <i>(unaudited)</i>	2018 S\$'000 <i>(unaudited)</i>
Profit for the period attributable to equity holders of the Company	5,548	10,076
Weighted average number of ordinary shares for the purpose of basic earnings per share	410,344,799	394,684,950

The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares during the six months periods ended 30 June 2019 and 2018.

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

10 Dividends Paid

Six months ended 30 June	
2019	2018
S\$'000	S\$'000

Paid during the financial period:

Tax exempt (one-tier) final dividend of 0.7 Singapore cent per ordinary share (2018: 0.6 Singapore cent) in respect of the previous year

-	2,289
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The Board recommended a final tax-exempt dividend of 0.7 Singapore cent (the "Final Dividend") (2018: 0.6 Singapore cent) per ordinary share (the "Shares"), amounting to S\$2,952,000 (2018: S\$2,289,000) under the exempt one-tier system.

The Board proposed that the eligible shareholders of the Company (the "Shareholders") be given the option to receive the Final Dividend in cash, or in the form of fully paid new Shares in lieu of cash, or partly in cash and partly in the form of fully paid new Shares under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Final Dividend has been approved by the Shareholders at the annual general meeting of the Company held on 30 April 2019 and will be paid on 28 August 2019 to the eligible Shareholders whose names appeared on the register of members of the Company on 10 July 2019.

11 Property, Plant and Equipment

During the 1H2019, the Group has an addition of property, plant and equipment approximately S\$1,594,000 (six months ended 2018: S\$1,681,000).

As at 30 June 2019, the carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 16 was S\$17,970,000 (2018: S\$18,503,000); and the carrying amount of property, plant and equipment held under finance lease was S\$371,000 (2018: S\$432,000).

12 Other financial assets

As at 30 June 2019 S\$'000 (unaudited)	As at 31 December 2018 S\$'000 (audited)
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Unquoted equity shares, at cost

900	-
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This represents 10% on unquoted equity interest in a company which specialises in the design, development, integration and sales of lithium battery management systems. The investment aligns well with the Company's diversification strategy involving renewable energy ventures.

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

13 Trade and Other Receivables

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
<u>Non-current:</u>		
Service concession receivables	32,576	30,233
<u>Current:</u>		
Trade receivables, net of impairment:		
- note receivables	5,133	6,669
- third parties	69,774	61,651
- associates	2,688	2,963
- related parties	2,018	1,727
	<u>79,613</u>	<u>73,010</u>
<u>Other receivables, net of impairment:</u>		
Funding to investee company	6,129	5,928
Advances to associates	106	144
Advances to related parties	581	522
Deposits	575	912
Loans to associates	353	353
Promissory note due	1,163	1,176
Sundry debtors	6,916	4,282
	<u>15,823</u>	<u>13,317</u>
Advances paid to suppliers	11,614	8,953
Prepayments	1,249	945
	<u>108,299</u>	<u>96,225</u>
	<u>140,875</u>	<u>126,458</u>

The aging analysis of trade receivables after net of allowance for impairment loss, of the Group based on invoice date is as follows:

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
Within 30 days	31,051	28,419
31 – 90 days	21,460	26,695
Over 90 days	27,102	17,896
	<u>79,613</u>	<u>73,010</u>

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

13 Trade and Other Receivables (Continued)

Trade receivables are non-interest bearing and are usually due within 30-90 days term. Included in trade receivables as at 30 June 2019 were trade receivables from third parties amounting to S\$788,000 (2018: S\$781,000), 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.

14 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019 S\$'000	As at 31 December 2018 S\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
At the beginning of year	394,689,186	394,684,950	70,984	70,981
Exercise of warrants (Note 15)	-	4,236	-	3
Subscription shares issued	26,987,295	-	5,397	-
At the end of period /year	421,676,481	394,689,186	76,381	70,984

Shares do not have any par value. The holders of Shares are entitled to receive dividends as and when declared by the Company. All Shares carry one vote per Share without restrictions and rank equally with respect to the Company's residual assets.

15 Warrants Issue

	No. of warrants		Amount	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019 S\$'000	As at 31 December 2018 S\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
As at 1 January	-	179,972,475	-	3,384
Warrants conversion to Shares (Note 14)	-	(4,236)	-	(3)
Warrants expired	-	(179,968,239)	-	(3,381)
At the end of period/year	-	-	-	-

As at 31 December 2018, 4,236 warrants were exercised to acquire Shares. All the outstanding warrants were expired on 9 November 2018.

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

16 Bank Borrowings

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
Non-current liabilities		
Secured bank loans	11,692	11,792
Unsecured bank loans	-	50
	<u>11,692</u>	<u>11,842</u>
Current liabilities		
Secured bank loans	2,316	2,742
Unsecured bank loans	8,652	8,812
Trust receipts	6,194	4,088
Account receivables bulk factoring	788	781
	<u>17,950</u>	<u>16,423</u>
Total interest-bearing liabilities	<u><u>29,642</u></u>	<u><u>28,265</u></u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$17,970,000 (2018: S\$18,503,000) (Note 11), and land use rights with carrying amounts of S\$1,236,000 (2018: \$1,270,000).

17 Trade and Other Payables

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
Trade payables:		
- notes payables	590	-
- third parties	24,219	27,394
- associates	39	72
- related parties	5,973	6,787
Refund liabilities	141	141
	<u>30,962</u>	<u>34,394</u>
Other payables:		
Advances received from customers	11,465	10,597
Accrued operating expenses	16,949	18,889
Amount owing to an associate	31	31
Amount owing to non-controlling interests	1,983	1,295
Derivatives	69	101
Other payables	4,830	4,073
	<u><u>66,289</u></u>	<u><u>69,380</u></u>

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

17 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 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
Within 30 days	19,823	22,220
31 - 90 days	9,990	9,474
Over 90 days	1,149	2,700
	<u>30,962</u>	<u>34,394</u>

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

18 Capital Commitments

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

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
Commitment in respect of plant and equipment	43,653	44,279

19 Corporate Guarantees

Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries

	As at 30 June 2019 S\$'000 <i>(unaudited)</i>	As at 31 December 2018 S\$'000 <i>(audited)</i>
	<u>32,775</u>	<u>30,185</u>

Notes to the Condensed Financial Statements

For The Six Months Ended 30 June 2019

20 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 2019 and 2018.

		Group	
		Six months	
		ended 30 June	
		2019	2018
		S\$'000	S\$'000
		<i>(unaudited)</i>	<i>(unaudited)</i>
Notes			
	Sales to:		
	- associates	(770)	(942)
	- related parties	(3,396)	(2,929)
	Purchases from:		
	- associates	94	203
	- related parties	22,865	22,288
	Administrative income charged to associates	(24)	-
	Rental charged to:		
	- associates	(1)	(3)
	- a related party	(204)	(212)
	Interest income charged to associate	(54)	(116)
	Other expenses charged by related parties	250	148
	Other income charged to a related party	(124)	(96)

Notes:

- (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 and President of the Company, is a director of the related parties.

21 Subsequent Events

No major subsequent event has occurred since the end of the financial period ended 30 June 2019 up to the date of this interim report.

Management Discussion and Analysis

BUSINESS REVIEW

Revenue fell by approximately S\$15.1 million, or 9.3% from S\$162.1 million for the six months ended 30 June 2018 (“1H2018”) to S\$147.0 million for 1H2019. This was mainly due to the ongoing trade tension and cyclical headwinds in the semiconductor industry.

Gross profit decreased by S\$4.3 million, or 10.3% from S\$41.7 million for 1H2018 to S\$37.4 million for 1H2019. Overall, gross profit margin slid by 0.3 percentage points, from 25.7% to 25.4% for 1H2018 and 1H2019 respectively.

Our business focus continues to be predominantly in the PRC, contributing approximately 70.2% in 1H2019 (1H2018: 69.9%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.8%, 1.9%, and 3.5% respectively for 1H2019 (1H2018: 14.4%, 5.6%, and 2.5% respectively). Revenue growth was muted across our major geographies.

Market conditions remained challenging as the ongoing trade war and market uncertainties have affected the growth momentum in China. The Group will continue to diversify its base of customers, end-industries and geographies it operates in, while exploring the latest smart manufacturing solutions as ISDN moves up the value chain.

The Group’s core motion control solutions will continue to deliver long-term sustainable growth as more traditional markets embrace high-tech precision control systems and technology for development and modernisation, coupled with the consistent growth in our customer base.

FUTURE PROSPECTS

The Group remains confident in the long-term prospects of its industrial automation business, expecting to ride on the growing demand for motion control solutions in the PRC as the country vies for greater dominance in the global manufacturing industry¹. According to Frost & Sullivan, the PRC’s motion control solutions market is estimated to grow at a compound annual growth rate (CAGR) of 7.9% between 2015 and 2020, reaching S\$3.76 billion in 2020², boding well for ISDN’s range of engineering solutions. The PRC’s ambitious plan to upgrade its overall manufacturing capabilities has seen its investment in smart manufacturing rise 46% to 69.6 billion Renminbi (“RMB”) (equivalent to approximately United States Dollar (“USD” or “US\$”) 10.1 billion) in 2018 according to research firm Marketing Intelligence Resource³. Smart manufacturing employs robotics, automation and other technologies to increase productivity and cut labour costs, with Beijing envisioning the growth of domestically-made industrial robots to grow to 70% by 2025 from about 30% in 2017⁴.

Be that as it may the market condition in the medium-term remains challenging with the ongoing trade tensions and cyclical headwinds in the semiconductor segment. To mitigate the medium-term impact of softer market demand and to build a long-term growth roadmap, the Group adopts a diversification strategy through (1) broadening its base of customers end-markets, geographies and solutions in its growing core motion control business; and (2) carving out additional revenue pipeline through its renewable energy investments. The Group also continues to climb the value chain through integrating more value-added engineering solutions in its offering mix.

¹ The Diplomat: Made in China 2025, Explained <https://thediplomat.com/2019/02/made-in-china-2025-explained/>

² Frost & Sullivan: Independent Market Research Report for ISDN

^{3 & 4} Nikkei Asian Review: China’s tech surges as it strives to be robotics superpower

<https://asia.nikkei.com/Business/China-tech/China-s-tech-spending-surges-as-it-strives-to-be-robotics-superpower>

Management Discussion and Analysis

FUTURE PROSPECTS (CONTINUED)

Looking to penetrate Asia's renewable energy sector, the Group is on track to begin production for its first two mini-hydropower plants in the second half of 2019 and the third to start in financial year 2020, bringing the total capacity to 24.2 megawatts of power. All three are located in North Sumatra, Indonesia, with the Group looking to develop a further 60 megawatts of capacity post-completion. ISDN's push towards renewable energy rides on Asia's, and specifically Indonesia's growing need for renewable energy. According to the 2019 Hydropower Status Report by the International Hydropower Association, Indonesia targets for new and renewable energy mix to make up at least 23% and 31% of the national energy mix in 2025 and 2050 respectively⁵. Financial contributions are expected to be more meaningful once the hydropower plants are commercially operational, with the Group already recognising S\$2.6 million in revenue from the construction of these plants for 1H2019.

Against the backdrop of medium-term volatilities but long-term good prospects for industrial automation, the Group continuously monitors the situation to stay abreast of any new developments. Nonetheless, consistent with past experience, the Group will continue to focus on industrial diversification to drive revenue and earnings growth, intensify efforts to move up the value chain, and deepen presence in core Asian markets as industrial automation is increasingly embraced.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	1H2019 S\$'000	1H2018 S\$'000	% change + / (-)
Engineering Solutions			
Revenue	144,335	162,104	(11.0%)
Gross profit	37,204	41,703	(10.8%)
Gross profit margin	25.8%	25.7%	0.1 ppt
Construction Revenue			
Revenue	2,628	-	n.m.
Gross profit	195	-	n.m.
Gross profit margin	7.4%	-	n.m.
TOTAL			
Revenue	146,963	162,104	(9.3%)
Gross profit	37,399	41,703	(10.3%)
Gross profit margin	25.4%	25.7%	(0.3 ppt)

The Group's revenue for 1H2019 of S\$147.0 million was lower as compared to the corresponding period in 2018. In 1H2019, the Group recognised construction revenue of approximately S\$2.6 million arising from the construction of mini-hydropower plants in Indonesia. The core motion control solutions segment continued to be a key revenue generator accounting for approximately 98.2% of the Group's total revenue for 1H2019.

⁵ International Hydropower Association: 2019 Hydropower Status Report <https://www.hydropower.org/status2019>

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Overall, revenue was lower across the majority of our geographical markets, mainly due to the headwinds from global trade tensions and semiconductor sector cyclicality. In the face of these headwinds, the Group is anchored by a diversified base of approximately 10,000 customers spread across aerospace, medical, transportation, telecommunications and other various industries, together with a diversified product mix from over 500 technology partners, providing more core value-added engineering solutions to our customers.

Gross profit of S\$37.4 million was S\$4.3 million, or 10.3% lower in 1H2019 as compared to 1H2018. Overall, the gross profit margin edged down slightly in 1H2019 as compared to the corresponding period in 2018 by 0.3 percentage point from 25.7% to 25.4%. Excluding the gross profit arising from the construction of mini-hydro power plant under the service concession arrangement, the Group managed to maintain its gross profit margin at 25.8% in 1H2019 which is slightly higher than corresponding period last year.

Market conditions remain uncertain and the Group has adopted a cautious posture with suppliers and customers to stay closely informed and to manage revenue and expenses prudently. However, while managing current market conditions cautiously, the Group continues its long-term progress of industrial diversification to drive revenue and earnings growth, and technology growth to deepen its capabilities and presence in core Asian markets as industrial automation is increasingly embraced.

Other operating income

Other operating income decreased by S\$1.3 million, or 35.7% to S\$2.3 million for 1H2019. The decrease was mainly due to absence of net foreign exchange gain of S\$0.8 million, absence of one-off gain on disposal of subsidiaries of S\$0.2 million, decrease in gain on disposal of property, plant and equipment of S\$0.2 million, decrease in commission income of S\$0.1 million, lower interest income of S\$0.1 million and lower technical consultancy fees of S\$0.1 million; partially offset by write back of allowance for inventory obsolescence of S\$0.3 million and write back of allowance for trade receivables of S\$0.1 million.

Distribution costs

Distribution costs increased by S\$0.3 million, or 2.5% to S\$12.4 million in 1H2019 mainly due to increased investment in regional marketing efforts.

Administrative expenses

The administrative expenses remained relatively stable for 1H2019 as compared with 1H2018.

Other operating expenses

Other operating expenses increased by S\$0.6 million for 1H2019. The increase was mainly due to increase in net foreign exchange loss arose from devaluation of USD against the SGD, thus resulting in an unrealised exchange loss upon revaluation of USD receivables and the increase in allowance for inventories obsolescence.

Finance costs

Finance costs increased by S\$0.4 million, or 98.8% to S\$0.8 million for 1H2019, which was mainly due to an increase in bank borrowings.

Management Discussion and Analysis

Income tax expense

Income tax expense decreased by S\$1.9 million, or 42.4% to S\$2.6 million for 1H2019, mainly due to lower taxable profits in 1H2019.

Associates

Interests in associates decreased by S\$0.3 million, or 5.6% as at 30 June 2019 mainly due to declaration of dividends from associates of S\$0.7 million of which S\$0.2 million was received during the reporting period offset by share of associates' results of S\$0.3 million in 1H2019.



Service concession receivables

Service concession receivables increased by S\$2.3 million, or 7.7% to S\$32.6 million as at 30 June 2019. This was mainly due to recognition of construction revenue of S\$2.6 million from the construction of mini-hydropower plants under the service concession arrangement offset by foreign exchange revaluation losses of S\$0.3 million.

Other financial assets

Other financial assets increased by S\$0.9 million was mainly due to the investment of 10% on unquoted equity interest in a company which specialises in the design, development, integration and sales of lithium battery management systems. The investment aligns well with the Company's diversification strategy involving renewable energy ventures.

Inventories

Inventories decreased by S\$4.5 million or 8.2% to S\$50.7 million as at 30 June 2019 primarily due to the fulfilment of customer orders during the financial period.

Trade and other receivables

Trade and other receivables increased by S\$12.1 million or 12.5% to S\$108.3 million as at 30 June 2019 mainly due to an increase in trade receivables from third parties of S\$8.1 million arising from the increase in period end billing to customers, coupled with an increase in advance payment to suppliers of S\$2.7 million and increase in other receivables of S\$2.6 million. This was partly offset by the decrease in notes receivables of S\$1.5 million.

Trade and other payables

Trade and other payables decreased by S\$3.1 million or 4.5% to S\$66.3 million as at 30 June 2019, which was mainly due to decrease in trade payables of S\$3.4 million arose from payment to trade suppliers as they became due and decrease in accrued staff costs of S\$0.7 million. This was offset by the increase in advance received from customers of S\$0.9 million.

Bank borrowings

Bank borrowings increased by S\$1.4 million to S\$29.6 million as at 30 June 2019. The increase was primarily due to proceeds of bank borrowings of S\$13.6 million offset by repayment of bank borrowings amounting to S\$12.2 million.

Management Discussion and Analysis

CAPITAL EXPENDITURES

During the 1H2019, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$1,594,000 (1H2018: S\$1,681,000).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals in 1H2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

During the 1H2019, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2019, cash and bank balances amounted to approximately S\$41.1 million, which decreased by approximately 1.9% as compared to S\$41.9 million as at 31 December 2018. The quick ratio of the Group was approximately 1.7 times (31 December 2018: 1.6 times).

As at 30 June 2019, the Group has long and short-term bank borrowings of approximately S\$29.6 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$17.9 million (31 December 2018: S\$16.4 million) while the bank borrowings due after one year amounted to approximately S\$11.7 million (31 December 2018: S\$11.9 million).

As at 30 June 2019, the weighted average effective interest rates on bank borrowings is 3.74% (31 December 2018: 4.18%) per annum. The Group does not have fixed rate bank borrowings as at 30 June 2019 and 31 December 2018. Together with the obligation under finance leases of approximately S\$0.3 million (31 December 2018: S\$0.3 million), the Group's total borrowings amounted to S\$29.9 million (31 December 2018: S\$28.6 million).

As at 30 June 2019, the carrying amounts of the Group's cash and bank balances and bank borrowings are denominated in the below currencies:

	RMB	USD	SGD	HKD	CHF	Euro	Others	Total
	S\$'000							
<u>30 June 2019</u>								
Cash and bank balances	18,279	8,134	4,212	243	1,473	1,099	7,631	41,071
Bank borrowings	6,984	18,441	2,739	-	353	382	743	29,642
<u>31 December 2018</u>								
Cash and bank balances	16,725	6,165	9,263	251	761	1,224	7,488	41,877
Bank borrowings	4,220	20,849	2,809	-	-	-	387	28,265

Management Discussion and Analysis

ISSUE OF SHARES AND USE OF PROCEEDS

As disclosed in the Company's announcement dated 27 February 2019, the Company entered into a subscription agreement (the "**Subscription Agreement**") with NTCP SPV VI ("**Subscriber**") on 27 February 2019. Pursuant to the Subscription Agreement, upon completion of the subscription on 18 March 2019, the Company allotted and issued, and Subscriber subscribed for, 26,987,295 Shares (the "**Subscription Shares**"), at the subscription price of S\$0.20 (equivalent to approximately HK\$1.16) per Subscription Share (the "**Subscription**").

The net subscription price per Subscription Share, after deduction of all related fees and expenses, is approximately S\$0.196 (equivalent to approximately HK\$1.14). The closing price of the Shares on the date of the Subscription Agreement was HK\$1.18 per Share as quoted on the Stock Exchange.

The gross proceeds from the Subscription amounted to approximately S\$5.4 million (equivalent to approximately HK\$31.3 million), while the net proceeds from the Subscription (after deducting all related fees and expenses incurred in the Subscription) amounted to approximately S\$5.3 million (equivalent to approximately HK\$30.7 million). It is intended that the net proceeds from the Subscription will be utilised for the Group's business development and as the general working capital of the Group.

For further details, please refer to the announcements of the Company dated 27 February 2019, 8 March 2019 and 18 March 2019.

The table below set out the planned application of the net proceeds and the actual usage:

Intended application of the net proceeds	Planned use of net proceeds (S\$'000)	Actual usage up to 30 June 2019 (S\$'000)	Unused proceeds as at 30 June 2019 (S\$'000)
Business development	4,770	-	4,770
General working capital	530	-	530
Total	5,300	-	5,300

The unused proceeds are estimated to be fully utilised by the end of 2019.

GEARING RATIO

During the 1H2019, the gearing ratio of the Group was about 19.4% (1H2018: 19.9%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The decrease in gearing ratio was mainly due to the increase in equity excluding non-controlling interests.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the 1H2019. 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.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and USD. The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain subsidiaries of the Company 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 1H2019, 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 2019, there were 916 (2018: 868) 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.

The Company adopted employee share option scheme 2016 (the "ESOS") and employee performance share plan (the "EPSP") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

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 1H2019.

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 2019.

Charge on the Group's Assets

As at 30 June 2019, assets of the Group totaling S\$22.4 million (2018: S\$23.0 million) were pledged to banks to secure general banking facilities granted to the Group.

Interim dividend

The Board has resolved not to declare any interim dividend for the 1H2019 (2018: Nil).

Other Information

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

As at 30 June 2019, the interests and short positions of the Directors and the 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, Chapter 571 of the laws of Hong Kong (the "**SFO**") which were required 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, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were 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 Appendix 10 to the Hong Kong Listing Rules (the "**Model Code**"), were as follows:

(i) Long positions in the Shares, underlying Shares or debentures of the Company

Name of directors	Capacity	Number of ordinary shares		Number of underlying Shares held under share option scheme	Total	Approximate percentage of the issued Share
		Personal interests	Corporate interests			
Mr. Teo (Note 1)	Interest of controlled corporation	-	132,155,150	-	132,155,150	31.34%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	2,050,000	0.49%
Mr Keith Hsiang-Wen Toh (" Mr. Toh ") (Note 2)	Interest of controlled corporation	-	26,987,295	-	26,987,295	6.40%

Notes:

- (1) The Shares were held by Assetraise Holdings Limited ("**Assetraise**"), which is beneficially owned by Mr. Teo and his spouse, Ms. Thang. Accordingly, Mr. Teo was deemed to be interested in these 132,155,150 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP SPV VI. Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") is the owner of 100% of the shares of the NTCP SPV VI and is therefore treated as having an interest. New Earth Group 2 Ltd. ("**NEG 2**") is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Toh is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP SPV VI.

(ii) Long position in the shares, underlying shares and debentures of the associated corporations of the Company

Mr. Teo had, as at 30 June 2019, personal interests in 5,547 ordinary shares, representing 1% of the issued shares, in Dirak Asia Pte Ltd held in his capacity as a beneficial owner.

Other Information

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

Save as disclosed above, as at 30 June 2019, none of the Directors or the Chief Executive had an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 which they were taken or deemed to have under such provisions of the SFO); or, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The Company's ESOS and the amendments to the ESOS were approved by the Shareholders at the extraordinary general meetings of the Company (the "EGMs") held on 22 April 2016 and 16 December 2016, respectively.

Since the commencement of the ESOS till the end of the 1H2019:

- (1) No options have been granted to the controlling shareholders of the Company and their 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 1H2019.

Employee Performance Share Plan

The Company's EPSP and the amendments to the EPSP were approved by Shareholders at the EGMs 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.

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

Arrangements to purchase, sale or redemption of Listed Securities

During the 1H 2019 and up to the date of this interim report, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST, neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

Other Information

Deed of Non-competition

The Company has received the written confirmations from Mr. Teo and Ms. Thang in respect of the compliance with the provisions of the deed of non-competition (the “**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 of the Company dated 30 December 2016, during the 1H2019 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 1H2019 and up to the date of this interim report.

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

As at 30 June 2019, the entities or persons (other than a Director or the Chief Executive) who have interests or short positions in the Shares and underlying Shares 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 were as follows:

Name	Capacity	Number of ordinary shares		Number of underlying Shares held under share option scheme	Total	Approximate percentage of the issued Share
		Personal interests	Corporate interests			
Assetraise (Note 1)	Beneficial owner	132,155,150	-	-	132,155,150	31.34%
Ms. Thang (Note 1)	Interest of controlled corporation	-	132,155,150	-	132,155,150	31.34%
NTCP SPV VI (Note 2)	Beneficial owner	26,987,295	-	-	26,987,295	6.40%
Mr. Loke Wai San (“Mr. Loke”) (Note 2)	Interest of controlled corporation	-	26,987,295	-	26,987,295	6.40%
NEG 2 (Note 2)	Interest of controlled corporation	-	26,987,295	-	26,987,295	6.40%
NT Fund 2 (Note 2)	Interest of controlled corporation	-	26,987,295	-	26,987,295	6.40%

Other Information

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Notes:

- (1) Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, is the beneficial owner of 132,155,150 Shares. By virtue of the SFO, Mr. Teo and his spouse Ms. Thang, are deemed to be interested in all of the Shares held by Assetraise.
- (2) These Shares were held by NTCP SPV VI. NT Fund 2 is the owner of 100% of the shares of the NTCP SPV VI and is therefore treated as having an interest. NEG 2 is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Loke is entitled to control not less than 60% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP SPV VI.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any entities or persons (who were not a Director or the Chief Executive) who had an interest or short position in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 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.

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 Hong Kong Listing Rules 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 1H2019, the Group has complied with the Code and the HK CG Code.

Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction

In compliance with Rules 1207(19) of the Listing Manual (the "Singapore Listing Manual") of the SGX-ST and the Model Code, 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 during the 1H2019 and up to the date of this interim report.

The Company and its officers are not allowed to deal in the 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

Change in Information of Director

Subsequent to the date of the 2018 annual report of the Company, the change in Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules is set out below:

Mr. Lim Siang Kai was appointed as a non-executive director of D'nonce Technology Berhad (stock code: 7114), a company listed on the Main Board of Bursa Malaysia, with effect from 12 June 2019 and redesignated as a non-independent and non-executive chairman with effect from 12 July 2019.

Audit Committee

The Board established the Audit Committee with written terms of reference which deal clearly with its authority and duties, which was revised on 1 January 2019. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and risk management 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 and this report for 1H2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the Singapore Listing Manual and the Hong Kong 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 1H2019 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
ISDN HOLDINGS LIMITED
Lim Siang Kai
Chairman

Singapore, 7 August 2019

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ISDN Holdings
LIMITED

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Company registration No. 200416788Z