



ISDN Holdings Limited
Interim Financial Statements Announcement
For the First Quarter and Period Ended 31 March 2012



ISDN Holdings Limited
2012 Interim Financial Statements Announcement

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND PERIOD ENDED 31 MARCH 2012

An income statement and statement of comprehensive income, or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial period.

	Group		
	3 months ended 31 March		
	2012	2011	Increase (Decrease)
	S\$'000	S\$'000	%
Revenue	32,830	44,545	(26.3)
Cost of sales	(22,780)	(29,550)	(22.9)
Gross profit	10,050	14,995	(33.0)
Other operating income	644	327	96.9
Distribution costs	(3,356)	(3,419)	(1.8)
Administrative expenses	(3,970)	(5,120)	(22.5)
Other operating expenses	(595)	(706)	(15.7)
Finance costs	(254)	(330)	(23.0)
Share of results of associates	353	92	N/M
Profit before income tax	2,872	5,839	(50.8)
Income tax expense	(485)	(1,467)	(66.9)
Profit for the period	2,387	4,372	(45.4)
Other comprehensive income:			
Exchange differences on translation of foreign operations	(1,143)	(629)	81.7
Total comprehensive income for the period	1,244	3,743	(66.8)
Profit after income tax attributable to:			
Equity holders of the Company	2,007	2,973	(32.5)
Non-controlling interests	380	1,399	(72.8)
	2,387	4,372	(45.4)
Total comprehensive income attributable to:			
Equity holders of the Company	995	2,420	(58.9)
Non-controlling interests	249	1,323	(81.2)
	1,244	3,743	(66.8)

N/M- not meaningful



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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Profit from operations is determined after crediting/charging the following:

	Group	Group	
	3 months ended 31 March		
	2012	2011	Increase (Decrease)
	S\$'000	S\$'000	%
Other operating income (crediting)			
Administrative income	31	43	(27.9)
Commission income	4	32	(87.5)
Finance income:			
- interest on bank deposits	29	30	(3.3)
Gain on disposal of property, plant and equipment	1	-	N/M
Technical service income	142	154	(7.8)
Write back of allowance for trade receivables	35	-	N/M
Write back of allowance for inventories obsolescence	50	-	N/M
Operating lease rental income:			
- investment properties	14	12	16.7
- sub-let of office/warehouse premises	92	11	N/M
Property management income	12	45	(73.3)
One off consultancy fees received from a third party	138	-	N/M
Miscellaneous income	96	-	N/M
	644	327	96.9

N/M- not meaningful



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	Group	Group	
	3 months ended 31 March		
	2012	2011	Increase (Decrease)
	S\$'000	S\$'000	%
Other operating expenses (charging)			
Allowance for impairment of trade receivables	105	34	N/M
Allowance for inventories obsolescence	233	110	N/M
Amortisation of intangible assets	5	78	(93.6)
Amortisation of prepayment of land use rights	8	8	-
Bad trade receivables written off	16	-	N/M
Foreign exchange losses, net	218	413	(47.2)
Inventories written off	2	63	(96.8)
Loss on disposal of property, plant and equipment	8	-	N/M
	595	706	(15.7)
<i>Included in Distribution costs</i>			
Depreciation of property, plant and equipment	28	25	12.0
<i>Included in Administrative expenses</i>			
Depreciation of property, plant and equipment	360	1,087	(66.9)
Depreciation of investment properties	5	4	25.0
<i>Included in cost of sales</i>			
Depreciation of property, plant and equipment	61	43	41.9

N/M- not meaningful



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	Group	Group	
	3 months ended 31 March		
	2012	2011	Increase (Decrease)
	S\$'000	S\$'000	%
Income tax expense			
Current taxation	421	1,438	(70.7)
Deferred taxation	3	2	50.0
Underprovision of tax in respect of prior years	61	27	N/M
	<hr/>	<hr/>	
	485	1,467	(66.9)

N/M- not meaningful



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(1)(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Group	Group	Company	Company
31 March 2012	31 December 2011	31 March 2012	31 December 2011
S\$'000	S\$'000	S\$'000	S\$'000

ASSETS

Non-current assets

Property plant and equipment	27,074	27,896	-	-
Investment properties	628	633	-	-
Intangible assets	36	41	-	-
Prepayment- land use rights	1,507	1,547	-	-
Goodwill on consolidation	11,686	11,686	-	-
Subsidiaries	-	-	38,822	38,822
Associates	2,923	2,586	33	33
Total non current assets	43,854	44,389	38,855	38,855

Current assets

Inventories	27,422	29,209	-	-
Trade and other receivables	39,613	36,704	122	119
Amount owing by subsidiaries	-	-	4,535	4,968
Dividend receivable	-	-	4,050	4,050
Cash and bank balances and fixed deposits	25,864	28,403	80	1,392
Total current assets	92,899	94,316	8,787	10,529

Total Assets

136,753	138,705	47,642	49,384
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Cont'd

	Group	Group	Company	Company
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	S\$'000	S\$'000	S\$'000	S\$'000
EQUITY AND LIABILITIES				
Equity attributable to members of the Company				
Share capital	44,855	44,855	44,855	44,855
Treasury shares	(340)	(340)	(340)	(340)
Reserves	34,284	33,287	1,309	1,826
	78,799	77,802	45,824	46,341
Non-controlling interests	6,270	6,018	-	-
Total equity	85,069	83,820	45,824	46,341
Non-current liabilities				
Bank borrowings	8,681	10,636	-	-
Finance leases	279	293	-	-
Deferred tax liabilities	42	30	-	-
Total non-current liabilities	9,002	10,959	-	-
Current liabilities				
Bank borrowings	9,852	11,020	-	-
Current portion of finance leases	54	54	-	-
Trade and other payables	31,031	31,282	1,818	3,043
Current income tax liabilities	1,745	1,570	-	-
Total current liabilities	42,682	43,926	1,818	3,043
Total liabilities	51,684	54,885	1,818	3,043
Total equity and liabilities	136,753	138,705	47,642	49,384



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(1)(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

The amount repayable in one year or less, or on demand:

As at 31 March 2012		As at 31 December 2011	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,405	5,501	4,424	6,650

The amount repayable after one year;

As at 31 March 2012		As at 31 December 2011	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
8,342	618	10,173	756

Details of any collaterals.

The secured borrowings relate to:-

- 1) The finance lease obligations of various subsidiaries which are secured against respective assets under the finance lease arrangement.
- 2) Legal mortgage over a land use right and a leasehold property of a subsidiary for a term loan. The said facility is also secured by corporate guarantee provided by the Company and a subsidiary.
- 3) There are legal mortgages over four leasehold properties of three subsidiaries and one investment property of a subsidiary for facilities including a term loan, a commercial property loan and trade facilities. The said facilities are also secured by corporate guarantee provided by the Company.
- 4) There is legal mortgage over a parcel of land of a subsidiary for facilities including working capital loans and trade facilities. The said facilities are also secured by personal guarantees provided by two directors of the subsidiary.



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(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended 31 March	
	2012	2011
	S\$'000	S\$'000
Cash flow from operating activities:		
Profit before income tax	2,872	5,839
Adjustments for:		
Amortisation of intangible assets	5	78
Amortisation of land use rights	8	8
Bad trade receivables written off	16	-
Depreciation of property, plant and equipment	449	1,155
Depreciation of investment properties	5	4
Allowance for impairment of trade receivables	105	34
Allowance for inventories obsolescence	233	110
Inventories written off	2	63
Loss on disposal of property, plant and equipment	7	-
Write back of allowance for inventories obsolescence	(50)	-
Write back of allowance for impairment of trade receivables	(35)	-
Interest expense	254	330
Interest income	(29)	(30)
Share of results of associates	(353)	(92)
Unrealised currency translation differences	333	282
Operating cash flow before working capital changes	3,822	7,781
Inventories	1,602	(1,318)
Trade and other receivables	(3,335)	(6,036)
Trade and other payables	904	750
Cash generated from operations	2,993	1,177
Interest paid	(254)	(330)
Interest received	29	30
Income tax paid	(307)	(706)
Net cash generated from operating activities	2,461	171



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Cont'd	3 months ended 31 March	
	2012	2011
	S\$'000	S\$'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(387)	(521)
Proceeds from of sales property, plant and equipment	3	-
Increase of intangible assets	-	(82)
Progress payments of properties under development	-	(153)
Consideration for acquisition of interests from non-controlling interests	-	(21)
Net cash used in investing activities	(384)	(777)
Cash flows from financing activities:		
Dividends to non-controlling interests	(1,425)	(1,409)
Investment in subsidiaries by non-controlling interests	5	-
Repayment from/(Loan to) a joint venture	39	(58)
Amount owing to an associate	-	15
Repayment from non-controlling interests	(48)	-
Proceeds from bank loans	-	1,153
Repayments of bank loans	(2,362)	(2,726)
(Repayment of)/Proceeds from short-term loans (net)	(761)	223
Proceeds from trust receipts (net)	6	53
Repayment of finance leases	(14)	(10)
Net cash used in financing activities	(4,560)	(2,759)
Net decrease in cash and cash equivalents	(2,483)	(3,365)
Cash and cash equivalents at beginning of period	28,403	28,500
Effect of currency translation on cash and cash equivalents	(56)	-
Cash and cash equivalents at end of period (Note A)	25,864	25,135



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Note A:

For the purpose of the consolidated cash flow statement, the period end cash and cash equivalents comprise the following:

	31 March 2012	31 March 2011
	S\$'000	S\$'000
Cash and bank balances	24,584	24,651
Fixed deposits	1,280	1,013
	<hr/>	<hr/>
	25,864	25,664
(Less) Bank Overdraft	-	(508)
(Less) Restricted bank balances	-	(21)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	25,864	25,135
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(1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Treasury shares	Merger reserves	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Balance as at 1 January 2011	44,855	(340)	(436)	(1,801)	1,745	24,879	68,902	5,563	74,465
Total comprehensive income for the period	-	-	-	(553)	-	2,973	2,420	1,323	3,743
Acquisition of non-controlling interests	-	-	-	-	-	(4)	(4)	(15)	(19)
Transfer to other reserves	-	-	-	-	3	(3)	-	-	-
Balance as at 31 March 2011	44,855	(340)	(436)	(2,354)	1,748	27,845	71,318	6,871	78,189
Balance as at 1 January 2012	44,855	(340)	(436)	139	1,909	31,675	77,802	6,018	83,820
Total comprehensive income for the period	-	-	-	(1,012)	-	2,007	995	249	1,244
Capital contributed by non-controlling interest	-	-	-	-	-	-	-	5	5
Acquisition on non-controlling interest	-	-	-	-	-	2	2	(2)	-
Balance as at 31 March 2012	44,855	(340)	(436)	(873)	1,909	33,684	78,799	6,270	85,069



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	Share capital	Retained earnings	Treasury shares	Total
	S\$'000	S\$'000	\$'000	S\$'000
<u>Company</u>				
Balance as at 1 January 2011	44,855	1,518	(340)	46,033
Total comprehensive income for the period	-	(626)	-	(626)
Balance as at 31 March 2011	44,855	892	(340)	45,407
Balance as at 1 January 2012	44,855	1,826	(340)	46,341
Total comprehensive income for the period	-	(517)	-	(517)
Balance as at 31 March 2012	44,855	1,309	(340)	45,824



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(1)(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The number of outstanding shares as at 31 March 2012 is 298,654,950 (31 March 2011: 298,654,950), net of treasury shares.

There were no shares issued under the Company's Share Option Scheme and Employees' Share Incentive Scheme.

(1)(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the preceding year.

	Group		Company	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	No. of shares	No. of shares	No. of shares	No. of shares
Issued share capital at the end of the period (net of treasury shares)	298,654,950	298,654,950	298,654,950	298,654,950

(1)(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported

	Group		Company	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	No. of treasury shares	No. of treasury shares	No. of treasury shares	No. of treasury shares
Balance at beginning and end of period	2,665,000	2,665,000	2,665,000	2,665,000



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2. Whether the figures have been audited, or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statement for the period ended 31 March 2012 as those used for the audited financial statement as at 31 December 2011.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Adoption of new or revised Financial Reporting Standards ("FRS") applicable for the financial period beginning 1 January 2012 are as follows:-

- Improvements to FRSs issued in 2011:
 - Amendments to FRS 1 Presentation of Financial Statements
 - Amendments to FRS 12 Deferred Tax : Recovery of Underlying Assets

The adoption of these FRS does not impact the financial statement significantly.



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6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

Group	Group
3 months ended 31 March	
2012	2011
Singapore cents	Singapore cents

EPS (based on consolidated net profit attributable to shareholders)		
- on weighted average number of ordinary shares on issue	0.67	1.00
- on a fully diluted basis	0.67	1.00
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	298,654,950	298,654,950
Weighted average number of ordinary shares for diluted EPS (net of treasury shares)	298,654,950	298,654,950

7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
	Singapore cents	Singapore cents	Singapore cents	Singapore cents
Net asset value per share based on existing issued capital as at respective period	26.38	26.05	15.34	15.52
Issued share capital at the end of the period (net of treasury shares)	298,654,950	298,654,950	298,654,950	298,654,950



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

STATEMENT OF COMPREHENSIVE INCOME ITEMS

Quarter on Quarter

Revenue

The Group is an integrated specialist engineering solutions provider, serving manufacturers across a broad range of industries within China and the rest of Asia.

Revenue by Geographical Location

Revenue by geographical location	3 months ended 31 March		Increase (Decrease)	
	2012	2011		
	S\$'000	S\$'000	S\$'000	%
Singapore	9,126	12,539	(3,413)	(27.2)
People's Republic of China ("PRC")	20,810	26,929	(6,119)	(22.7)
Malaysia	1,145	3,275	(2,130)	(65.0)
Others	1,749	1,802	(53)	(2.9)
Total	<u>32,830</u>	<u>44,545</u>	<u>(11,715)</u>	<u>(26.3)</u>

Notes to table:

Others include but not limited to Taiwan, Thailand, Indonesia, Germany, United States of America, India, Australia, Canada and United Arab Emirates.

The Group registered lower sales revenue in the 1Q 2012 as compared to the previous corresponding period of 2011.

The decline in sales revenue in Singapore was mainly due to no further contributions from a subsidiary's investment project which was divested in 4Q 2011.

Weaker demand from customers from industries like semiconductor & hard disk and machine tools was another reason for the decline in sales revenue in Singapore, PRC and Malaysia as a result of economic slowdown.



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Revenue by Business Segment

Revenue by business segment	3 months ended 31 March		Increase (Decrease)	
	2012	2011		
	S\$'000	S\$'000	S\$'000	%
Motion Control	24,911	35,870	(10,959)	(30.6)
Other Specialised Engineering Solutions	6,423	6,928	(505)	(7.3)
Industrial Computing	1,482	1,747	(265)	(15.2)
Others	14	-	14	N/M
Total	32,830	44,545	(11,715)	(26.3)

N/M- not meaningful

In line with the overall decline in sales revenue, the Group's various products groups recorded lower income in 1Q2012 as compared to 1Q 2011.

The decline was mainly due to weaker demand from Motion Control business segment, which mainly supports industries like semiconductor & hard disk and machine tools, because of economic slowdown.

Sales revenue of S\$14,000 recorded under Others group in 1Q of 2012 was contributed by our Hydroponics business

Gross profit

In line with the decrease in sales revenue, the Group's gross profit declined by S\$4.95 million or 33.0% from S\$15.00 million in 1Q2011 to S\$10.05 million in 1Q2012. Gross profit margin remained relatively stable at 30.6% in 1Q2012.

Other operating income

Other operating income increased by S\$317,000 from S\$327,000 in 1Q2011 to S\$644,000 in 1Q2012 mainly due to the receipt of one off consultancy fee from a third party and increase in rental from sub-let of office/warehouse premises.

Distribution costs

In line with the lower sales revenue recorded, the distribution costs incurred in 1Q2012 was lower than 1Q2011 by S\$63,000.

Administrative expenses

Administrative expenses decreased by S\$1.15 million or 22.5% from S\$5.12 million in 1Q2011 to S\$3.97 million in 1Q2012 mainly due to divestment of a subsidiary's investment project in 4Q2011.



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Other operating expenses

Other operating expenses decreased by S\$111,000 or 15.7% from S\$706,000 in 1Q2011 to S\$597,000 in 1Q2012. This was due to the decrease in allowance for foreign exchange loss and amortization of intangibles assets partially offset by the increase in allowance for impairment of trade receivables and inventories obsolescence.

Finance costs

Finance costs decreased by S\$76,000 or 23.0% from S\$330,000 in 1Q2011 to S\$254,000 in 1Q2012 mainly due to decrease in bank borrowings.

Share of results of associates

Share of results of associates increased by S\$261,000 between 1Q2012 and 1Q2011 mainly due to additional contribution from an associate company which took over certain brands of products that were previously distributed by the Group.

Income tax expense

Lower income tax expense was incurred in 1Q2012 as compared to 1Q2011 mainly due to lower taxable profit.

STATEMENT OF FINANCIAL POSITION ITEMS

Associates

The increase in Associates was mainly due to increase in share of results of Associates.

Inventories

Inventories decreased by S\$1.79 million or 6.1% from S\$29.21 million as at 31 December 2011 to S\$27.42 million as at 31 March 2012 due to the decrease in inventories purchased as a result of decrease in sales revenue.

Trade and other receivables

The increase of S\$2.91 million in Trade and other receivables was mainly due to delay in payment by customers.

Subsequent payment of about S\$5.20 million was received from customers as at 25 April 2011. It represents approximately 14.3% of trade receivables as at 31st March 2012.



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The customers who have delayed payments are still paying progressively and/or having ongoing transactions with the Company. They are the long time customers of the Group and the Group is regularly in close contact with them.

Bank borrowings

Bank borrowings decreased by S\$3.13 million or 14.5% from S\$21.66 million as at 31 December 2011 to S\$18.53 million as at 31 March 2012. The decline was mainly due to repayment of bank borrowings.

CASH FLOW STATEMENT

Cash and cash equivalents

Net cash generated from operating activities increased from S\$171,000 during period ended 31 March 2011 to S\$2.46 million during period ended 31 March 2012. The increase was due to lower inventories purchased as a result of decrease in revenue.

The decrease in net cash outflow from investing activities was mainly due to lower amount of purchase of property, plant and equipment.

Net cash used in financing activities increased from S\$2.76 million during period ended 31 March 2011 to S\$4.56 million during period ended 31 March 2012 mainly due to no new bank loans being drawn down and more repayment of bank loans.

With the above, cash and cash equivalents increased by S\$729,000 or 2.9% from S\$25.14 million as at 31 March 2011 to S\$25.86 million as at 31 March 2012.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

We expect the business outlook to remain challenging for the Group in the next reporting period and over the next 12 months due to the lackluster general economic sentiments. Nonetheless, we remain cautiously optimistic on the Group's performance in our key markets due to our established reputation, strong business network and diversified customer base.



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On the new business front, ISDN is on track with our planned developments in Hydroponics. Following the recent joint venture between Agri Source Pte Ltd, ISDN's wholly-owned subsidiary, and the Ho Lee Group, new land has been secured for our Malaysian operations while our first farm in China has begun supplying to local wholesalers.

On the Energy side, the Group is awaiting the production licence to commence production work in our coal mining venture at the associate company level, with PT Putra Perkasa Indah, a company engaged in the business of coal mining exploration based in Kalimantan, Indonesia. We expect demand for coal as a fuel commodity worldwide to remain healthy and the Group has thus set aside the necessary resources so that production can take off as soon as the requisite documentation is received. ISDN will make the necessary announcement and relevant update as they come online.

11. Dividend

(a) Current Financial Period Reported On

Any dividend proposed for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared (recommended).



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13. Aggregate Value of Interested Person Transactions entered into for period ended 31 March 2012- Pursuant to Rule 920(1)(a)(ii) of the Listing Manual.

Not applicable.

14. Statement by Directors Pursuant to SGX Listing Rule 705(5)

We, Teo Cher Koon and Kong Deyang, being Directors of ISDN Holdings Limited, hereby confirm on behalf of the Board of Directors that to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited interim financial results (comprising the comprehensive income statement, balance sheet, cash flow statement and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material aspect.

By Order of the Board

Gwendolyn Gn
Company Secretary
ISDN Holdings Limited

4 May 2012