

# Automating *Asia's Future*



**ISDN Holdings**  
LIMITED

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

Interim Report  
**2022**



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# CORPORATE INFORMATION

## COMPANY REGISTRATION NUMBER

200416788Z

## BOARD OF DIRECTORS

Lim Siang Kai (*Chairman*)  
Teo Cher Koon  
Kong Deyang  
Soh Beng Keng  
Tan Soon Liang  
Toh Hsiang-Wen Keith

## REGISTERED OFFICE

101 Defu Lane 10  
Singapore 539222

## JOINT COMPANY SECRETARIES

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

Tung Wing Yee Winnie  
(*FCCA, CPA (Aust.)*)  
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  
1 Harbourfront Avenue  
Keppel Bay Tower #14-07  
Singapore 098632

## 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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (the “**1H2022**”) together with the relevant comparative audited or unaudited figures. The Group’s Interim Results for 1H2022 are unaudited but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

	Notes	Six months ended 30 June	
		2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)
<b>Revenue</b>	4	190,707	217,158
Cost of sales		(136,629)	(158,965)
<b>Gross profit</b>		54,078	58,193
Other operating income	5	1,985	2,928
Distribution costs		(14,923)	(14,695)
Administrative expenses		(19,450)	(18,734)
Net impairment gains/(losses) on financial assets		226	(775)
Other operating expenses		(1,028)	(532)
Finance costs	6	(1,257)	(684)
Share of profit of associates, net		1,082	365
<b>Profit before income tax</b>	7	20,713	26,066
Income tax	8	(4,580)	(6,678)
<b>Profit for the period</b>		16,133	19,388
<b>Other comprehensive income, net of tax:</b>			
<u>Items that may be subsequently reclassified to profit or loss</u>			
- net fair value changes on cash flow hedge		(31)	-
- exchange differences on translation		(2,364)	1,763
<b>Total comprehensive income for the period</b>		13,738	21,151
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		11,070	12,167
Non-controlling interests		5,063	7,221
		16,133	19,388
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		9,044	13,485
Non-controlling interests		4,694	7,666
		13,738	21,151
<b>Earnings per share attributable to the equity holders of the Company:</b>			
Basic and diluted (Singapore cents)	9	2.52	2.79

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	11	66,403	67,707
Investment properties		429	440
Land use rights		1,184	1,221
Goodwill		12,227	12,227
Associates		6,224	5,345
Service concession receivables	13	77,747	69,356
Other financial assets	12	900	900
Deferred tax assets		372	350
<b>Total non-current assets</b>		<b>165,486</b>	<b>157,546</b>
<b>Current Assets</b>			
Inventories		84,364	77,534
Trade and other receivables	13	110,673	118,504
Cash and bank balances		75,731	61,681
<b>Total current assets</b>		<b>270,768</b>	<b>257,719</b>
<b>Total Assets</b>		<b>436,254</b>	<b>415,265</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	81,487	81,487
Reserves		124,763	115,649
		206,250	197,136
Non-controlling interests		53,999	49,839
<b>Total Equity</b>		<b>260,249</b>	<b>246,975</b>
<b>Non-current Liabilities</b>			
Bank borrowings	15	11,725	12,761
Leases liabilities		4,580	4,559
Deferred tax liabilities		790	790
<b>Total non-current liabilities</b>		<b>17,095</b>	<b>18,110</b>
<b>Current Liabilities</b>			
Bank borrowings	15	29,367	27,360
Leases liabilities		1,487	2,117
Trade and other payables	16	102,833	96,885
Contract liabilities		21,548	19,475
Current tax liabilities		3,675	4,343
<b>Total current liabilities</b>		<b>158,910</b>	<b>150,180</b>
<b>Total Liabilities</b>		<b>176,005</b>	<b>168,290</b>
<b>Total Equity and Liabilities</b>		<b>436,254</b>	<b>415,265</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to equity holders of the Company					
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2022</b>						
Balance at 1 January (audited)	81,487	(436)	1,846	6,049	108,190	49,839
Profit for the period	-	-	-	-	11,070	5,063
Other comprehensive loss for the period	-	-	(1,995)	(31)	-	(369)
Total comprehensive (loss)/income for the period	-	-	(1,995)	(31)	11,070	4,694
Dividends to non-controlling interests	-	-	-	-	-	(464)
Transfer to other reserves	-	-	-	138	(68)	(70)
Balance at 30 June (unaudited)	81,487	(436)	(149)	6,156	119,192	53,999
<b>2021</b>						
Balance at 1 January (audited)	79,213	(436)	(1,635)	4,967	87,911	47,604
Profit for the period	-	-	-	-	12,167	7,221
Other comprehensive income for the period	-	-	1,318	-	-	445
Total comprehensive income for the period	-	-	1,318	-	12,167	7,666
Additional capital contributed by non-controlling interests	-	-	-	-	-	131
Dividends to non-controlling interests	-	-	-	-	-	(589)
Transfer to other reserves	-	-	-	1,500	(1,500)	650
Balance at 30 June (unaudited)	79,213	(436)	(317)	6,467	98,578	55,462
					183,505	238,967

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
<b>Cash Flows from Operating Activities:</b>		
Profit before income tax	20,713	26,066
Adjustments for:		
Amortisation of land use rights	13	13
Trade receivables written off	12	156
Depreciation of property, plant and equipment	2,531	2,276
Depreciation of investment properties	9	9
Allowance for impairment loss of trade and other receivables	69	881
Allowance for inventories obsolescence	416	279
Gain on disposal of property, plant and equipment, net	(25)	(14)
Inventories written off	8	4
Property, plant and equipment written off	-	2
Write back of allowance for inventories obsolescence	(92)	(18)
Bad debt recovered	(5)	-
Write back of allowance for impairment loss on trade receivables	(295)	(106)
Interest expenses	1,257	684
Interest income	(215)	(218)
Share of results of associates, net	(1,082)	(365)
Foreign currency on translation of foreign operations	(1,561)	1,260
Operating cash flow before working capital changes	21,753	30,909
Changes in working capital:		
Inventories	(7,161)	(10,851)
Trade and other receivables	11,264	(23,605)
Trade and other payables	2,714	14,331
Cash from operating activities before service concession arrangements	28,570	10,784
Change in receivables from service concession arrangements	(6,089)	(4,660)
<b>Cash generated from operations after service concession arrangements</b>	<b>22,481</b>	<b>6,124</b>
Interest paid	(1,162)	(576)
Interest received	215	218
Income tax paid	(5,276)	(6,493)
<b>Net cash generated from/(used in) operating activities</b>	<b>16,258</b>	<b>(727)</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant and equipment	(1,329)	(2,830)
Proceeds from disposal of property, plant and equipment	38	15
Dividend from associates	228	258
<b>Net cash used in investing activities</b>	<b>(1,063)</b>	<b>(2,557)</b>
<b>Cash Flows from Financing Activities:</b>		
Dividends to non-controlling interests	(865)	(1,258)
Proceeds from bank loans	11,390	13,682
Repayment of bank loans	(12,393)	(6,341)
Proceeds from trust receipts and other borrowings, net	1,991	3,222
Repayment of lease liabilities	(1,154)	(1,034)
Interest expense on lease liabilities	(94)	(108)
Decrease in fixed deposits pledged and restricted bank deposit	-	2,220
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,125)</b>	<b>10,383</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,070</b>	<b>7,099</b>
Cash and cash equivalents at beginning of the period	59,021	51,440
Effect of currency translation on cash and cash equivalents	(62)	(405)
<b>Cash and cash equivalents at end of the period</b>	<b>73,029</b>	<b>58,134</b>
<u>Additional information:</u>		
Cash and bank balances	72,780	59,970
Fixed deposits	2,951	3,083
Cash and bank balances	75,731	63,053
Less: restricted bank deposits	-	(2,266)
Less: bank deposits pledged	(2,702)	(2,653)
Total cash and cash equivalents	73,029	58,134

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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 101 Defu Lane 10, Singapore 539222.

The immediate and ultimate holding company is Assetraise Holdings Limited ("**Assetraise**"), a company incorporated in the British Virgin Islands. Assetraise 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 specialised engineering solutions and construction of hydropower plant.

## 2 Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Singapore Financial Reporting Standard (International) ("**SFRS(I)**") 1-34 "Interim Financial Reporting" ("**SFRS(I) 1-34**") issued by the Accounting Standards Council Singapore ("**ASC**") 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**").

The unaudited condensed consolidated interim financial information has been prepared on the historical basis, except certain financial assets and liabilities which are carried at fair value. The unaudited condensed consolidated interim financial information is presented in Singapore dollars ("**S\$**") and all values are rounded to the nearest thousand ("**S\$'000**"), except otherwise indicated.

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 December 2021.

### 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 2022.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3 Segment Information

The business of the Group is organised into the following business segments:

- Provision of Engineering Solutions - Motion Control
- Other Specialised Engineering Solutions
- Industrial Computing Solutions

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments. Segment results represent the profit earned by each segment without allocation of corporate expenses, rental income, share of profit of associates, interest income and finance costs, and income tax expense. Segment assets/liabilities are all operating assets/liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance. Segment revenue includes transfer between operating segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. The transfers are eliminated on consolidation. No operating segments have been aggregated to form the reportable segments above.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3 Segment Information (Continued)

### (a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)											
<b>Revenue</b>												
External Sales	142,021	167,571	35,719	40,007	6,501	4,609	6,466	4,971	-	-	190,707	217,158
Inter-segment sales	1,783	2,621	1,060	1,136	599	290	240	-	(3,682)	(4,047)	-	-
	<u>143,804</u>	<u>170,192</u>	<u>36,779</u>	<u>41,143</u>	<u>7,100</u>	<u>4,899</u>	<u>6,706</u>	<u>4,971</u>	<u>(3,682)</u>	<u>(4,047)</u>	<u>190,707</u>	<u>217,158</u>
<b>Results</b>												
Segment results	15,128	24,201	3,127	3,520	2,135	1,115	(545)	(1,831)	-	-	19,845	27,005
Share of profit of associates, net	1,082	365	-	-	-	-	-	-	-	-	1,082	365
Corporate income/ (expenses)											561	(1,114)
Rental income											267	276
Interest income											215	218
Finance costs											(1,257)	(684)
Profit before income tax											20,713	26,066
Income tax											(4,580)	(6,678)
Profit for the six months ended 30 June											<u>16,133</u>	<u>19,388</u>
<b>Assets</b>												
Segment assets	174,263	171,985	52,442	59,165	5,959	6,226	117,540	109,353	(8,561)	(11,157)	341,643	335,572
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	6,224	5,345	-	-	-	-	-	-	-	-	6,224	5,345
Investment properties											429	440
Cash and bank balances											75,731	61,681
Consolidated total assets as at 30 June / 31 December											<u>436,254</u>	<u>415,265</u>
<b>Liabilities</b>												
Segment liabilities	54,103	64,226	19,545	17,901	1,109	1,166	48,551	37,142	(8,561)	(11,157)	114,747	109,278
Bank borrowings and lease liabilities											47,159	46,797
Income tax liabilities											3,675	4,343
Other unallocated corporate liabilities											10,424	7,872
Consolidated total liabilities as at 30 June / 31 December											<u>176,005</u>	<u>168,290</u>

\*Included in Others is construction revenue of S\$6,089,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: S\$4,660,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3 Segment Information (Continued)

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

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)(unaudited)											
<b>Other information</b>												
Capital expenditure on:												
- Property, plant and equipment	534	1,526	412	692	4	7	411	466	-	-	1,361	2,691
Other non-cash expenses:												
- Depreciation of property, plant and equipment	1,533	1,370	844	694	45	34	109	178	-	-	2,531	2,276
- Depreciation of investment properties	9	9	-	-	-	-	-	-	-	-	9	9
- Amortisation of land use rights	13	13	-	-	-	-	-	-	-	-	13	13
- Trade receivables written off	12	75	-	69	-	-	-	12	-	-	12	156
- Allowance for inventories obsolescence	269	259	147	20	-	-	-	-	-	-	416	279
- Allowance for impairment of trade and other receivables	13	18	55	2	-	-	1	861	-	-	69	881
- Property, plant and equipment written off	-	-	-	2	-	-	-	-	-	-	-	2
- Inventories written off	8	4	-	-	-	-	-	-	-	-	8	4
- Bad debt recovered	(5)	-	-	-	-	-	-	-	-	-	(5)	-
- Write back of allowance for impairment loss on trade receivables	(123)	(56)	(171)	(50)	(1)	-	-	-	-	-	(295)	(106)
- Write back of allowance for inventories obsolescence	(9)	(18)	(83)	-	-	-	-	-	-	-	(92)	(18)

\*Included Renewable Energy Solutions

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 3 Segment Information (Continued)

### (b) Geographical information

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 2022	2021	30 June 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Singapore	30,975	21,094	28,852	29,636
The People's Republic of China (the "PRC")	123,386	160,436	25,498	25,380
Hong Kong	3,812	7,490	1,047	1,086
Malaysia	6,336	5,592	951	946
Republic of Indonesia ("Indonesia")	6,292	5,010	106,566	97,814
Vietnam	7,446	7,052	497	502
Others	12,460	10,484	2,075	2,182
<b>Total</b>	<b>190,707</b>	<b>217,158</b>	<b>165,486</b>	<b>157,546</b>

### (c) Information about Major Customers

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4 Revenue

### Disaggregation of Revenue

The Group's revenue is disaggregated by the type of goods or services provided to customers, geographical markets, and timing of goods or services transferred. The Group operates in six principal geographical areas — Singapore (country of domicile), PRC, Hong Kong, Malaysia, Indonesia and Vietnam.

Segments	Six months ended 30 June 2022				
	Engineering Solutions - Motion Control	Other Specialised Engineering Solutions	Industrial Computing Solutions	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Geographical markets</b>					
Singapore	23,074	1,432	6,096	373	30,975
PRC	95,373	28,013	-	-	123,386
Hong Kong	3,790	21	-	1	3,812
Malaysia	5,733	557	43	3	6,336
Indonesia	138	59	6	6,089	6,292
Vietnam	7,410	27	9	-	7,446
Others	6,503	5,610	347	-	12,460
<b>Total revenue from contracts with customers</b>	<b>142,021</b>	<b>35,719</b>	<b>6,501</b>	<b>6,466</b>	<b>190,707</b>
Goods or services transferred at a point in time	141,911	35,719	6,501	377	184,508
Services transferred over time	110	-	-	6,089	6,199

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 4 Revenue (Continued)

### Disaggregation of Revenue (Continued)

Segments	Six months ended 30 June 2021				
	Engineering Solutions - Motion Control	Other Specialised Engineering Solutions	Industrial Computing Solutions	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Geographical markets</b>					
Singapore	14,699	1,846	4,327	222	21,094
PRC	128,393	32,043	-	-	160,436
Hong Kong	7,458	32	-	-	7,490
Malaysia	4,881	662	48	1	5,592
Indonesia	318	32	-	4,660	5,010
Vietnam	7,049	-	3	-	7,052
Others	4,773	5,392	231	88	10,484
<b>Total revenue from contracts with customers</b>	<b>167,571</b>	<b>40,007</b>	<b>4,609</b>	<b>4,971</b>	<b>217,158</b>
Goods or services transferred at a point in time	167,571	40,007	4,609	311	212,498
Services transferred over time	-	-	-	4,660	4,660

Included in Others is construction revenue of S\$6,089,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: S\$4,660,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 5 Other Operating Income

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Interest income	215	218
Commission income	30	49
Foreign exchange gain, net	-	1,088
Gain on disposal of property, plant and equipment, net	25	14
Government grants	206	199
Operating lease rental income:		
- investment properties	25	24
- sub-let of office/warehouse premises	242	252
Property management income	272	258
Technical service income	252	299
Bad debt recovered	5	-
Write back of allowance of inventory obsolescence	92	18
Miscellaneous income	621	509
	<u>1,985</u>	<u>2,928</u>

## 6 Finance Costs

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
- bank loans	496	442
- trust receipts	47	17
- leases liabilities	94	108
- others	620	117
	<u>1,257</u>	<u>684</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 7 Profit Before Income Tax

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	13	13
Depreciation of property, plant and equipment		
- recognised in cost of sales	411	309
- recognised in distribution costs	229	203
- recognised in administrative expenses	1,891	1,764
	2,531	2,276
Depreciation of investment properties	9	9
Directors' fees	108	98
Directors' remuneration		
- salaries and related costs	2,897	3,546
- defined contribution plans	3	13
Staff costs (other than directors)		
- salaries and related costs	18,904	16,318
- defined contribution plans	2,194	1,980
Other operating expenses included:		
- trade receivables written off	12	156
- allowance for inventories obsolescence	416	279
- inventories written off	8	4
- foreign exchange losses, net	574	-
- property, plant and equipment written off	-	2
Operating lease rental expenses	7	5

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 8 Income Tax

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Current income tax		
- Singapore	840	295
- The PRC	3,448	5,906
- Outside Singapore and the PRC	368	320
- (Over)/Under provision in respect of prior year	(48)	157
	4,608	6,678
Deferred taxation		
- Over provision in respect of prior year	(28)	-
	4,580	6,678

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the six months ended 30 June 2022 and 2021 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the six months ended 30 June 2022 and 2021 is 24%.

The statutory tax rate for Hong Kong profit is 16.5% on the assessable profits arising during the six months ended 30 June 2022 and 2021, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("HK\$") 2 million of assessable profits of this subsidiary 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 Corporate Income Tax Law. The income tax rate for both domestic and foreign-investment enterprise is at 25%.

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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 9 Earnings Per Share

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	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to equity holders of the Company (S\$'000)	11,070	12,167
Weighted average number of ordinary shares for the purpose of basic earnings per share	438,638,533	435,337,894
Basic and fully diluted earnings per share (Singapore cents)	2.52	2.79

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 2022 and 2021, excluding treasury shares.

The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares during the six months ended 30 June 2022 and 2021.

## 10 Dividends Paid

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Paid during the financial period:		
Tax exempt (one-tier) final dividend of 1.45 Singapore cents per ordinary share (2021: 0.8 Singapore cents) in respect of the previous year	-	-

The Board recommended a final tax-exempt dividend of 1.45 Singapore cents (the "Final Dividend") (2021: 0.8 Singapore cents) per ordinary share (the "Shares"), amounting to S\$6,360,000 (2021: S\$3,483,000) under the exempt one-tier system.

The Final Dividend has been approved by the Shareholders at the annual general meeting of the Company held on 29 April 2022 and will be paid on 26 August 2022 to the eligible Shareholders whose names appeared on the register of members of the Company on 7 July 2022.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 11 Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$1,873,000 (30 June 2021: S\$8,113,000), of which S\$512,000 (30 June 2021: S\$5,283,000) relates to right-of-use assets and S\$32,000 (30 June 2021: S\$nil) were acquired by means of finance lease. Cash payments of S\$1,329,000 (30 June 2021: S\$2,830,000) were made to purchase of property, plant and equipment.

As at 30 June 2022, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 15 was S\$21,007,000 (31 December 2021: S\$ 21,726,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$321,000 (31 December 2021: S\$368,000).

## 12 Other Financial Assets

	<b>As at 30 June 2022 S\$'000 (unaudited)</b>	<b>As at 31 December 2021 S\$'000 (audited)</b>
Unquoted equity shares, at cost	900	900

This represents 10% on unquoted equity interest in a company which specialises in the design, development, integration and sales of lithium power battery management system and the energy storage system.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13 Trade and Other Receivables

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
<u>Non-current:</u>		
Service concession receivables	77,747	69,356
<u>Current:</u>		
Trade receivables, net of impairment:		
- note receivables	17,581	18,567
- trade receivables	71,849	81,585
- associates	14	19
- related parties	2,986	2,511
	92,430	102,682
<u>Other receivables, net of impairment:</u>		
Funding to investee company	-	-
Advances to associates	3	3
Advances to related parties	164	89
Deposits	873	765
Loan to associates	28	27
Promissory note due	-	-
Sundry debtors	5,198	5,285
Amounts owing from non-controlling interest	1,976	1,975
Derivatives	-	36
	8,242	8,180
Advances paid to suppliers	7,649	6,136
Prepayment	2,352	1,506
	110,673	118,504

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 13 Trade and Other Receivables (Continued)

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 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
Within 30 days	53,387	42,783
31 - 90 days	23,921	33,586
Over 90 days	15,122	26,313
	<u>92,430</u>	<u>102,682</u>

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term.

### **Expected credit loss ("ECL") assessment**

The Group has applied the simplified approach in SFRS(I) 9 to measure the ECL either at lifetime ECL or 12-month ECL for trade and other receivables. The Group determined the ECLs on trade and other receivables by taking into account the historical default experience and the financial position of the counterparties, including their credit characteristics, geographical location, and adjusted for factors that are specific to the receivables and general economic conditions of the industry in which the receivables operate.

The Group continues to monitor its trade and other receivables closely and prudently. The carrying amount of trade and other receivables were measured at fair value by taking into consideration of the above credit risk assessment.

## 14 Share Capital

	As at 30 June 2022		As at 31 December 2021	
	No. of shares (unaudited)	S\$'000 (unaudited)	No. of shares (audited)	S\$'000 (audited)
<b>Group and Company</b>				
Issued and fully paid:				
At the beginning of period/year	438,638,533	81,487	435,337,894	79,213
Shares issued-in-lieu of cash for dividend	-	-	3,300,639	2,274
At the end of period/year	<u>438,638,533</u>	<u>81,487</u>	<u>438,638,533</u>	<u>81,487</u>

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 15 Bank Borrowings

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
<b>Non-current liabilities</b>		
Secured bank loans	11,725	12,761
<b>Current liabilities</b>		
Secured bank loans	11,383	13,309
Unsecured bank loans	9,273	7,157
Trust receipts	8,711	6,894
	29,367	27,360
Total interest-bearing liabilities	41,092	40,121

The bank loans of the Group are secured over leasehold properties with a carrying amount of S\$21,007,000 (2021: S\$21,726,000) (Note 11), service concession receivables with a carrying amount of S\$39,408,000 (2021: S\$38,152,000) and land use rights with carrying amounts of S\$1,184,000 (2021: S\$1,221,000).

## 16 Trade and Other Payables

	As at 30 June 2022 S\$'000 (unaudited)	As at 31 December 2021 S\$'000 (audited)
Trade payables:		
- trade payables	34,169	34,638
- associates	35	34
- related parties	11,303	9,058
	45,507	43,730
Accrued operating expenses	3,413	3,612
Accrued salaries and bonuses	17,096	17,640
Amount owing to an associate	24	24
Amount owing to non-controlling interests	4,728	2,639
Amounts owing to subsidiaries	-	-
Other payables	32,065	29,240
	102,833	96,885

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 16 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 2022 S\$'000 ( <i>unaudited</i> )	As at 31 December 2021 S\$'000 ( <i>audited</i> )
Within 30 days	30,804	28,103
31 - 90 days	12,049	13,837
Over 90 days	2,654	1,790
	<u>45,507</u>	<u>43,730</u>

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

## 17 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 2022 S\$'000 ( <i>unaudited</i> )	As at 31 December 2021 S\$'000 ( <i>audited</i> )
Commitment in respect of property, plant and equipment*	<u>1,618</u>	<u>6,997</u>

\*Capital expenditures mainly in relation to the construction of mini hydropower plants in Indonesia.

## 18 Corporate Guarantees

As at 30 June 2022, the Company has provided corporate guarantees to banks in connection with banking facilities granted to subsidiaries, amounting to S\$60,219,000 (2021: S\$53,100,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 19 Related Party Transactions

In addition to the related party information disclosed, the following are significant transactions of the Group with related parties at mutually agreed amounts during the six months ended 30 June 2022 and 2021.

		Six months ended 30 June	
		2022	2021
		S\$'000	S\$'000
Notes		(unaudited)	(unaudited)
Sales to:			
- associates		(52)	(40)
- related parties	(i) & (ii)	(5,222)	(4,825)
Purchases from:			
- associates		8	54
- related parties	(i) & (ii)	33,011	39,767
Administrative income charged to:			
- associates		(21)	(20)
- related parties	(i) & (ii)	(134)	(98)
Rental charged to:			
- associates		(3)	(3)
- related parties	(ii)	(269)	(239)
Interest income charged to:			
- associates		-	(48)
- related party	(i)	(4)	(4)
Other expenses charged by related parties	(i)	303	126
Other income charged to related parties	(i) & (ii)	(122)	(113)

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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 20 Subsequent Events

On 1 July 2022, the Company's wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("**MCG**") capitalised a sum of US\$2,000,000 being part of the existing loan owned by Excel Best Industries (Suzhou) Co., Ltd ("**Excel Best**") to be applied towards MCG's additional capital injection ("**Capitalisation of Loan**") in Excel Best. The increase of share capital has been completed on 18 July 2022. Following the completion of the Capitalisation of Loan, the registered share capital of Excel Best increased from US\$4,000,000 to US\$6,000,000, representing 100% of the total registered capital of Excel Best.

On 11 July 2022, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") incorporated a 70% owned subsidiary in the PRC to be known as ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") with a registered capital of RMB10,000,000. ISDN Nanjing is principally engaged in the business of wholesale of computer hardware, software and auxiliary equipment, retail of computer software, hardware, auxiliary equipment, and information system.

On 18 July 2022, the Company's indirect wholly-owned subsidiary, AR Technologies Pte. Ltd. ("**AR Technologies**") changed its company name to AR Robotics and Automation Pte. Ltd..

Other than the above, no major subsequent event has occurred since the end of the financial period ended 30 June 2022 up to the date of this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 1H2022, the Group reported a -12.2% year-on-year ("YoY") decrease in revenue to S\$190.7 million, compared to S\$217.2 million for the six months ended 30 June 2021 ("1H2021"). The decrease in revenue was largely due to business disruptions from the implementation of strict COVID-19 lockdown measures in the PRC in April and May 2022. The negative impact of business disruption in the PRC was partially offset by a strong financial performance in the Group's other geographical markets, in particular Singapore.

Despite the supply chain disruptions, the Group continues to witness broad-based and long-term demand for industrial automation solutions in both the PRC and the Southeast Asia countries where it operates. The Group continues to see long-term demand from Asian businesses looking to industrial automation to relieve labour wage pressure, advance manufacturing capabilities, and reduce business risk.

The Group's order book has stabilised after the April and May 2022 disruptions in the PRC, however forward visibility remains limited as a reflection of the generally volatile economic conditions across Asia.

The Group's gross profit decreased -7.1% YoY to S\$54.1 million in 1H2022 from S\$58.2 million in 1H2021. Overall, gross profit margin increased by 1.6 percentage points, from 26.8% to 28.4% in 1H2022.

During 1H2022, the Group's core industrial automation business continued to generate the preponderance of revenue, accounting for approximately 96.8% of the Group's total revenue. In 1H2022, the PRC contributed 64.7% of the Group's revenue (1H2021: 73.9%). While the concentration of revenue in the PRC resulted in impact in 1H22 from COVID-19 lockdowns, the Group reaffirms its confidence in its the long-term growth prospects in the PRC as the largest manufacturing economy in the world. The Group delivered strong growth performance in 1H2022 from regions outside the PRC, attesting to the benefit of its geographical and industrial diversification strategy.

The Group recorded a decline of -9.0% YoY in net profit attributable to shareholders in 1H2022, driven primarily by the -12.2% YoY impact to revenues during the half-year, but offset by measures the Group took to optimise business mix and control costs to protect shareholder income.

The Group's emerging hydropower generation business in Indonesia continues to make positive progress towards commercialisation, and the two of the Group's three hydropower plants are on track to commence commercial operations.

Lastly, the Group continues to maintain a strong balance sheet with cash and bank balances of \$75.7 million as at 30 June 2022.

The Group notes that it has no material business exposure to the Russia-Ukraine conflict, and that it has been able to deliver profits and reasonably stable margins despite broad market pressures with semiconductor component shortages and high inflation.

## FUTURE PROSPECTS

While countries around the world continue to recover from the impacts of the pandemic, the global macro-economy remains volatile as businesses seek to combat inflationary pressures amid rising food and fuel prices. However, the Group believes the clear growth in digitalisation during the pandemic should continue:

- Businesses worldwide continue to be increasingly reliant on technology and automation to operate in a volatile environment;
- The increasing demand for environmental sustainability has led to businesses turning to automation for increased efficiency and reduction of wastage;
- Industrial automation has helped reduce labour risks and ensure business continuity as countries continue to adapt to reduced labour access and mobility despite the easing of COVID-19 restrictions in major geographies;
- Online sales and logistics have helped businesses recover faster, adjust supply and distribution, and reach customers when in-person transactions are not possible;
- The rising consumer- and business- dependent on online work, leisure, communities and consumption have accelerated demand for enterprise and consumer technologies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS (CONTINUED)

These clear global trends continue to create growth opportunity for the Group as its solutions help advance Industry 4.0 digitalisation across many industries. The Company's industrial automation solutions are used in advanced factories, electronics and semiconductor manufacturing, digital transportation, connected and intelligent machines, advanced medical devices, 5G and cloud hardware and software that underpin the global digital economy.

In addition to the multi-year growth of digitalisation in Asia, the Group believes that the prevalent low birth rate has exacerbated the issue of ageing population, which will result in an increasing reliance on automation as economies seek to overcome this labour issue<sup>1</sup>. This is particularly prevalent in China, where businesses are utilizing technology to overcome the labour demographic issue<sup>2</sup>. This is expected to further increase demand for automation by businesses in the PRC market. In Singapore, international semiconductor companies have ramped up investments as they continue to face labour shortage issues. Together with the Group's strategic geographical location in Singapore, the Group will leverage on its diverse portfolio of solutions to further promote advancement of industrial automation.

While the demand for industrial automation in Asia continues to grow, the Group is also continuously investing in other various projects to broaden and deepen its portfolio of solutions. In recent years, the Group has invested in expanding its offerings into software, systems, Internet of Things ("IoT") connectivity while also deepening its market presence by growing its engineering and manufacturing capacities. The Group has seen significant benefits from these strategic investments and intends to continue growing its portfolio to serve the ever-advancing technology needs of Asia's industrial economy.



## FINANCIAL REVIEW

### Revenue and gross profit margin

	1H2022 S\$'000	1H2021 S\$'000	% change +/(−)
<b>Industrial Automation Solutions</b>			
Revenue	184,618	212,498	-13.1%
Gross profit	53,627	57,848	-7.3%
Gross profit margin	29.0%	27.2%	1.8 ppt
<b>Construction Revenue</b>			
Revenue	6,089	4,660	30.7%
Gross profit	451	345	30.7%
Gross profit margin	7.4%	7.4%	0 ppt
<b>Total</b>			
Revenue	190,707	217,158	-12.2%
Gross profit	54,078	58,193	-7.1%
Gross profit margin	28.4%	26.8%	1.6 ppt

The Group's revenue of S\$190.7 million for 1H2022 was lower as compared to 1H2021 of S\$217.2 million. Revenue from our industrial automation solutions segment decreased by S\$27.9 million or 13.1% in 1H2022, which was impacted by COVID-19 lockdown measures in PRC, but solid growth in other regions helped to mitigate the impact to revenue. COVID-19 related restrictions have caused a severe decline in PRC's economy. PRC's economy was staging a modest rebound as COVID-19 lockdown has partially lifted in June 2022. This was partially offset by higher revenue from mini-hydropower plants in Indonesia amounting to S\$6.1 million in 1H2022.

<sup>1</sup> China firms packing more AI into their biz models: <https://asiatimes.com/2022/07/china-firms-packing-more-ai-into-their-biz-models/>

<sup>2</sup> Where workers age fastest, robots take on more jobs: Study: <https://www.straitstimes.com/business/economy/where-workers-age-fastest-robots-take-on-more-jobs-study>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONTINUED)

### Revenue and gross profit margin (Continued)

Gross profit of S\$54.1 million was S\$4.1 million, or 7.1% lower in 1H2022 as compared to 1H2021. Overall, the gross profit margins of the Group in 1H2022 inched up by 1.6 percentage point from 26.8% to 28.4% as compared to corresponding period of 1H2021. Excluding the gross profit arising from the construction of mini-hydropower plants under the service concession arrangement, the gross profit margin would have inched up by 1.8 percentage point in 1H2022 from 27.2% to 29.0%.

### Other operating income

Other operating income decreased by S\$0.9 million, or 32.2% to S\$2.0 million for 1H2022. The decrease was mainly due to absence of net foreign exchange gain of S\$1.1 million; partially offset by increase in write back of allowances of inventory obsolescence of S\$0.1 million and increase in miscellaneous income of S\$0.1 million.

### Distribution costs

Distribution costs increased marginally by S\$0.2 million, or 1.6% to S\$14.9 million for 1H2022. The increase was mainly attributed to a S\$0.3 million increase in salary and related costs due to a lesser Jobs Support Scheme ("JSS") grants from the Singapore government and consolidation of subsidiaries acquired in second half of 2021 ("2H2021"); this was partially offset decrease in traveling expenses of S\$0.1 million.

### Administrative expenses

Administrative expenses increased by S\$0.7 million, or 3.8% to S\$19.5 million in 1H2022 owing to an increase in staff and related cost of S\$0.9 million as a result of lower grants from the Singapore government, an increase in headcount for our Indonesian operations; an increase in office and other expenses of S\$0.4 million due to consolidation of subsidiaries acquired in 2H2021. This was partly offset by decrease in professional fees of S\$0.6 million.

### Net impairment gains/(losses) on financial assets

Net impairment gains on financial assets of S\$0.2 million in 1H2022 was mainly due to reversal of impairment loss which following expected credit loss assessment and recovery of debts. Net impairment losses on financial assets of S\$0.8 million in 1H2021 was due to impairment loss made for funding to investee companies.

### Other operating expenses

Other operating expenses increased by S\$0.5 million, or 93.2% to S\$1.0 million for 1H2022. The increase was mainly due to increase in net foreign exchange loss of S\$0.6 million and increase in allowance for inventories obsolescence of S\$0.1 million; partially offset by decrease in bad debts written off of S\$0.1 million and decrease in other operating expenses of S\$0.1 million.

### Finance costs

Finance costs increased by S\$0.6 million, or 83.8% to S\$1.3 million for 1H2022, as a result of project financing from the engineering, procurement and construction ("EPC") contractor for our mini-hydropower plant project in Indonesia.

### Income tax expense

Income tax expense decreased by S\$2.1 million, or 31.4% to S\$4.6 million for 1H2022, mainly due to lower taxable profits in 1H2022.

### Property, plant and equipment

Property, plant and equipment decreased by S\$1.3 million, or 1.9% as at 30 June 2022. The decrease was mainly due to depreciation charge of S\$2.5 million and translation loss of S\$0.6 million arising from the weakening of Renminbi ("RMB") against S\$ in 1H2022. This was partially offset by recognition of right-of-use asset S\$0.5 million, recognition of construction costs incurred of S\$0.3 million for the construction of hydropower plant in Indonesia, purchase of furniture and fittings of S\$0.3 million, renovation of leasehold properties of S\$0.3 million, purchase of plant and equipment of S\$0.3 million and purchase of motor vehicles S\$0.1 million.

### Associates

Interests in associates increased by S\$0.9 million, or 16.4% as at 30 June 2022 due to share of profit of associates of S\$1.1 million in 1H2022; partially offset by declaration of dividend from associates of S\$0.2 million.



# MANAGEMENT DISCUSSION AND ANALYSIS



## **FINANCIAL REVIEW (CONTINUED)**

### **Service concession receivables**

Service concession receivables increased by S\$8.4 million, or 12.1% to S\$77.7 million as at 30 June 2022. This was mainly due to recognition of construction revenue of S\$6.1 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$2.3 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

### **Inventories**

Inventories increased by S\$6.8 million or 8.8% to S\$84.4 million as at 30 June 2022 primarily due to the fulfilment of customer orders for second half of 2022.

### **Trade and other receivables**

Trade and other receivables decreased by S\$7.8 million or 6.6% to S\$110.7 million as at 30 June 2022 mainly due to decrease in trade receivables S\$10.3 million which is in line with the decrease in revenue; partially offset by increase in advances to trade suppliers of S\$1.5 million, increase in prepayment of S\$0.8 million and increase in deposits of S\$0.1 million.

### **Trade and other payables**

Trade and other payables increased by S\$5.9 million or 6.1% to S\$102.8 million as at 30 June 2022, which was mainly due to increase in accrual of construction cost of S\$4.8 million and loan from non-controlling interest of S\$2.1 million for construction of mini-hydropower plants, increase in trade payables of S\$1.8 million; partially offset by decrease in other payables of S\$2.0 million, decrease in accrued salaries and bonus and accrued operating expenses of S\$0.5 million and S\$0.2 million, respectively.

### **Contract liabilities**

The increase in contract liabilities of S\$2.1 million or 10.6% to S\$21.5 million was mainly due to advances received from customers for sales of goods largely from our PRC subsidiaries to mitigate credit risk exposure on sales. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONTINUED)

### Bank borrowings (current and non-current)

Bank borrowings increased by S\$1.0 million or 2.4% to S\$41.1 million as at 30 June 2022. The increase was primarily due to proceeds from bank borrowings (inclusive of trust receipts) of S\$13.4 million offset by repayment of bank borrowings of S\$12.4 million.

### CAPITAL EXPENDITURES

During the financial period ended 30 June 2022, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$1,361,000 (2021: S\$6,842,000).

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 14 January 2022, the Company's indirect wholly-owned subsidiary, AR Technologies acquired 1 ordinary share representing 100% of the issued and paid-up share capital of ISDN NBA Resources Pte. Ltd. ("**ISDN NBA Resources**") from ISDN Resource Pte. Ltd. ("**ISDN Resource**"). ISDN Resource and AR Technologies are indirectly wholly-owned subsidiaries of the Company. Following the completion of the acquisition, AR Technologies hold 1 ordinary share in the share capital of ISDN NBA Resources, which representing 100% of the issued and paid-up share capital of ISDN NBA Resources. The name of the ISDN NBA Resources had changed to AR Biotech Pte. Ltd. subsequently.

On 19 April 2022, the Company's wholly-owned subsidiary, ISDN Investments Pte Ltd ("**ISDN Investments**") acquired the remaining 49 ordinary shares in ISDN Road & Belt Energy Pte. Ltd. ("**ISDN Road & Belt**") from a minority shareholder at a consideration of S\$1.00. Following the completion of the acquisition, the Company's effective interest in ISDN Road & Belt increased from 51% to 100%. The name of the ISDN Road & Belt had changed to ISDN Advance Manufacturing Pte. Ltd. subsequently.

On 30 May 2022, the Company's wholly-owned subsidiary, ISDN Investments acquired a total of 67,000 shares, representing 67% of the total share capital of PT TDS Technology ("**PT TDS**"), a company incorporated in Indonesia, from TDS. Following the completion of the acquisition, the Group's effective interest in PT TDS increased from 36.7% to 67.0%.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022.

### LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2022, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2022, cash and bank balances amounted to approximately S\$75.7 million, which increased by approximately 22.7% as compared to S\$61.7 million as at 31 December 2021. The quick ratio of the Group was approximately 1.2 times (31 December 2021: 1.2 times).

As at 30 June 2022, the Group has long and short-term bank borrowings of approximately S\$41.1 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$29.4 million (31 December 2021: S\$27.4 million) while the bank borrowings due after one year amounted to approximately S\$11.7 million (31 December 2021: S\$12.8 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 30 June 2022, the weighted average effective interest rates on bank borrowings is 3.2% (31 December 2021: 3.1%) per annum. The Group obtained the Temporary Bridge Loan (the “TBL”) of S\$5.0 million in financial year ended 2021 which was initiated by the Singapore government to help local companies’ working capital needs. The term of the TBL is 5 years with fixed interest rate at 2.65% per annum. Other than the above, the Group does not have fixed rate bank borrowings as at 30 June 2022 and 31 December 2021. Together with the obligation under finance leases of approximately S\$0.3 million (31 December 2021: S\$0.4 million), the Group’s total borrowings amounted to S\$41.4 million (31 December 2021: S\$40.5 million).

As at 30 June 2022, the carrying amounts of the Group’s cash and bank balances and bank borrowings are denominated in the below currencies:

	RMB S\$’000	USD S\$’000	SGD S\$’000	HKD S\$’000	CHF S\$’000	EURO S\$’000	Others S\$’000	Total S\$’000
<u>30-Jun-22</u>								
Cash and bank balances	46,789	10,625	7,524	216	1,372	1,387	7,818	75,731
Bank borrowings	5,655	16,235	16,670	-	-	1,577	955	41,092
<u>31-Dec-21</u>								
Cash and bank balances	35,669	9,177	6,710	254	1,324	1,123	7,424	61,681
Bank borrowings	3,884	20,972	13,462	-	-	1,054	749	40,121

## USE OF PROCEEDS FROM ISSUES OF SECURITIES

Use of net proceeds from the placement of 23,730,000 new ordinary shares in the capital of the Company at an issue price of S\$0.45 which was completed on 8 May 2013 (the “Placement”).

The Group’s utilisation of net proceeds of approximately S\$10,415,000 (after deducting expenses of approximately S\$263,500) from the Placement, as set out below:

Prospects / Future Plans	Amount of net proceeds allocated S\$’000	Amount utilised from 08/05/2013 up to 30/06/2022 S\$’000	Amount utilised during 1H2022 S\$’000	Amount unutilised as at 30/06/2022 S\$’000	Expected timeline of full utilisation of unutilised proceeds
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	-	615	December 2023
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	-	6,100	December 2023
Exploration of power plant opportunities	2,000	2,000	-	-	N/A
<b>Total</b>	<b>10,415</b>	<b>3,700</b>	<b>-</b>	<b>6,715</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS FROM ISSUES OF SECURITIES (CONTINUED)

The allocation and utilisation of the proceeds from the Placement is in accordance with the intended use.

Use of net proceeds from the issue of 26,987,295 new ordinary shares in the capital of the Company at the offer price of S\$0.20 (equivalent to approximately HK\$1.16) per share in connection with the subscription agreement entered with NTCP SPV VI ("NTCP") on 27 February 2019 (the "Subscription").

The Group's utilisation of the net proceeds of approximately S\$5,300,000 (after deducting expenses of approximately S\$62,000) from the Subscription, as set out below:

Prospects / Future Plans	Amount of net proceeds allocated	Amount utilised from 27/02/2019 up to 30/06/2022	Amount utilised during 1H2022	Amount unutilised as at 30/06/2022	Expected timeline of full utilisation of unutilised proceeds
	S\$'000	S\$'000	S\$'000	S\$'000	
Business development	4,770	289	-	4,481	December 2023
General working capital <sup>(1)</sup>	530	530	-	-	N/A
<b>Total</b>	<b>5,300</b>	<b>819</b>	<b>-</b>	<b>4,481</b>	

Note:

(1) The general working capital consisted of payroll related expenses, trade payables, administrative overheads and other operating expenses.

The Company will make further announcements when the remaining net proceeds from the Placement and Subscription are materially disbursed.

## GEARING RATIO

As at 30 June 2022, the gearing ratio of the Group was about 20.1% (31 December 2021: 20.5%) 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).

## TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2022. 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, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the six months ended 30 June 2022, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States Dollar ("USD"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of the 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 financial period ended 30 June 2022, 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 2022, there were 1,095 (31 December 2021: 1,052) 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 ISDN share option scheme 2016 and ISDN performance share plan ("ISDN PSP 2012") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees. The Company plans to adopt a new performance share plan to replace the ISDN PSP 2012 which had expired and lapsed on 16 February 2022.

## 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 1H2022.

## 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 2022.

### Charge on the Group's Assets

As at 30 June 2022, the Group's bank deposits, service concession receivables, net book value of property, plant and equipment and land use rights of approximately S\$2.7 million, S\$77.7 million, S\$21.0 million and S\$1.2 million, respectively (31 December 2021: S\$2.7 million, S\$69.4 million, S\$21.7 million and S\$1.2 million) were pledged to banks to secure banking facilities granted to the Group.

### Interim dividend

The Board has resolved not to declare any interim dividend for the 1H2022 (2021: S\$Nil).

# OTHER INFORMATION

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

As at 30 June 2022, the interests or short positions of the Directors and the chief executive of the Company (the **"Chief Executive"**) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance, Chapter 571 of the laws of Hong Kong (the **"SFO"**), as may be amended or modified from time to time 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 position in the Shares, underlying Shares or debentures of the Company

Name of directors	Capacity	Number of ordinary shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Share (Note 3)
		Personal interests	Corporate interests			
Mr. Teo (Note 1)	Interest of controlled corporation	-	141,189,015	-	141,189,015	32.19%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	2,050,000	0.47%
Mr. Toh Hsiang-Wen Keith ( <b>"Mr. Toh"</b> ) (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%

Notes:

- (1) The Shares were held by Assetraise, which is beneficially owned by Mr. Teo and his spouse, Ms. Thang. Accordingly, Mr. Teo was deemed to be interested in these 141,189,015 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP. Novo Tellus PE Fund 2, L.P. (**"NT Fund 2"**) is the owner of 100% of the shares of the NTCP 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.
- (3) The percentage of shareholding was calculated based on 438,638,533 issued shares of the Company as at 30 June 2022.

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

As at 30 June 2022, Mr. Teo had the personal interests in the following associated corporations:-

1. in 5,547 ordinary shares, representing 1% of the issued shares, in Dirak Asia Pte Ltd held in his capacity as a beneficial owner; and
2. in 1 ordinary share, representing 50% of the issued shares, in Assetraise 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 Corporations (Continued)

Save as disclosed above, as at 30 June 2022, none of the Directors or the Chief Executive had an interest or short position in the shares or underlying shares and 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 1H2022:

- (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 1H2022.

### 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.

The Company plans to adopt a new performance share plan to replace the ISDN PSP 2012 which had expired and lapsed on 16 February 2022.

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

During the 1H2022 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.

### 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 1H2022 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 1H2022 and up to the date of this interim report.

# OTHER INFORMATION

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

As at 30 June 2022, 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 ESOS	Total	Approximate percentage of the issued Share (Note 3)
		Personal interests	Corporate interests			
Assetraise (Note 1)	Beneficial owner	141,189,015	-	-	141,189,015	32.19%
Ms. Thang (Note 1)	Interest of controlled corporation	-	141,189,015	-	141,189,015	32.19%
NTCP (Note 2)	Beneficial owner	37,556,134	-	-	37,556,134	8.56%
Mr. Loke Wai San ("Mr. Loke") (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
NEG 2 (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
NT Fund 2 (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Tuas Fund Investments Pte Ltd ("TF") (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Fullerton Fund Investments Pte Ltd ("FF") (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%
Temasek Holdings (Private) Limited ("TH") (Note 2)	Interest of controlled corporation	-	37,556,134	-	37,556,134	8.56%



# 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, are the beneficial owner of 141,189,015 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. NT Fund 2 is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. TF is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by FF. FF is directly wholly owned by TH. Therefore, each of TF, FF and TH is deemed to be interested in the 37,556,134 Shares held by NTCP pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,556,134 Shares held by NTCP under The Securities and Futures Act, Cap. 289, of Singapore ("SFA"). 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 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.
- (3) The percentage of shareholding was calculated based on 438,638,533 issued shares of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any entities or persons (who were not a Directors or the Chief Executive) who had an interest or short position in the Shares and 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 revised Code of Corporate Governance 2018 (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 1H2022, 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 on terms no less exacting than the required standards of the Model Code and these are applicable to all its employees in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code during the 1H2022 and up to the date of this interim report.

The Company and its employees are not allowed to deal in the Shares during the period commencing 30 days immediately before the announcement of the Company's half-yearly 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 and/or inside 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 2021 annual report of the Company, the change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules is set out below:

The cessation of Mr. Toh as an alternate director to Mr. Loke for Procurri Corporation Limited (stock code: BVQ), a company listed on Mainboard of the SGX-ST, with effect from 15 June 2022.

## Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lim Siang Kai, Mr. Soh Beng Keng and Mr. Tan Soon Liang. Mr. Lim Siang Kai is the chairman of the Audit Committee.

The financial information in this report has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group and this report for 1H2022 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 1H2022 is published on the website of the SGX-ST at <https://www.sgx.com/securities/company-announcements>, website of the Stock Exchange at <https://www.hkexnews.hk/>, and the website of the Company at <https://www.isdnholdings.com/sgx-singapore-exchange>.

By order of the Board

**ISDN HOLDINGS LIMITED**  
**Lim Siang Kai**  
*Chairman*

Singapore, 12 August 2022

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**ISDNHoldings**  
LIMITED

101 Defu Lane 10, Singapore 539222

Company registration No. 200416788Z