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ISDN HOLDINGS LIMITED

億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)

(Singapore stock code: I07.SI)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	% Change
	S\$'000	S\$'000	
Revenue	217,158	167,185	29.9%
Gross Profit	58,193	41,335	40.8%
Profit after tax	19,388	12,882	50.5%
Profit for the period and attributable to owners of the Company	12,167	9,572	27.1%
Basic earnings per share (Singapore cents)	2.79	2.23	

The Board has resolved not to declare interim dividend for the current period. (2020 interim: nil)



ISDN Holdings Limited
Condensed Interim Financial Statements Announcement
For the Six Months Ended 30 June 2021

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INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**”) hereby announces the consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**1H2021**”), together with the relevant comparative audited or unaudited figures. The Group’s interim results for 1H2021 are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		
		Six months ended 30 June		Change + / (-)
		2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	
Revenue	5	217,158	167,185	29.9%
Cost of sales		(158,965)	(125,850)	26.3%
Gross profit		58,193	41,335	40.8%
Other operating income	6	2,928	2,483	17.9%
Distribution costs		(14,695)	(11,534)	27.4%
Administrative expenses		(18,734)	(15,328)	22.2%
Net impairment (losses)/gain on financial assets		(775)	423	n.m.
Other operating expenses		(532)	(245)	n.m.
Finance costs	7	(684)	(972)	-29.6%
Share of profit of associates, net		365	471	-22.5%
Profit before income tax	8	26,066	16,633	56.7%
Income tax	9	(6,678)	(3,751)	78.0%
Profit for the period		19,388	12,882	50.5%
Other comprehensive income, net of tax:				
<u>Items that may be subsequently reclassified to profit or loss</u>				
- net fair value changes on cash flow hedge		-	31	-100.0%
- exchange differences on translation		1,763	2,012	-12.4%
Total comprehensive income for the period		21,151	14,925	41.7%
Profit for the period attributable to:				
Equity holders of the Company		12,167	9,572	27.1%
Non-controlling interests		7,221	3,310	n.m.
		19,388	12,882	50.5%
Total comprehensive income for the period attributable to:				
Equity holders of the Company		13,485	11,071	21.8%
Non-controlling interests		7,666	3,854	98.9%
		21,151	14,925	41.7%
Earnings per share attributable to the holder of the Company:				
Basic and diluted (Singapore cents)	10	2.79	2.23	25.4%

n.m.: Not meaningful



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B. Condensed Interim Consolidated Statements of Financial Position

	Note	Group		Company	
		As at 30 June 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)	As at 30 June 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)
ASSETS					
Non-current Assets					
Property, plant and equipment	13	68,016	61,602	3	-
Investment properties		450	460	-	-
Land use rights		1,220	1,214	-	-
Goodwill		12,227	12,227	-	-
Subsidiaries		-	-	50,410	50,410
Associates		5,880	5,775	144	104
Service concession receivables	14	64,221	58,541	-	-
Other financial assets		900	900	-	-
Deferred tax assets		286	251	-	-
Total non-current assets		153,200	140,970	50,557	50,514
Current Assets					
Inventories		66,178	55,592	-	-
Trade and other receivables	14	127,040	102,950	866	280
Amounts owing by subsidiaries		-	-	56,213	57,095
Dividend receivables		-	-	607	1,047
Cash and bank balances		63,053	58,473	2,551	2,863
Total current assets		256,271	217,015	60,237	61,285
Total Assets		409,471	357,985	110,794	111,799
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	79,213	79,213	79,213	79,213
Reserves		104,292	90,807	19,152	18,993
		183,505	170,020	98,365	98,206
Non-controlling interests		55,462	47,604	-	-
Total Equity		238,967	217,624	98,365	98,206
Non-current Liabilities					
Bank borrowings	16	13,549	9,580	-	2,220
Leases liabilities		5,078	1,127	-	-
Deferred tax liabilities		586	586	-	-
Total non-current liabilities		19,213	11,293	-	2,220
Current Liabilities					
Bank borrowings	16	28,724	22,128	4,518	4,445
Leases liabilities		1,759	1,481	-	-
Trade and other payables	17	98,118	84,364	7,805	6,687
Contract liabilities		18,525	17,053	-	-
Current tax liabilities		4,165	4,042	106	241
Total current liabilities		151,291	129,068	12,429	11,373
Total Liabilities		170,504	140,361	12,429	13,593
Total Equity and Liabilities		409,471	357,985	110,794	111,799



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C. Condensed Interim Consolidated Statements of Changes in Equity

	← Attributable to equity holders of the Group →					Non-controlling interests	Total equity	
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings			Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group								
2021								
Balance at 1 January 2021 <i>(audited)</i>	79,213	(436)	(1,635)	4,967	87,911	170,020	47,604	217,624
Profit for the period	-	-	-	-	12,167	12,167	7,221	19,388
Other comprehensive income for the period	-	-	1,318	-	-	1,318	445	1,763
Total comprehensive income for the period	-	-	1,318	-	12,167	13,485	7,666	21,151
Additional capital contributed by non-controlling interests	-	-	-	-	-	-	131	131
Dividends to non-controlling interests	-	-	-	-	-	-	(589)	(589)
Transfer to other reserves	-	-	-	1,500	(1,500)	-	650	650
Balance at 30 June 2021 <i>(unaudited)</i>	<u>79,213</u>	<u>(436)</u>	<u>(317)</u>	<u>6,467</u>	<u>98,578</u>	<u>183,505</u>	<u>55,462</u>	<u>238,967</u>
2020								
Balance at 1 January 2020 <i>(audited)</i>	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570
Profit for the period	-	-	-	-	9,572	9,572	3,310	12,882
Other comprehensive income for the period	-	-	1,468	31	-	1,499	544	2,043
Total comprehensive income for the period	-	-	1,468	31	9,572	11,071	3,854	14,925
Dividends to non-controlling interests	-	-	-	-	-	-	(291)	(291)
Balance at 30 June 2020 <i>(unaudited)</i>	<u>78,095</u>	<u>(436)</u>	<u>(2,878)</u>	<u>4,951</u>	<u>84,084</u>	<u>163,816</u>	<u>49,388</u>	<u>213,204</u>

C. Condensed Interim Consolidated Statements of Changes in Equity (Cont'd)

	Share capital S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total equity S\$'000
Company				
2021				
Balance at 1 January 2021 <i>(audited)</i>	79,213	(132)	19,125	98,206
Profit for the period	-	-	159	159
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	159	159
Balance at 30 June 2021 <i>(unaudited)</i>	<u>79,213</u>	<u>(132)</u>	<u>19,284</u>	<u>98,365</u>
2020				
Balance at 1 January 2020 <i>(audited)</i>	78,095	(179)	15,077	92,993
Net loss for the period	-	-	(537)	(537)
Other comprehensive income for the period	-	31	-	31
Total comprehensive income/(loss) for the period	-	31	(537)	506
Balance at 30 June 2021 <i>(unaudited)</i>	<u>78,095</u>	<u>(148)</u>	<u>14,540</u>	<u>92,487</u>

D. Condensed Interim Consolidated Statement of Cash Flows

	Group	
	Six months ended 30 June	
	2021 S\$'000	2020 S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Operating Activities:		
Profit before income tax	26,066	16,633
Adjustments for:		
Amortisation of land use rights	13	16
Trade receivables written off	156	-
Depreciation of property, plant and equipment	2,276	1,918
Depreciation of investment properties	9	8
Allowance for impairment of trade receivables	881	20
Allowance for inventories obsolescence	279	214
(Gain) / Loss on disposal of property, plant and equipment, net	(14)	7
Gain on disposal of interest in associates	-	(23)
Inventories written off	4	-
Property, plant and equipment written off	2	1
Write back of allowance for inventories obsolescence	(18)	(46)
Write back of allowance for trade receivables	(106)	(443)
Interest expenses	684	972
Interest income	(218)	(242)
Share of results of associates	(365)	(471)
Foreign currency on translation of foreign operations	1,260	2,079
Operating cash flow before working capital changes	30,909	20,643
Changes in working capital:		
Inventories	(10,851)	(11,707)
Trade and other receivables	(23,605)	652
Trade and other payables	14,331	17,886
Cash from operating activities before service concession arrangements	10,784	27,474
Change in receivables from service concession arrangements	(4,660)	(20,087)
Cash generated from operations after service concession arrangements	6,124	7,387
Interest paid	(576)	(894)
Interest received	218	242
Income tax paid	(6,493)	(2,748)
Net cash (used in)/generated from operating activities	(727)	3,987

D. Condensed Interim Consolidated Statement of Cash Flows (Cont'd)

	Group	
	Six months ended 30 June	
	2021 S\$'000	2020 S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(2,830)	(1,076)
Proceeds from disposal of property, plant and equipment	15	31
Dividend from associates	258	-
Repayment from associates	-	3,541
Proceeds from the disposal of associate	-	708
Net cash (used in)/generated from investing activities	(2,557)	3,204
Cash Flows from Financing Activities:		
Dividends to non-controlling interests	(1,258)	(291)
Proceeds from bank loans	13,682	17,739
Repayment of bank loans	(6,341)	(11,302)
Proceeds from trust receipts and other borrowings, net	3,222	2,008
Repayment of lease liabilities	(1,034)	(625)
Interest expense on lease liabilities	(108)	(78)
Decrease in fixed deposits pledged and restricted bank deposit	2,220	-
Net cash generated from financing activities	10,383	7,451
Net increase in cash and cash equivalents	7,099	14,642
Cash and cash equivalents at beginning of the period	51,440	31,168
Effect of currency translation on cash and cash equivalents	(405)	(600)
Cash and cash equivalents at end of the period	58,134	45,210
Additional information:		
Cash and bank balances	59,970	48,931
Fixed deposits	3,083	3,199
Cash and bank balances	63,053	52,130
Less: restricted bank deposits	(2,266)	(3,833)
Less: bank deposits pledged	(2,653)	(3,087)
Total cash and cash equivalents	58,134	45,210



E. Notes to the Condensed Interim Consolidated Financial Statements

1 Corporate Information

The Company is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Main Board 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 entirely by Mr. Teo Cher Koon, the Managing Director and President of the Company and his spouse, Ms. Thang Yee Chin.

The Company’s principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its 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 interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2021 but are extracted from that report.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have 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 “**SEHK Listing Rules**”). The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

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 accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 3.

3 Adoption of New or Amended Standards

The Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective for annual period beginning on 1 January 2021. The application of the new and revised standards and interpretations has no material effect on the consolidated financial statements.

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

3 Adoption of New or Amended FRS (Cont'd)

(i) Adoption of SFRS(I)s which are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021.

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.

(ii) Use of judgements and estimates

In preparing the unaudited condensed consolidated interim financial statements, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

4 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5 Segment Information

The business of the Group is organised into the following main 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 the 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.



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E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2020 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Revenue												
External Sales	167,571	116,353	40,007	26,736	4,609	4,009	4,971	20,087	-	-	217,158	167,185
Inter-segment sales	2,621	3,299	1,136	554	290	205	-	-	(4,047)	(4,058)	-	-
	<u>170,192</u>	<u>119,652</u>	<u>41,143</u>	<u>27,290</u>	<u>4,899</u>	<u>4,214</u>	<u>4,971</u>	<u>20,087</u>	<u>(4,047)</u>	<u>(4,058)</u>	<u>217,158</u>	<u>167,185</u>
Results												
Segment results	24,201	15,251	3,520	1,180	1,115	791	(1,831)	727	-	-	27,005	17,949
Share of profit of associates	365	471	-	-	-	-	-	-	-	-	365	471
Corporate expenses											(1,114)	(1,335)
Rental income											276	278
Interest income											218	242
Finance costs											(684)	(972)
Profit before income tax											26,066	16,633
Income tax											(6,678)	(3,751)
Profit for the six months ended 30 June											<u>19,388</u>	<u>12,882</u>
Assets												
Segment assets	166,561	134,960	57,544	48,987	5,305	4,068	108,103	100,567	(9,652)	(7,532)	327,861	281,050
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	5,160	5,055	-	-	-	-	720	720	-	-	5,880	5,775
Investment properties											450	460
Cash and cash balances											63,053	58,473
Consolidated total assets as at 30 June / 31 December											<u>409,471</u>	<u>357,985</u>
Liabilities												
Segment liabilities	68,920	58,918	18,571	19,604	1,000	902	33,415	24,548	(9,652)	(7,532)	112,254	96,440
Bank borrowings and lease liabilities											49,110	34,316
Income tax liabilities											4,165	4,042
Other unallocated corporate liabilities											4,975	5,563
Consolidated total liabilities as at 30 June / 31 December											<u>170,504</u>	<u>140,361</u>

*Included in Others is construction revenue of S\$4,660,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: S\$20,087,000).



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E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(a) Reportable Operating Segments (Cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others*		Elimination		Consolidated	
	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000	2020 S\$'000	2020 S\$'000	2021 S\$'000	2020 S\$'000
Other information												
Capital expenditure on:												
- Property, plant and equipment	1,526	125	692	274	7	-	466	677	-	-	2,691	1,076
Other non-cash expenses:												
- Depreciation of property, plant and equipment	1,370	1,135	694	677	34	7	178	99	-	-	2,276	1,918
- Depreciation of investment properties	9	8	-	-	-	-	-	-	-	-	9	8
- Amortisation of land use rights	13	16	-	-	-	-	-	-	-	-	13	16
- Trade receivables written off	75	-	69	-	-	-	12	-	-	-	156	-
- Allowance for inventories obsolescence	259	200	20	14	-	-	-	-	-	-	279	214
- Allowance for impairment of trade and other receivables	18	12	2	-	-	8	861	-	-	-	881	20
- Property, plant and equipment written off	-	-	2	1	-	-	-	-	-	-	2	1
- Inventories written off	4	-	-	-	-	-	-	-	-	-	4	-
- Write back of allowance for impairment loss on trade receivables	(56)	-	(50)	(19)	-	-	-	(424)	-	-	(106)	(443)
- Write back of allowance for inventories obsolescence	(18)	(18)	-	(28)	-	-	-	-	-	-	(18)	(46)

*Included Renewable Energy Solutions

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) 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 five principal geographical areas — Singapore (country of domicile), the People's Republic of China (the "PRC"), Hong Kong, Indonesia and Malaysia.

Group Six months ended 30 June 2021					
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Others S\$'000	Total S\$'000
Geographical markets					
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
Others	11,822	5,392	234	88	17,536
Total revenue from contracts with customers	167,571	40,007	4,609	4,971	217,158
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

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

Group Six months ended 30 June 2020					
Segments	Engineering Solutions - Motion Control S\$'000	Other Specialised Engineering Solutions S\$'000	Industrial Computing Solutions S\$'000	Others S\$'000	Total S\$'000
Geographical markets					
Singapore	19,260	1,555	3,979	-	24,794
PRC	79,162	20,984	-	-	100,146
Hong Kong	3,049	10	-	-	3,059
Malaysia	3,661	594	11	-	4,266
Indonesia	231	37	-	20,087	20,355
Others	10,990	3,556	19	-	14,565
Total revenue from contracts with customers	116,353	26,736	4,009	20,087	167,185
Goods or services transferred at a point in time	116,353	26,736	4,009	-	147,098
Services transferred over time	-	-	-	20,087	20,087

Included in Others is construction revenue of S\$4,660,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: S\$20,087,000).

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

5 Segment Information (Cont'd)

(c) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group			
	Revenue from external customers		Non-current assets as at	
	Six months ended		30 June	31 December
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	21,094	24,794	29,658	24,439
The PRC	160,436	100,146	26,713	26,177
Hong Kong	7,490	3,059	1,064	1,005
Malaysia	5,592	4,266	969	1,012
Indonesia	5,010	20,355	92,288	85,761
Others	17,536	14,565	2,509	2,576
Total	217,158	167,185	153,201	140,970

(d) Information about Major Customers

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

6 Other Operating Income

	Group	
	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Interest income		
- interest on bank deposits	170	188
- interest on loan to an associate	48	54
Total interest income on financial assets at amortised cost	218	242
Commission income	49	108
Foreign exchange gain, net	1,088	716
Gain on disposal of interest in an associate	-	23
Gain on disposal of property, plant and equipment, net	14	-
Government grants	199	364
Operating lease rental income:		
- investment properties	24	27
- sub-let of office/warehouse premises	252	251
Property management income	258	87
Technical service income	299	138
Write back of allowance of inventory obsolescence	18	46
Miscellaneous income	509	481
	2,928	2,483

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

7 Finance Costs

	Group	
	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Interest expense on:		
- bank loans	442	721
- trust receipts	17	51
- leases liabilities	108	78
- others	117	122
	684	972

8 Profit before Income Tax

(a) Significant items

	Group	
	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	13	16
Depreciation of property, plant and equipment		
- recognised in cost of sales	309	170
- recognised in distribution costs	203	243
- recognised in administrative expenses	1,764	1,505
	2,276	1,918
Depreciation of investment properties	9	8
Other operating expense included:		
- trade receivables written off	156	-
- allowance for inventories obsolescence	279	214
- inventories written off	4	-
- loss on disposal of property, plant and equipment, net	-	7
- property, plant and equipment written off	2	1
Operating lease rental expenses	5	76

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

8 Profit before income tax (Cont'd)

(b) Related party transactions

In addition to the related party information disclosed elsewhere in the results announcements, the following are significant transactions of the Group with their related parties at mutually agreed amounts for 1H2021 and 1H2020:

	Group	
	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Sales to associates	(40)	(536)
Sales to related parties	(4,825)	(3,306)
Purchases from associates	54	8,126
Purchases from related parties	39,767	28,126
Administrative income charged to associates	(20)	(21)
Administrative income charged to related parties	(98)	-
Rental charged to a related party	(239)	(220)
Rental charged to associates	(3)	(2)
Interest charged to associates	(48)	(54)
Interest charged to a related party	(4)	-
Other expenses charged by related parties	126	77
Other income charged to related parties	(113)	(84)

9 Income Tax

The Group calculates income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Current income tax		
- Singapore	295	801
- The PRC	5,906	2,883
- Outside Singapore and the PRC	320	24
- Underprovision in respect of prior year	157	43
Deferred taxation		
- Over provision in respect of prior year	-	-
	6,678	3,751

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

9 Income tax (Cont'd)

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the periods ended 30 June 2021 and 2020 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the periods ended 30 June 2021 and 2020 is 24%.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first Hong Kong Dollar (“**HK\$**”) 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2020-2021.

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

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

10 Earnings Per Share

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

	Group	
	Six months ended 30 June 2021	2020
	S\$'000	S\$'000
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	12,167	9,572
Weighted average number of ordinary shares for the purpose of basic earnings per share	435,337,894	429,572,849
Basic and fully diluted earnings per share (Singapore cents)	2.79	2.23

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the periods ended 30 June 2021 and 2020.

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

11 Dividends

Group	
Six months ended 30 June	
2021	2020
S\$'000	S\$'000

Ordinary dividends paid:

Tax exempt (one-tier) final dividend of 0.8 Singapore cents per ordinary share (2020: 0.4 Singapore cents) in respect of the previous year

-	-
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The Board recommended a final tax-exempt dividend of 0.8 Singapore cents (the “**Final Dividend**”) (2020: 0.4 Singapore cents) per ordinary share (the “**Shares**”), amounting to S\$3,483,000 (2020: S\$1,718,000) under the exempt one-tier system.

The Board proposed that the eligible shareholders of the Company (the “**Shareholders**”) be given the option to receive the Final Dividend in cash, or in the form of fully paid new Shares in lieu of cash, or partly in cash and partly in the form of fully paid new Shares under a scrip dividend scheme (the “**Scrip Dividend Scheme**”). The Final Dividend has been approved by the Shareholders at the annual general meeting of the Company held on 30 April 2021 and will be paid on 27 August 2021 to the eligible Shareholders whose names appeared on the register of members of the Company on 7 July 2021.

12 Net Asset Value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net assets (S\$'000)	183,505	170,020	98,365	98,206
Number of issued shares at the end of the period/year (net of treasury shares)	435,337,894	435,337,894	435,337,894	435,337,894
Net assets value per ordinary share based on number of issued share as at respective period/year (Singapore cents)	42.15	39.05	22.60	22.56

13 Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of amounting to S\$8,113,000 (30 June 2020: S\$11,308,000), of which S\$5,283,000 (30 June 2020: S\$577,000) relates to right-of-use assets. Cash payments of S\$2,830,000 (30 June 2020: S\$1,076,000) were made to purchase of property, plant and equipment. Non-cash payments of S\$Nil (30 June 2020: S\$9,655,000) was reclassified from advance payment to suppliers to property, plant and equipment.

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

13 Property, Plant and Equipment (Cont'd)

As at 30 June 2021, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 16 was S\$25,049,000 (2020: S\$24,150,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$205,000 (2020: S\$229,000).

14 Trade and Other Receivables

	Group		Company	
	30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
<u>Non-current:</u>				
Service concession receivables	64,221	58,541	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	13,011	11,597	-	-
- third parties	86,301	66,952	-	-
- associates	2,147	2,425	-	-
- related parties	4,337	4,425	-	-
	105,796	85,399	-	-
Other receivables, net of impairment:				
Funding to investee company	-	401	-	-
Advances to associates	93	144	-	47
Advances to related parties	76	59	-	-
Deposits	698	517	17	17
Loan to associates	27	65	-	27
Promissory note due	393	765	-	-
Sundry debtors	5,273	3,724	700	10
Amounts owing from non-controlling interest	6,544	6,541	-	-
Derivatives	51	46	46	46
	13,155	12,262	763	147
Advances paid to suppliers	6,489	4,304	-	-
Prepayment	1,600	985	103	133
	127,040	102,950	866	280

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

14 Trade and Other Receivables (Cont'd)

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

	Group	
	30 June 2021 S\$'000	31 December 2020 S\$'000
Within 30 days	56,362	38,059
31 - 90 days	33,896	26,800
Over 90 days	15,538	20,540
	105,796	85,399

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 30 June 2021 were trade receivables from third parties amounting to S\$Nil (2020: S\$544,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables were included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

15 Share Capital

	Group and Company			
	30 June 2021		31 December 2020	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At the beginning of period/year	435,337,894	79,213	429,572,849	78,095
Shares issued-in-lieu of cash for dividend	-	-	5,765,045	1,118
At the end of period/year	435,337,894	79,213	435,337,894	79,213

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.

There are no changes in the Company's share capital arising from right issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or as consideration for acquisition or for any other purpose during 1H2021.

The number of ordinary shares as at 30 June 2021 is 435,337,894 (30 June 2020: 429,572,849). No treasury shares were held as at 30 June 2021 (30 June 2020: nil). The number of shares held as subsidiary holdings as at 30 June 2021 is nil (30 June 2020: nil).

The Company does not have any existing warrants or convertibles as at the date of this announcement.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares during the 1H2021.

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

16 Bank borrowings

	Group		Company	
	30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	13,064	12,944	4,518	4,445
- unsecured	15,660	9,184	-	-
	<u>28,724</u>	<u>22,128</u>	<u>4,518</u>	<u>4,445</u>
 <i>Amount repayable after one year</i>				
- secured	<u>13,549</u>	<u>9,580</u>	<u>-</u>	<u>2,220</u>

The bank loans of the Group are secured over leasehold properties, service concession receivables and land use rights. These facilities are also secured by corporate guarantees provided by the Company and other subsidiaries as well as personal guarantees by the directors of the subsidiaries.

17 Trade and other payables

	Group		Company	
	30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
Trade payables:				
- third parties	38,951	29,618	-	-
- associates	39	34	-	-
- related parties	11,099	10,180	-	-
	<u>50,089</u>	<u>39,832</u>	<u>-</u>	<u>-</u>
Accrued operating expenses	6,007	6,131	120	240
Accrued salaries and bonuses	13,629	12,828	7,394	5,776
Amount owing to an associate	24	23	-	-
Amount owing to non-controlling interests	2,599	1,285	-	-
Amount owing to subsidiaries	-	-	74	255
Derivatives	-	-	-	-
Other payables	25,770	24,265	217	416
	<u>98,118</u>	<u>84,364</u>	<u>7,805</u>	<u>6,687</u>

E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

17 Trade and Other Payables (Cont'd)

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

	Group	
	30 June 2021 S\$'000	31 December 2020 S\$'000
Within 30 days	33,066	26,447
31 - 90 days	15,242	12,133
Over 90 days	1,781	1,252
	50,089	39,832

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

18 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Group		Company	
	30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
Financial Assets				
Other financial assets at fair value through other comprehensive income	900	900	-	-
Cash and bank balances, service concession receivables and trade and other receivables (Amortised cost)	246,225	214,675	59,527	60,105
	247,125	215,575	59,527	60,105
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	147,228	118,680	12,323	13,352
	147,228	118,680	12,323	13,352



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E. Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)

19 Subsequent events

On 8 July 2021, the Company's indirect owned associated company of Motion Control Group Pte Ltd ("**MCG**"), JM Vistec System Pte. Ltd. ("**JM Vistec**") had made a capital injection of S\$312,000 in Elementary Optomation (Suzhou) Co., Ltd. ("**Elementary Optomation**"), a wholly-owned subsidiary of JM Vistec for working capital purpose.

On 6 August 2021, the Company disposed of 100,000 ordinary shares in Emmett Capital (Pte.) Ltd. ("**Emmett Capital**"), an associated company, representing 50% of the issued and paid-up share capital to an existing shareholder of Emmett Capital, at a consideration of S\$53,000.

Other than the above, no major subsequent event has occurred since the end of the financial period ended 30 June 2021 up to the date of this announcement.

F. Management Discussion and Analysis

BUSINESS REVIEW

In 1H2021, the Group reported a +29.9% year-on-year (“YoY”) growth in revenue to S\$217.2 million, compared to S\$167.2 million in 1H2020. The revenue growth was driven primarily by continued broad-based demand for industrial automation across:

- The geographies the Group serves in the PRC and in Southeast Asia; and
- The end-industries the Group serves including semiconductors, manufacturing, medical device, transportation and industrial equipment.

The Group has seen that the COVID-19 pandemic has accelerated Asia’s multi-year progression towards digitalisation, resulting in broad-based acceleration of demand for the Group’s core Industry 4.0 automation solution.

The Group’s gross profit grew faster than revenue at +40.8% YoY to reach S\$58.2 million in 1H2021, up from S\$41.3 million in 1H2020. Overall, gross profit margin increased by 2.1 percentage points, from 24.7% to 26.8% in 1H2021.

During 1H2021, the Group’s core industrial automation business continued to generate the preponderance of revenue, accounting for approximately 97.9% of the Group’s total revenue. In 1H2021, the PRC contributed 73.9% of the Group’s revenue (1H2020: 60.0%). The Group believes the increase in revenue concentration in the PRC in 1H2021 reflects the geographical mix of macro-economic industrial growth across Asia during the period, and the Company continues its strategy of serving diversified geographical markets throughout Asia.

The Group has generated positive results from its investments to upgrade operations and expand its solutions portfolio. The expanded portfolio of solutions has helped create opportunities to grow revenue over the past year, resulting in the positive growth momentum reported today. The Group’s investments in IT systems, operational consolidation, and conglomerate simplification have helped increase productivity: in 1H2021, operating expenses grew +24.4% YoY compared to revenue and gross profit growth of +29.9% and +40.8% respectively.

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 by the end of this year.

Reflecting the strong business momentum and broad-based market growth, the Group recorded +27.1% YoY growth net profit attributable to shareholders in 1H2021, the highest semi-annual profit in its history.

F. Management Discussion and Analysis (cont'd)

BUSINESS OUTLOOK

While the global macro-economy remains volatile, with major economies worldwide confronting third- and fourth- waves of COVID-19 infections, the Group believes the clear growth in digitalisation during the pandemic should continue:

- Businesses worldwide are increasingly reliant on technology and automation to operate in a volatile environment;
- Industrial automation has helped reduce labour risks and ensure business continuity as countries continue to shift policies for on-site workforces and labour access and mobility has been dramatically reduced;
- 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.

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 it continues to benefit from the persistent trade tensions across the Pacific Ocean. The Group's geopolitically neutral base of operations in Singapore has yielded benefits as Asia's industrial customers look increasingly to diversify suppliers and to source technology from within Asia. The Group notes that the PRC continues to promote the advancement of industrial automation¹ as a vital part of its long-term economic growth plan, bolstering demand in the Group's core markets in China.

While the Group has benefited from the groundswell of demand for industrial automation in Asia, it also continues to invest 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.

¹ China's factories must be 'armed with automation', as coronavirus gives boost to machines in manufacturing:
<https://www.scmp.com/economy/china-economy/article/3116970/chinas-factories-must-be-armed-automation-pandemic-gives>

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

Revenue and gross profit margin

	Six months ended 30 June		
	2021	2020	% change
	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions			
Revenue	212,498	147,098	44.5%
Gross profit	57,848	39,846	45.2%
Gross profit margin	27.2%	27.1%	0.1 ppt
Construction Revenue			
Revenue	4,660	20,087	-76.8%
Gross profit	345	1,489	-76.8%
Gross profit margin	7.4%	7.4%	0 ppt
Total			
Revenue	217,158	167,185	29.9%
Gross profit	58,193	41,335	40.8%
Gross profit margin	26.8%	24.7%	2.1 pts

The Group's revenue of S\$217.2 million for 1H2021 was higher by approximately S\$50.0 million or 29.9% as compared to the half year of 2020 ("1H2020").

Overall reported revenue for the Group was higher mainly driven by the continued strong demand for industrial automation in both the PRC and in Southeast Asia, including Hong Kong, Malaysia, and Vietnam. The Group believes the strength in demand is driven by key post-COVID shifts in Industry 4.0 automation, industrial and consumer digitalisation, and cleaner economies. The Group's core industrial automation segment continued to drive approximately 97.9% of the Group's total revenue for 1H2021. In addition, the Group recognised construction revenue of approximately S\$4.7 million from the construction of mini-hydropower plants in Indonesia.

In line with growing revenue, gross profit increased by S\$16.9 million or 40.8% from S\$41.3 million for 1H2020 to S\$58.2 million for 1H2021. Overall, gross profit margin increased by 2.1 percentage points, from 24.7% to 26.8% in 1H2021. Excluding the gross profit arising from the construction of mini-hydropower plant under the service concession arrangement, gross profit margin would have been at 27.2% in 1H2021.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Other operating income

Other operating income increased by S\$0.4 million, or 17.9% to S\$2.9 million for 1H2021. The increase was mainly due to the increase in net foreign exchange gain of S\$0.4 million, increase in property management income of S\$0.2 million; partially offset by decrease in government grants S\$0.2 million.

Distribution costs

Distribution costs increased by S\$3.2 million, or 27.4% to S\$14.7 million for 1H2021. The increase was mainly attributed to increase in salary and related costs of S\$1.9 million resulting from a higher sales commission and a higher sales and marketing expenses of S\$1.0 million. The increases are in line with the increase in revenue and business activities. In addition, traveling and office expenses were increased by S\$0.3 million due to the relaxed business travel restriction in our business segments. Furthermore, a lesser Jobs Support Scheme (“JSS”) grants from the Singapore government and absence of the PRC government’s COVID-19 support in 1H2021 which was rolled out in February 2020. In 1H2020, the PRC government had rolled out a series of supporting policies to support businesses such as reduction of employer contribution to pension, unemployment and work-related injury insurance scheme.

Administrative expenses

Administrative expenses increased by S\$3.4 million, or 22.2% to S\$18.7 million in 1H2021. The increase was mainly due to increase in salary and related cost of S\$2.9 million due to higher provision of performance bonus which is in line with the better business performance. Furthermore, an increase in professional fees and office expenses of S\$0.3 million and S\$0.2 million, respectively. In addition, a significant reduction of JSS grants from the Singapore government and absence of the PRC government’s COVID-19 support in 1H2021.

Net impairment losses on financial assets

Net impairment losses on financial assets of S\$0.8 million for 1H2021 was mainly due to impairment loss for funding to investee companies and promissory note amounting to S\$0.9 million; partially offset by write back of allowance of trade receivables of S\$0.1 million.

Other operating expenses

Other operating expenses increased by S\$0.3 million to S\$0.5 million for 1H2021. The increase was mainly due to bad debt written off of S\$0.2 million and increase in allowance for inventories obsolescence of S\$0.1 million.

Finance costs

Finance costs decreased by S\$0.3 million, or 29.6% to S\$0.7 million for 1H2021, which was mainly due to lower interest rate of bank borrowings.

Income tax expense

Income tax expense increased by S\$2.9 million, or 78.0% to S\$6.7 million for 1H2021, mainly due to higher taxable profits in 1H2021.



F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment increased by S\$6.4 million, or 10.4% as at 30 June 2021. The increase was mainly due to recognition of right-of-use assets of S\$5.3 million which arose mainly from the recognition of land lease agreement for a leasehold property in Singapore, recognition of construction costs incurred of S\$1.3 million for the construction of hydropower plant in Indonesia, purchase of plant and machinery of S\$0.6 million, renovations of S\$0.3 million, motor vehicle of S\$0.3 million, and furniture and fittings of S\$0.3 million. In addition, there was also translation gain of S\$0.6 million arising from the strengthening of Renminbi (“RMB”) against S\$ in 1H2021. This was partially offset by the depreciation charge of S\$2.3 million.

Associates

Interests in associates increased by S\$0.1 million, or 1.8% as at 30 June 2021 due to share of profit of associates of S\$0.4 million in 1H2021; partially offset by declaration of dividend from associates of S\$0.3 million.

Service concession receivables

Service concession receivables increased by S\$5.7 million, or 9.7% to S\$64.2 million as at 30 June 2021. This was mainly due to recognition of construction revenue of S\$4.7 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$1.0 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\$10.6 million or 19.0% to S\$66.2 million as at 30 June 2021 primarily due to the fulfilment of customer orders for second half of 2021.

Trade and other receivables

Trade and other receivables increased by S\$24.1 million or 23.4% to S\$127.0 million as at 30 June 2021 mainly due to increase in trade receivables from third parties, related parties and notes receivables of S\$20.4 million, increase in advances to trade suppliers of S\$2.2 million, and increase in sundry receivables of S\$1.5 million.

Subsequent receipt of about S\$26.1 million was received from customers as at 31 July 2021. The collection represented approximately 24.7% of trade receivables as at 30 June 2021.



F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Trade and other payables

Trade and other payables increased by S\$13.8 million or 16.3% to S\$98.1 million as at 30 June 2021, which was mainly due to increase in trade payables of S\$10.3 million arose from increase in trade purchase during 1H2021, increase in accrual of construction cost relating to construction of mini-hydropower plants of S\$1.4 million, loan from non-controlling interest of S\$1.3 million for construction of mini-hydropower plants, and increase in accrued staff costs of S\$0.8 million.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$10.6 million or 33.3% to S\$42.3 million as at 30 June 2021. The increase was primarily due to proceeds from bank borrowings (inclusive of trust receipts) of S\$16.9 million offset by repayment of bank borrowings of S\$6.3 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 1H2021, net cash generated from operating activities before changes in working capital amounted to S\$30.9 million. Cash used in working capital of S\$24.8 million mainly due to increase in trade and other receivables of S\$23.6 million, increase in inventories of S\$10.8 million, increase in receivables from service concession arrangements of S\$4.7 million; partially offset by increase of trade and other payables of S\$14.3 million. This was partially offset by net interest payment of S\$0.4 million and income tax paid of S\$6.5 million. As a result of the above, the net cash flow used in operating activities amounted to S\$0.7 million.

Changes in Cash Flow from Investing Activities

For 1H2021, net cash used in investing activities of S\$2.6 million was primarily attributed to purchase of property, plant and equipment of S\$2.8 million; partially offset by dividends received from associate of S\$0.3 million.

Changes in Cash Flow from Financing Activities

For 1H2021, net cash generated from financing activities amounted to S\$10.4 million as a result of net proceeds from bank borrowings (inclusive of trust receipts) of S\$10.6 million, decrease in fixed deposits pledged and restricted bank deposit of S\$2.2 million; partially offset by repayment of lease liabilities of S\$1.1 million and dividends paid to non-controlling interest of S\$1.3 million.

As at 30 June 2021, the Group maintained a healthy cash and cash equivalents balance of S\$58.1 million.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Please refer to Note 9 of Section G - Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16.

F. Management Discussion and Analysis (cont'd)

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2021, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2021, cash and bank balances amounted to approximately S\$63.1 million, which increased by approximately 7.8% as compared to S\$58.5 million as at 31 December 2020. The quick ratio of the Group was approximately 1.3 times (31 December 2020: 1.3 times).

As at 30 June 2021, the Group has long and short-term bank borrowings of approximately S\$42.3 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$28.7 million (31 December 2020: S\$22.1 million) while the bank borrowings due after one year amounted to approximately S\$13.6 million (31 December 2020: S\$9.6 million).

As at 30 June 2021, the weighted average effective interest rates on bank borrowings is 1.5% (31 December 2020: 4.8%) per annum. The Group obtained the Temporary Bridge Loan (the "TBL") of S\$5.0 million in 1H2021 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. Other than the above, the Group does not have fixed rate bank borrowings as at 30 June 2021 and 31 December 2020. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2020: S\$0.2 million), the Group's total borrowings amounted to S\$42.5 million (31 December 2020: S\$31.9 million).

GEARING RATIO

During the financial period ended 30 June 2021, the gearing ratio of the Group was about 23.1% (2020: 18.8%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

The increase in gearing ratio was mainly due to the increase in bank borrowings.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2021. 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 2021, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in 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 2021, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.



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F. Management Discussion and Analysis (cont'd)

CAPITAL EXPENDITURES

During the financial period ended 30 June 2021, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$2,691,000 (2020: S\$10,512,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, there were 951 (2020: 950) 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 as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the financial period ended 30 June 2021.

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 2021.

Charge on the Group's Assets

As at 30 June 2021, the Group's cash and cash equivalents, net book value of property, plant and equipment and land use rights of approximately S\$2.7 million, S\$25.1 million and S\$1.2 million, respectively (31 December 2020: S\$2.9 million, S\$24.2 million and S\$1.2 million) were pledged to banks to secure banking facilities granted to the Group.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND CANCELLATION OF TREASURY SHARES

During the financial period ended 30 June 2021 and up to the date of this announcement, 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.

PROPOSED INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2021 (2020: Nil).

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16

1. Review

The condensed consolidated statement of financial position of ISDN Holdings Limited and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Please refer to section F. Management Discussion and Analysis – Financial Review.

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

A profit guidance on the financial results of the Group for the six months ended 30 June 2021 was released via the SGXnet and HKEXnews on 28 July 2021. There are no material variances between the prospect statement and actual results for 1H2021.

4. A commentary at the date of the announcement of the significant trends and 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

Please refer to section F. Management Discussion and Analysis – Business Review and Future Prospects.

5. Dividend Information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

In view of the current economic outlook and business environment uncertainty, no dividend has been declared/recommended by the Board of Directors for the 1H2021 as the Group intends to conserve funds for business development purposes and deems it prudent to defer any decision on dividend until the financial year ending 31 December 2021.

(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.



G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (Cont'd)

6. Interested Person Transactions (“IPTs”)

The Group has not obtained a general mandate from shareholders of the Company for IPTs.

7. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

There has been no material usage till to the date of this announcement after the last annual report issued on 29 March 2021. The Company will make further announcements when the remaining net proceeds from Second Placements are materially disbursed.

(b) Use of Net Proceeds from the issuance of new shares under general mandate

There has been no material usage till to the date of this announcement after the last announcement made on 8 December 2020. The Company will make further announcements on the utilisation of proceeds from the subscription as and when the funds are materially disbursed.

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

9. Disclosure of Acquisition (including incorporations) and sale of shares since the end of the previous reporting period under Rule 706A

On 25 January 2021, the Company's wholly-owned subsidiary, MCG had subscribed for 54,122 ordinary shares in Performance Leadership Pte. Ltd. (“**PL**”) at a subscription price of S\$1 per share for an aggregate cash consideration of S\$54,122, representing 51% of the total issued and paid-up capital of PL. Following the completion of the share subscription, PL has become a subsidiary of MCG and an indirectly owned subsidiary of the Company. PL is principally engaged in corporate training services and motivational course providers, professional training to organisations and public and human resource consultancy services.

On 3 June 2021, the Company's wholly-owned subsidiary, Servo Dynamics Pte. Ltd. (“**Servo Singapore**”) had subscribed for 2,335,800 ordinary shares in a subsidiary, Servo Dynamics Engineering Company Limited (“**Servo Vietnam**”) for an aggregate consideration of VND 2,335,800 (approximately USD102,000) by way of declaration of final dividend of USD102,000 for the financial year ended 31 December 2019 to Servo Singapore. Following the capital injection by way of final dividend, the Group's effective interest in Servo Vietnam remains unchanged at 51%.

On 23 June 2021, the Company's indirect owned subsidiary DBASIX Singapore Pte. Ltd. (“**DBASIX Singapore**”), had made a capital injection of USD300,000 in a wholly-owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd. (“**Shanghai DBASIX**”) for working capital purpose.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (Cont'd)

9. Disclosure of Acquisition (including incorporations) and sale of shares since the end of the previous reporting period under Rule 706A (Con't)

On 29 June 2021, the Company's indirectly wholly-owned subsidiary, Servo Dynamics Co., Ltd. ("**Servo Dynamics**"), a company incorporated under the laws of the PRC, had been placed under members' voluntary liquidation under the laws of the PRC, and the voluntary liquidation had been completed on 29 June 2021 (the "**Liquidation**") as part of the Company's internal restructuring exercise. Following the Liquidation, all the assets and liabilities including the share capital of Servo Dynamics had been transferred to the Company's indirectly wholly-owned subsidiary, Su Zhou Servo Dynamics Co., Ltd., a company incorporated under the laws of the PRC (together with the "**Liquidation**", referred to as the "**Internal Restructuring Exercise**"). Following the Internal Restructuring Exercise, the registered capital of Su Zhou Servo Dynamics Co., Ltd. had increased from USD600,000 to USD3,000,000. For more information, please refer to Company's announcement entitled "Members' Voluntary Liquidation of Servo Dynamics Co., Ltd. and Increase in Registered Capital of Su Zhou Servo Dynamics Co., Ltd." dated 30 June 2021.

10. Compliance with Corporate Governance Codes

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 SEHK 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 period ended 30 June 2021, the Group has complied with the Code and the HK CG Code.

11. Compliance with Singapore Listing Manual and Hong Kong Model Code

In compliance with Rules 1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the SGX-ST and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the SEHK Listing Rules (the "**Model Code**"), the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities and these are applicable to all officers 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 financial period ended 30 June 2021.

The Company and its officers are not allowed to deal in the shares during the period commencing 30 days immediately before the announcement of the Company's half-year 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.

12. Audit Committee

The Audit Committee with written terms of reference which deal clearly with its authority and duties, which was revised on 1 January 2019. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.



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G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16 (Cont'd)

12. Audit Committee (Cont'd)

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 announcement has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the financial period ended 30 June 2021 and is of the opinion that such results complied with the applicable accounting standards, the requirements under Singapore Listing Manual and the SEHK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

13. Publication of Financial Information

The interim results announcement for the financial period ended 30 June 2021 is published on the website of the SGX-ST at www.sgx.com, website of Stock Exchange at www.hkexnews.hk, and the website of the Company at www.isdnholdings.com. The interim report of the Company for the period ended 30 June 2021 containing, among others, the interim financial information of the Group will be despatched to Shareholders and published on the above websites in due course.

14. Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Teo Cher Koon
President and Managing Director

Kong Deyang
Executive Director

By Order of the Board
ISDN Holdings Limited

Teo Cher Koon
President and Managing Director
Singapore and Hong Kong, 12 August 2021

As at the date of this announcement, the Board comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive Directors; Mr. Toh Hsiang-Wen Keith as non-executive Director; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive Directors.