



*ISDN*Holdings  
LIMITED

(Company Registration No.: 200416788Z)

**ISDN Holdings Limited**  
**Interim Financial Statements Announcement**  
**For the Half Year Ended 30 June 2020**



1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2020

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

	GROUP		
	6 months ended 30 June		
	2020	2019	change
	S\$'000	S\$'000	+/(−)
Revenue	167,185	146,963	13.8%
Cost of sales	(125,850)	(109,564)	14.9%
<b>Gross profit</b>	41,335	37,399	10.5%
Other operating income	2,483	2,331	6.5%
Distribution costs	(11,534)	(12,363)	-6.7%
Administrative expenses	(15,328)	(15,179)	1.0%
Net reversal of impairment losses on financial assets	423	77	n.m.
Other operating expenses	(245)	(789)	-68.9%
Finance costs	(972)	(827)	17.5%
Share of profit of associates	471	272	73.2%
<b>Profit before income tax</b>	16,633	10,921	52.3%
Income tax expense	(3,751)	(2,597)	44.4%
<b>Profit for the period</b>	12,882	8,324	54.8%
<b>Other comprehensive income, net of tax:</b>			
Items that may be subsequently reclassified to profit or loss			
- Net fair value changes on cash flow hedge	31	32	-3.1%
- Exchange differences on translation	2,012	(1,094)	n.m.
	2,043	(1,062)	n.m.
<b>Total comprehensive income for the period</b>	14,925	7,262	n.m.
<b>Profit for the period attributable to:</b>			
Equity holders of the Company	9,572	5,548	72.5%
Non-controlling interests	3,310	2,776	19.2%
	12,882	8,324	54.8%
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company	11,071	4,625	n.m.
Non-controlling interests	3,854	2,637	46.2%
	14,925	7,262	n.m.

n.m.: Not meaningful

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

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

	<b>GROUP</b>		
	<b>6 months ended</b>		
	<b>30 June</b>		
	<b>2020</b>	<b>2019</b>	<b>% change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>+/(-) </b>
Allowance for impairment of trade receivables	20	47	-57.4%
Allowance for inventory obsolescence	214	192	11.5%
Amortisation and depreciation	1,942	1,061	83.0%
Interest income	(242)	(204)	18.6%
Foreign exchange (gain)/loss, net	(716)	339	n.m.
Gain on disposal of interest in associates	(23)	-	n.m.
Loss/(Gain) on disposal of property, plant and equipment, net	7	(3)	n.m.
Inventories written off	-	224	-100.0%
Under/(Over) provision of tax in respect of prior year	43	(29)	n.m.
Write back of allowance for inventories obsolescence	(46)	(292)	-84.2%
Write back of allowance for impairment loss on trade receivables	(443)	(129)	n.m.
Property, plant and equipment written off	1	2	-50.0%
Trade receivables written off	-	5	-100.0%

n.m: Not meaningful



**ISDN Holdings Limited**  
**Financial Results Announcement**  
**For Half Year Ended 30 June 2020**

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

	GROUP		COMPANY	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	53,493	43,965	2	28
Investment properties	468	479	-	-
Land use rights	1,203	1,199	-	-
Goodwill	12,227	12,227	-	-
Subsidiaries	-	-	50,410	50,410
Associates	5,406	5,646	114	118
Service concession receivables	54,483	34,261	-	-
Other financial assets	900	900	-	-
Deferred tax assets	155	152	-	-
	128,335	98,829	50,526	50,556
<b>Current assets</b>				
Inventories	64,671	53,131	-	-
Trade and other receivables	103,250	111,804	290	2,823
Amounts owing by subsidiaries	-	-	53,033	51,235
Dividend receivables	-	-	1,047	4,966
Cash and bank balances	52,130	37,998	3,500	3,218
	220,051	202,933	57,870	62,242
<b>Current liabilities</b>				
Bank borrowings	18,917	20,186	2,344	5,027
Leases liabilities (Note 1)	2,706	1,659	-	14
Trade and other payables	77,781	60,769	6,537	7,974
Contract liabilities	14,491	8,913	-	-
Current tax liabilities	3,608	2,605	-	-
	117,503	94,132	8,881	13,015
<b>Net current assets</b>	102,548	108,801	48,989	49,227
<b>Non-current liabilities</b>				
Bank borrowings	16,809	7,096	7,028	6,790
Leases liabilities (Note 1)	215	1,309	-	-
Deferred tax liabilities	655	655	-	-
	17,679	9,060	7,028	6,790
<b>Net assets</b>	213,204	198,570	92,487	92,993
<b>Equity</b>				
Share capital	78,095	78,095	78,095	78,095
Reserves	85,721	74,650	14,392	14,898
<b>Equity attributable to owners of the Company</b>	163,816	152,745	92,487	92,993
Non-controlling interests	49,388	45,825	-	-
<b>Total equity</b>	213,204	198,570	92,487	92,993

Note 1:

Lease liabilities consist of assets under finance lease and right-of-use assets. As at 30 June 2020, the amount of assets under finance lease under current liabilities and non-current liabilities were S\$47,000 and S\$166,000 respectively (31 December 2019: S\$48,000 and S\$189,000 respectively).



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

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

As at 30 June 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,852	14,112	7,720	12,514

The amount repayable after one year;

As at 30 June 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
16,975	-	7,285	-

Details of any collaterals.

The secured borrowings relate to:-

- 1) The finance lease obligations of various subsidiaries which are secured against respective assets under the finance lease arrangement.
- 2) Legal mortgages over land use rights, property, plant and equipment and service concession receivables of subsidiaries for a term loan. 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.

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

	<b>GROUP</b>	
	<b>6 months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities:</b>		
Profit before income tax	16,633	10,921
Adjustments for:		
Amortisation of land use rights	16	17
Trade receivables written off	-	5
Depreciation of property, plant and equipment	1,926	1,044
Allowance for impairment of trade receivables	20	47
Allowance for inventory obsolescence	214	192
Loss/(Gain) on disposal of property, plant and equipment, net	7	(3)
Gain on disposal of interest in associates	(23)	-
Inventories written off	-	224
Property, plant and equipment written off	1	2
Write back of allowance for inventories obsolescence	(46)	(292)
Write back of allowance for impairment loss on trade receivables	(443)	(129)
Interest expenses	972	827
Interest income	(242)	(204)
Share of profit of associates	(471)	(272)
Foreign currency on translation of foreign operations	2,079	1,462
<b>Operating cash flow before working capital changes</b>	<b>20,643</b>	<b>13,841</b>
Changes in:		
Inventories	(11,707)	4,409
Trade and other receivables	652	(10,782)
Trade and other payables	17,886	(5,953)
<b>Cash from operating activities before service concession arrangements</b>	<b>27,474</b>	<b>1,515</b>
Change in receivables from service concession arrangements	(20,087)	(2,628)
<b>Cash generated from/(used in) operations after service concession arrangements</b>	<b>7,387</b>	<b>(1,113)</b>
Interest paid	(894)	(827)
Interest received	242	204
Income tax paid	(2,748)	(3,582)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,987</b>	<b>(5,318)</b>

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

	<b>GROUP</b>	
	<b>6 months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,076)	(1,594)
Proceeds from disposal of property, plant and equipment	31	61
Repayment from associates	3,541	-
Proceeds from the disposal of associate	708	-
Dividends from associates	-	222
Acquisition of other financial assets	-	(900)
<b>Net cash generated from/(used in) investing activities</b>	<b>3,204</b>	<b>(2,211)</b>
<b>Cash flows from financing activities:</b>		
Dividends to non-controlling interests	(291)	(274)
Repayment from non-controlling interests	-	250
Proceeds from bank borrowings	17,739	11,478
Repayment of bank borrowings	(11,302)	(12,218)
Proceeds from trust receipts, net	2,008	2,106
Repayment of lease liabilities, net	(625)	(42)
Interest paid	(78)	-
Increase in fixed deposits pledged	-	(2,274)
Proceeds from issue of shares	-	5,397
<b>Net cash generated from financing activities</b>	<b>7,451</b>	<b>4,423</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,642</b>	<b>(3,106)</b>
Cash and cash equivalents at the beginning of financial period	31,168	37,255
Effect of currency translation on cash and cash equivalents	(600)	82
<b>Cash and cash equivalents at the end of financial period</b>	<b>45,210</b>	<b>34,231</b>
<u>Additional information:</u>		
Cash and bank balances	48,931	37,817
Fixed deposits	3,199	3,254
Cash and bank balances	52,130	41,071
Less: restricted bank deposits	(3,833)	(3,677)
Less: bank deposits pledged	(3,087)	(3,163)
<b>Total cash and cash equivalents</b>	<b>45,210</b>	<b>34,231</b>



**ISDN Holdings Limited**  
**Financial Results Announcement**  
**For Half Year Ended 30 June 2020**

(1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>As at 1 January 2020</b>	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)
<b>Balance as at 30 June 2020</b>	<b>78,095</b>	<b>(436)</b>	<b>(2,878)</b>	<b>4,951</b>	<b>84,084</b>	<b>163,816</b>	<b>49,388</b>	<b>213,204</b>
<b>As at 1 January 2019</b>	70,984	(436)	(2,053)	4,820	70,436	143,751	44,067	187,818
Profit for the period	-	-	-	-	5,548	5,548	2,776	8,324
Other comprehensive (loss)/income for the period	-	-	(955)	32	-	(923)	(139)	(1,062)
Total comprehensive (loss)/income for the period	-	-	(955)	32	5,548	4,625	2,637	7,262
Issue of shares	5,397	-	-	-	-	5,397	-	5,397
Dividends to non-controlling interests	-	-	-	-	-	-	(302)	(302)
<b>Balance as at 30 June 2019</b>	<b>76,381</b>	<b>(436)</b>	<b>(3,008)</b>	<b>4,852</b>	<b>75,984</b>	<b>153,773</b>	<b>46,402</b>	<b>200,175</b>



- (1)(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

Company	Share capital S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000
<b>Balance at 1 January 2020</b>	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)
<b>Balance as at 30 June 2020</b>	78,095	(148)	14,540	92,487
<b>Balance at 1 January 2019</b>	70,984	(279)	12,167	82,872
Net loss for the period	-	-	(2,979)	(2,979)
Other comprehensive income for the period	-	32	-	32
Total comprehensive income/(loss) for the period	-	32	(2,979)	(2,947)
Issue of shares	5,397	-	-	5,397
<b>Balance as at 30 June 2019</b>	76,381	(247)	9,188	85,322

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

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 1H2020.

The number of ordinary shares as at 30 June 2020 is 429,572,849 (30 June 2019: 421,676,481). No treasury shares were held as at 30 June 2020 (30 June 2019: nil). The number of shares held as subsidiary holdings as at 30 June 2020 is nil (30 June 2019: nil).

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

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

	GROUP & COMPANY	
	30 June 2020	31 December 2019
Total number of issued shares	429,572,849	394,689,186
Add: Subscription shares issued	-	26,987,295
Add: Shares issued in-lieu of cash for dividend	-	7,896,368
Total number of issued shares excluding treasury shares	429,572,849	429,572,849

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

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

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

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

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

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

The Group's financial statements is prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)").

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2019.

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

The Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective for annual periods beginning on 1 January 2020.

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

	GROUP	
	6 months ended 30 June	
	2020	2019
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	429,572,849	410,344,799
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	429,572,849	410,344,799
EPS (based on consolidated net profit attributable to shareholders)		
(i) Based on weighted average number of ordinary shares in issue	2.23	1.35
(ii) On a fully diluted basis	2.23	1.35
	(cents)	(cents)

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

	GROUP		COMPANY	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Net assets (S\$'000)	163,816	152,745	92,487
Issued share capital at the end of the year (net of treasury shares)	429,572,849	429,572,849	429,572,849	429,572,849
Net assets value per ordinary share based on issued share capital as at respective year	38.13	35.56	21.53	21.65
	(cents)	(cents)	(cents)	(cents)

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

### STATEMENT OF COMPREHENSIVE INCOME ITEMS

#### Revenue and gross profit margin

	6 months ended		
	30 June		
	2020	2019	% change
	S\$'000	S\$'000	+ / (-)
<b>Industrial Automation Solutions</b>			
Revenue	147,098	144,335	1.9%
Gross profit	39,846	37,204	7.1%
Gross profit margin	27.1%	25.8%	1.3 ppt
<b>Construction Revenue</b>			
Revenue	20,087	2,628	n.m.
Gross profit	1,489	195	n.m.
Gross profit margin	7.4%	7.4%	0.0 ppt
<b>TOTAL</b>			
Revenue	167,185	146,963	13.8%
Gross profit	41,335	37,399	10.5%
Gross profit margin	24.7%	25.4%	-0.7 ppt

The Group's revenue of S\$167.2 million for the half year ended 30 June 2020 ("1H2020") was higher by approximately S\$20.2 million or 13.8% as compared to the half year of 2019 ("1H2019"). This can be attributable to the growing demand for the Group's core industrial automation solutions in Southeast Asia, including Singapore, Malaysia, and Vietnam, because Southeast Asia has received benefits from the reconfiguring of global industrial supply chains. In addition, we recorded construction revenue of approximately S\$20.1 million from the construction of mini-hydropower plants in Indonesia.

In line with growing revenue, Gross profit increased by 10.5% from S\$37.4 million for 1H2019 to S\$41.3 million for 1H2020. Overall, gross profit margin declined slightly by 0.7 percentage point, from 25.4% to 24.7% for 1H2019 and 1H2020 respectively. Excluding the gross profit arising from the construction of mini-hydropower plant under the service concession arrangement, gross profit margin would have increased to 27.1%.

During the first half of 2020, the coronavirus pandemic led to a series of economic shutdowns worldwide as nations scramble to curtail the rapid spread of the COVID-19 virus.

ISDN's operations in the People's Republic of China (the "PRC" or "China") were impacted by the extended national Chinese New Year Holidays, but with a diversified business portfolio, the Group was able to remain resilient and to respond quickly to changing global conditions. Indeed, after securing the health of its employees, the Group observed that the pandemic environment has accelerated digitisation efforts in business around the world, providing support for ISDN's core business to focus on the long-term growth prospects in Industry 4.0.

In line with all the good progress made during these stretching times, the Group recorded a surge in revenue and net profits to S\$167.2 million and S\$9.6 million for 1H2020 respectively.

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

#### **STATEMENT OF COMPREHENSIVE INCOME ITEMS (CONT'D)**

##### **Other operating income**

Other operating income increased by S\$0.2 million, or 6.5% to S\$2.5 million for 1H2020. The increase was mainly due to the increase in net foreign exchange gain of S\$0.7 million, increase in government grant S\$0.3 million; partially offset by decrease in write back of allowance for inventory obsolescence of S\$0.2 million, decrease in commission income of S\$0.3 million, decrease in technical consultancy fees of S\$0.1 million and decrease in property management income of S\$0.1 million.

##### **Distribution costs**

Distribution costs decreased by S\$0.8 million, or 6.7% to S\$11.5 million for 1H2020. The decrease was mainly due to decrease in office expenses of S\$0.3 million, decrease in staff and related costs of S\$0.2 million and decrease in travelling expenses of S\$0.4 million; partially offset by increase in sales and marketing expenses of S\$0.1 million.

##### **Administrative expenses**

Administrative expenses increased by S\$0.2 million, or 1.0% to S\$15.3 million in 1H2020. The increase was mainly due to consolidation of subsidiaries incorporated in second half of 2019 of S\$0.5 million, increase in professional fee of S\$0.3 million mainly attributable to legal and professional fee for banking facility and increase in depreciation of right-of-use assets of S\$0.2 million; partially offset by decrease in personnel expenses of S\$0.6 million and decrease in travelling expenses of S\$0.1 million caused by closure of international borders.

##### **Other operating expenses**

Other operating expenses decreased by S\$0.5 million or 68.9% to S\$0.2 million for 1H2020. The decrease was mainly due to absence of net foreign exchange loss amounting to S\$0.3 million and decrease in inventories written off of S\$0.2 million.

##### **Finance costs**

Finance costs increased by S\$0.1 million, or 17.5% to S\$1.0 million for 1H2020, which was mainly due to an increase in bank borrowings.

##### **Income tax expense**

Income tax expense increased by S\$1.2 million, or 44.4% to S\$3.8 million for 1H2020, mainly due to higher taxable profits in 1H2020.

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

### **STATEMENT OF FINANCIAL POSITION ITEMS**

#### **Property, plant and equipment**

Property, plant and equipment increased by S\$9.6 million, or 21.7% as at 30 June 2020. The increase was mainly due to recognition of construction costs incurred of S\$9.7 million for the construction of hydropower plant in Indonesia, purchase of plant and machinery of S\$1.1 million and recognition of right-of-use assets of S\$0.6 million. This was partially offset by the depreciation charge of S\$1.9 million.

#### **Associates**

Interests in associates decreased by S\$0.2 million, or 4.3% as at 30 June 2020 mainly due to disposal of interest in SPHP Co., Pte. Ltd. ("SPHP") amounting to S\$0.7 million offset by share of profit of associates of S\$0.5 million in 1H2020.

#### **Service concession receivables**

Service concession receivables increased by S\$20.2 million, or 59.0% to S\$54.5 million as at 30 June 2020. This was mainly due to recognition of construction revenue of S\$20.1 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$0.1 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\$11.5 million or 21.7% to S\$64.7 million as at 30 June 2020 primarily due to the fulfilment of customer orders for second half of 2020.

#### **Trade and other receivables**

Trade and other receivables decreased by S\$8.6 million or 7.7% to S\$103.3 million as at 30 June 2020 mainly due to decrease in notes receivables of S\$6.1 million, decrease in advance payment to suppliers of S\$6.0 million, decrease in loan to associates of S\$3.4 million which is mainly due to repayment of loan from SPHP and decrease in other receivables of S\$1.9 million. This was partly offset by the increase in trade receivables from third parties, associates and related parties of S\$7.5 million, S\$0.3 million and S\$0.7 million respectively arising from the increase in period end billing to customers and increase in deposits of S\$0.2 million.

Subsequent receipt of about S\$22.7 million was received from customers as at 31 July 2020. The collection represents approximately 31% of trade receivables as at 30 June 2020.

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

#### **STATEMENT OF FINANCIAL POSITION ITEMS (CONT'D)**

##### **Trade and other payables**

Trade and other payables increased by S\$17.0 million or 28.0% to S\$77.8 million as at 30 June 2020, which was mainly due to increase in trade payables of S\$6.0 million arose from increase in trade purchase during the financial period and increase in accrual of construction cost relating to construction of mini-hydropower plants of S\$11.6 million. This was partly offset by the decrease in accrued operating expenses of S\$0.1 million and decrease in accrued staff costs of S\$0.5 million.

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

Bank borrowings increased by S\$8.4 million or 31.0% to S\$35.7 million as at 30 June 2020. The increase was primarily due to proceeds of bank borrowings of S\$19.7 million offset by repayment of bank borrowings of S\$11.3 million.

#### **CASH FLOW STATEMENT**

##### **Changes in Cash Flow from Operating Activities**

For 1H2020, net cash generated from operating activities before changes in working capital amounted to S\$20.6 million. Cash used in working capital of S\$13.3 million mainly due to increase in inventories of S\$11.7 million, increase in receivables from service concession arrangements of S\$20.1 million; partially offset by decrease in trade and other receivables of S\$0.6 million and increase of trade and other payables of S\$17.9 million. This was partially offset by net interest payment of S\$0.6 million and income tax paid of S\$2.7 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$4.0 million.

##### **Changes in Cash Flow from Investing Activities**

For 1H2020, net cash generated from investing activities of S\$3.2 million was primarily attributed to repayment of loan from an associate of S\$3.5 million and proceeds from disposal of an associate of S\$0.7 million; partially offset by purchase of property, plant and equipment of S\$1.1 million.

##### **Changes in Cash Flow from Financing Activities**

For 1H2020, net cash generated from financing activities amounted to S\$7.5 million as a result of net proceeds from bank borrowings (inclusive of trust receipts) of S\$8.4 million; offset by repayment of lease liabilities of S\$0.6 million and dividends paid to non-controlling interest of S\$0.3 million.

As at 30 June 2020, the Group maintained a healthy cash and cash equivalents balance of S\$45.2 million.

9. 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 2020 was released via the SGXnet on 28 July 2020. There are no material variances between the prospect statement and actual results for 1H2020.

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

Market conditions remained fraught with challenges as the coronavirus continues to ravage economies and Washington-Beijing trade tensions worsen. Operating in such an environment, the Group believes that it has benefited from the diversification in its customers, end-industries and geographies it operates in, and intends to continue maintaining focus on strategically diversified growth segments. As its emerging energy business progresses towards commercialization, ISDN continues to grow its core industrial automation business by exploring the latest smart manufacturing solutions and moving up the technology value chain.

Although COVID-19 has greatly disrupted the global economy as a whole, it has also proven a clear catalyst for accelerating digitisation and the transition to Industry 4.0 automation. The Group believes it is favourably positioned to benefit from this long-term trend as it delivers a broad and deep set of high-tech precision control systems and remote automation technologies for its customers.

To further expand its diversified business, ISDN entered into a joint venture with German company ERST Project GmbH (“ERST”) in May 2020 to offer advanced and environmentally-friendly disinfectant solutions -Waterliq and Erstotizer - to the Asia Pacific region to aid in the fight against the COVID-19 pathogen. ISDN has since secured major deals with Centurion Corporation, The Science Park, and the Public Transport Company, with multiple disinfecting projects with cleaning companies across the city-state. The Group believes that, given the long-term nature of this worsening coronavirus epidemic, the demand for surface disinfectants will increase<sup>1</sup> and this new venture holds much promise.

While the coronavirus pandemic shows little signs of abating, the Group remains confident its prospects in the broad, multi-year Industry 4.0 opportunity. The Group notes that despite of short-term fluctuations, industrial automation is forecasted to grow steadily between 2021 and 2026<sup>2</sup>, alongside increased demand for machine tools, robotics, semiconductors, and more, with the support from strategies like “Made in China 2025”. According to market researcher Technavio<sup>3</sup>, the motion control market is poised to expand by more than US\$2.02 billion from 2020 to 2024, at a compound annual growth rate (CAGR) of over 3%, after accounting for the COVID-19 impact.

While it pursues its growth strategy, the Group will continue to consolidate its engineering and administrative operations to improve productivity, and make prudent investments to further its core capabilities to move up the value chain for the wider Industry 4.0 opportunity. The Group also continues to keep a keen eye on the volatile market conditions, to ensure appropriate business agility. The Group believes that ISDN’s growth strategy, industrial scale, and business diversification continue to be a solid foundation for long-term growth in the PRC and Southeast Asia.

---

<sup>1</sup> HR Asia

<https://hrasiamedia.com/featured-news/2020/as-the-covid-19-battle-remains-long-drawn-how-can-asia-pacific-leaders-protect-employee-well-being/>

<sup>2</sup> Assessment of China’s Motion Controller Industry, 2019-2026

<https://www.businesswire.com/news/home/20200603005453/en/Assessment-Chinas-Motion-Controller-Industry-2019-2026-Size>

<sup>3</sup> Insight & Forecast with Potential Impact of COVID-19 – Motion Control Market 2020-2024

<https://www.businesswire.com/news/home/20200624005618/en/Insights-Forecast-Potential-Impact-COVID-19---Motion>



**11. Dividend**

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**  
(b) **(i) Amount per share; (ii) Previous corresponding period;**  
(c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

- (a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No

- (b) Corresponding Period of the Immediately Preceding Financial Year

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

No

- (d) The date the dividend is payable**

Not applicable.

- (e) The date on which Registrable Transfers received by the Company (up to 5.00p.m.) will be registered before entitlements to the dividend are determined.**

Not applicable.

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

No dividend has been declared or recommended for the financial period.

**13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained.

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

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



**15. 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 announcement made on 13 May 2019. 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 13 May 2019. The Company will make further announcements on the utilisation of proceeds from the subscription as and when the funds are materially disbursed.

**16. Issuer to confirm in the announcement that it has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

Yes.

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

On 2 June 2020, an indirect wholly owned subsidiary of the Company had disposed of 330,000 ordinary shares representing 33% of the entire issued and paid-up share capital in SPHP. For more information, please refer to the Company's announcement entitled "Disposal of 33% of the entire issued and paid-up share capital of SPHP Co., Pte. Ltd." dated 3 June 2020.

By Order of the Board

Gwendolyn Gn  
Joint Company Secretary  
ISDN Holdings Limited  
7 August 2020