



*ISDN*Holdings
LIMITED

(Company Registration No.: 200416788Z)

ISDN Holdings Limited
Financial Statements Announcement
For the Second Half and Full Year Ended 31 December 2020



ISDN Holdings Limited
Financial Results Announcement
For Second Half and Full Year Ended 31 December 2020

1(a)(i) A STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 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 31 December			12 months ended 31 December		
	2020 S\$'000	2019 S\$'000	% change + / (-)	2020 S\$'000	2019 S\$'000	% + / (-)
Revenue	194,679	144,022	35.2%	361,864	290,985	24.4%
Cost of sales	(140,441)	(103,996)	35.0%	(266,291)	(213,560)	24.7%
Gross profit	54,238	40,026	35.5%	95,573	77,425	23.4%
Other operating income	2,577	1,025	n.m.	4,344	3,356	29.4%
Distribution costs	(13,770)	(13,225)	4.1%	(25,304)	(25,588)	-1.1%
Administrative expenses	(15,907)	(15,814)	0.6%	(31,235)	(30,993)	0.8%
Net impairment losses on financial assets	(5,046)	(523)	n.m.	(4,623)	(446)	n.m.
Other operating expenses	(6,478)	(498)	n.m.	(6,007)	(1,287)	n.m.
Finance costs	(763)	(1,280)	-40.4%	(1,735)	(2,107)	-17.7%
Share of profit/(loss) of associates	508	(410)	n.m.	979	(138)	n.m.
Profit before income tax	15,359	9,301	65.1%	31,992	20,222	58.2%
Income tax expense	(5,745)	(3,433)	67.3%	(9,496)	(6,030)	57.5%
Profit for the period/year	9,614	5,868	63.8%	22,496	14,192	58.5%
Other comprehensive income, net of tax:						
Items that may be subsequently reclassified to profit or loss						
- Net fair value changes on cash flow hedge	16	68	-76.5%	47	100	-53.0%
- Exchange differences on translation	1,166	(951)	n.m.	3,178	(2,045)	n.m.
	<u>1,182</u>	<u>(883)</u>	n.m.	<u>3,225</u>	<u>(1,945)</u>	n.m.
Total comprehensive income for the period/year	10,796	4,985	n.m.	25,721	12,247	n.m.
Profit for the period/year attributable to:						
Equity holders of the Company	5,567	1,499	n.m.	15,139	7,047	n.m.
Non-controlling interests	4,047	4,369	-7.4%	7,357	7,145	3.0%
	<u>9,614</u>	<u>5,868</u>	63.8%	<u>22,496</u>	<u>14,192</u>	58.5%
Total comprehensive income for the period/year attributable to:						
Equity holders of the Company	6,826	229	n.m.	17,897	4,854	n.m.
Non-controlling interests	3,970	4,756	-16.5%	7,824	7,393	5.8%
	<u>10,796</u>	<u>4,985</u>	n.m.	<u>25,721</u>	<u>12,247</u>	n.m.

n.m.: Not meaningful



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

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

	GROUP					
	6 months ended			12 months ended		%
	31 December		change	31 December		
2020	2019	+/(-)		2020	2019	+/(-)
	S\$'000	S\$'000		S\$'000	S\$'000	
Allowance for impairment of trade and other receivables	4,784	783	n.m.	4,804	830	n.m.
Allowance for inventory obsolescence	241	12	n.m.	455	204	n.m.
Amortisation and depreciation	2,146	2,774	-22.6%	4,088	3,834	6.6%
Foreign exchange loss, net	3,695	245	n.m.	2,979	585	n.m.
Gain on disposal of interest in associates	-	(15)	-100.0%	(23)	(15)	53.3%
Interest income	(61)	(107)	-43.0%	(303)	(311)	-2.6%
Inventories written off	416	53	n.m.	416	277	50.2%
Loss/(Gain) on disposal of property, plant and equipment, net	10	(15)	n.m.	17	(20)	n.m.
Property, plant and equipment written off	1	-	n.m.	2	2	0.0%
Trade receivables written off	534	154	n.m.	534	154	n.m.
Under provision of income tax in respect of prior year	199	524	-62.0%	242	495	-51.1%
Write back of allowance for inventories obsolescence	(171)	98	n.m.	(217)	(194)	11.9%
Write back of allowance for impairment loss on trade receivables	262	(260)	n.m.	(181)	(384)	-52.9%

n.m: Not meaningful



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

	GROUP		COMPANY	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	61,602	43,965	-	28
Investment properties	460	479	-	-
Land use rights	1,214	1,199	-	-
Goodwill	12,227	12,227	-	-
Subsidiaries	-	-	50,410	50,410
Associates	5,775	5,646	104	118
Service concession receivables	58,541	34,261	-	-
Other financial assets	900	900	-	-
Deferred tax assets	251	152	-	-
	140,970	98,829	50,514	50,556
Current assets				
Inventories	55,592	53,131	-	-
Trade and other receivables	102,950	111,804	280	2,823
Amounts owing by subsidiaries	-	-	57,095	51,235
Dividend receivables	-	-	1,047	4,966
Cash and bank balances	58,473	37,998	2,863	3,218
	217,015	202,933	61,285	62,242
Current liabilities				
Bank borrowings	22,128	20,186	4,445	5,027
Leases liabilities (Note 1)	1,481	1,659	-	14
Trade and other payables	84,364	60,769	6,687	7,974
Contract liabilities	17,053	8,913	-	-
Current tax liabilities	4,042	2,605	241	-
	129,068	94,132	11,373	13,015
Net current assets	87,947	108,801	49,912	49,227
Non-current liabilities				
Bank borrowings	9,580	7,096	2,220	6,790
Leases liabilities (Note 1)	1,127	1,309	-	-
Deferred tax liabilities	586	655	-	-
	11,293	9,060	2,220	6,790
Net assets	217,624	198,570	98,206	92,993
Equity				
Share capital	79,213	78,095	79,213	78,095
Reserves	90,807	74,650	18,993	14,898
Equity attributable to owners of the Company	170,020	152,745	98,206	92,993
Non-controlling interests	47,604	45,825	-	-
Total equity	217,624	198,570	98,206	92,993

Note 1:

Lease liabilities consist of assets under finance lease and right-of-use assets. As at 31 December 2020, the amount of assets under finance lease under current liabilities and non-current liabilities were S\$47,000 and S\$142,000 respectively (31 December 2019: S\$48,000 and S\$189,000 respectively).



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

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

As at 31 December 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
12,992	9,183	7,720	12,514

The amount repayable after one year;

As at 31 December 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
9,722	-	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 term loans. 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.

	GROUP			
	6 months ended		12 months ended	
	31 December		31 December	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	15,359	9,301	31,992	20,222
Adjustments for:				
Amortisation of land use rights	18	15	34	32
Trade receivables written off	534	154	534	154
Depreciation of property, plant and equipment	2,117	2,749	4,035	3,784
Depreciation of investment properties	11	10	19	18
Allowance for impairment of trade and other receivables	4,784	783	4,804	830
Allowance for inventory obsolescence	241	12	455	204
Loss/(Gain) on disposal of property, plant and equipment, net	10	(15)	17	(20)
Gain on disposal of interest in associates	-	(15)	(23)	(15)
Inventories written off	416	53	416	277
Property, plant and equipment written off	1	-	2	2
Write back of allowance for inventories obsolescence	(171)	98	(217)	(194)
Write back of allowance for impairment loss on trade receivables	262	(260)	(181)	(384)
Interest expenses	763	1,280	1,735	2,107
Interest income	(61)	(107)	(303)	(311)
Share of (profit)/loss of associates	(508)	410	(979)	138
Foreign currency on translation of foreign operations	(2,511)	(275)	(432)	1,190
Operating cash flow before working capital changes	21,265	14,193	41,908	28,034
Changes in:				
Inventories	8,592	(2,644)	(3,115)	1,765
Trade and other receivables	(9,595)	2,684	(8,943)	(8,098)
Trade and other payables	17,615	6,928	35,501	975
Cash from operating activities before service concession arrangements	37,877	21,161	65,351	22,676
Change in receivables from service concession arrangements	(5,211)	(2,255)	(25,298)	(4,883)
Cash generated from operations after service concession arrangements	32,666	18,906	40,053	17,793
Interest paid	(691)	(1,076)	(1,585)	(1,903)
Interest received	61	107	303	311
Income tax paid	(5,440)	(2,139)	(8,188)	(5,721)
Net cash generated from operating activities	26,596	15,798	30,583	10,480

(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)**

	GROUP			
	6 months ended		12 months ended	
	31 December		31 December	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(9,436)	(3,423)	(10,512)	(5,017)
Proceeds from disposal of property, plant and equipment	9	10	40	71
Repayment from/(loan to) associates	-	(3,395)	3,541	(3,395)
Proceeds from the disposal of associate	-	-	708	-
Dividends from associates	134	(111)	134	111
Acquisition of other financial assets	-	-	-	(900)
Acquisition of an associate	-	(685)	-	(685)
Net cash used in investing activities	(9,293)	(7,604)	(6,089)	(9,815)
Cash flows from financing activities:				
Dividends to equity holders of the Company	(616)	(1,257)	(616)	(1,257)
Dividends to non-controlling interests	(4,835)	(5,684)	(5,126)	(5,958)
Acquisition of non-controlling interests without a change in control	(173)	-	(173)	-
Loan to non-controlling interests	-	(250)	-	-
Proceeds from bank borrowings	9,966	11,092	27,705	22,570
Repayment of bank borrowings	(8,801)	(12,127)	(20,103)	(24,345)
(Repayment)/Proceeds from trust receipts, net	(5,184)	(1,314)	(3,176)	792
Repayment of lease liabilities, net	(1,295)	(1,676)	(1,920)	(1,718)
Interest paid	(72)	(163)	(150)	(163)
Increase in fixed deposits pledged	-	(74)	-	(2,348)
Proceeds from issue of shares	-	-	-	5,397
Net cash used in financing activities	(11,010)	(11,453)	(3,559)	(7,030)
Net increase/(decrease) in cash and cash equivalents	6,293	(3,259)	20,935	(6,365)
Cash and cash equivalents at the beginning of financial period/year	45,210	34,231	31,168	37,255
Effect of currency translation on cash and cash equivalents	418	196	(182)	278
Cash and cash equivalents at the end of financial period/year	51,921	31,168	51,921	31,168
Additional information:				
Cash and bank balances	55,382	34,762	55,382	34,762
Fixed deposits	3,091	3,236	3,091	3,236
Cash and bank balances	58,473	37,998	58,473	37,998
Less: restricted bank deposits	(3,675)	(3,724)	(3,675)	(3,724)
Less: bank deposits pledged	(2,877)	(3,106)	(2,877)	(3,106)
Total cash and cash equivalents	51,921	31,168	51,921	31,168



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

Group	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2020	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570
Profit for the year	-	-	-	-	15,139	15,139	7,357	22,496
Other comprehensive income for the year	-	-	2,711	47	-	2,758	467	3,225
Total comprehensive income for the year	-	-	2,711	47	15,139	17,897	7,824	25,721
Shares issued in-lieu of cash for dividend relating to FY2019	1,118	-	-	-	(1,118)	-	-	-
Dividend paid in cash relating to FY2019	-	-	-	-	(616)	(616)	-	(616)
Dividends to non-controlling interests	-	-	-	-	-	-	(5,878)	(5,878)
Acquisition of NCI without a change in controlling subsidiary	-	-	-	-	(6)	(6)	(167)	(173)
Balance as at 31 December 2020	79,213	(436)	(1,635)	4,967	87,911	170,020	47,604	217,624
As at 1 January 2019	70,984	(436)	(2,053)	4,820	70,436	143,751	44,067	187,818
Profit for the year	-	-	-	-	7,047	7,047	7,145	14,192
Other comprehensive (loss)/income for the year	-	-	(2,293)	100	-	(2,193)	248	(1,945)
Total comprehensive (loss)/income for the year	-	-	(2,293)	100	7,047	4,854	7,393	12,247
Issue of shares	5,397	-	-	-	-	5,397	-	5,397
Shares issued in-lieu of cash for dividend relating to FY2018	1,714	-	-	-	(1,714)	-	-	-
Dividend paid in cash relating to FY2018	-	-	-	-	(1,257)	(1,257)	-	(1,257)
Dividends to non-controlling interests	-	-	-	-	-	-	(5,635)	(5,635)
Balance as at 31 December 2019	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570

- (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	Other reserves	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2020	78,095	(179)	15,077	92,993
Net profit for the year	-	-	5,782	5,782
Other comprehensive income for the year	-	47	-	47
Total comprehensive income for the year	-	47	5,782	5,829
Shares issued in-lieu of cash for dividend relating to FY2019	1,118	-	(1,118)	-
Dividend paid in cash relating to FY2019	-	-	(616)	(616)
Balance as at 31 December 2020	79,213	(132)	19,125	98,206
Balance at 1 January 2019	70,984	(279)	12,167	82,872
Net profit for the year	-	-	5,881	5,881
Other comprehensive income for the year	-	100	-	100
Total comprehensive income for the year	-	100	5,881	5,981
Issue of shares	5,397	-	-	5,397
Shares issued in-lieu of cash for dividend relating to FY2018	1,714	-	(1,714)	-
Dividend paid in cash relating to FY2018	-	-	(1,257)	(1,257)
Balance as at 31 December 2019	78,095	(179)	15,077	92,993

- (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.**

On 27 August 2020, the Company issued 5,765,045 new ordinary shares ("New Shares") under the ISDN Holdings Limited Scrip Dividend Scheme at an issue price of S\$0.194 (for Singapore Shareholders) and HK\$1.077 (for Hong Kong Shareholders).

Following the allotment and issuance of the New Shares, the number of outstanding shares as at 31 December 2020 is 435,337,894 (31 December 2019: 429,572,849). No treasury shares were held as at 31 December 2020 (31 December 2019: nil). The number of shares held as subsidiary holdings as at 31 December 2020 is nil (31 December 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	
	31 December 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	5,765,045	7,896,368
Total number of issued shares excluding treasury shares	435,337,894	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		GROUP	
	6 months ended 31 December		12 months ended 31 December	
	2020	2019	2020	2019
Weighted average number of ordinary shares in issue for basic EPS (net of treasury shares)	433,520,652	427,083,776	431,562,974	418,804,712
Weighted average number of ordinary shares in issue for diluted EPS (net of treasury shares)	433,520,652	427,083,776	431,562,974	418,804,712
EPS (based on consolidated net profit attributable to shareholders)				
(i) Based on weighted average number of ordinary shares in issue	1.28	0.35	3.51	1.68
(ii) On a fully diluted basis	1.28	0.35	3.51	1.68
	(cents)	(cents)	(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	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net assets (S\$'000)	170,020	152,745	98,206	92,993
Issued share capital at the end of the year (net of treasury shares)	435,337,894	429,572,849	435,337,894	429,572,849
Net assets value per ordinary share based on issued share capital as at respective year	39.05	35.56	22.56	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			12 months ended		
	31 December			31 December		
	2020	2019	% change	2020	2019	% change
	S\$'000	S\$'000	+ / (-)	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions						
Revenue	189,621	141,767	33.8%	336,719	286,102	17.7%
Gross profit	53,865	39,859	35.1%	93,711	77,063	21.6%
Gross profit margin	28.4%	28.1%	0.3 ppt	27.8%	26.9%	0.9 ppt
Construction Revenue						
Revenue	5,058	2,255	n.m.	25,145	4,883	n.m.
Gross profit	373	167	n.m.	1,862	362	n.m.
Gross profit margin	7.4%	7.4%	0 ppt	7.4%	7.4%	0 ppt
TOTAL						
Revenue	194,679	144,022	35.2%	361,864	290,985	24.4%
Gross profit	54,238	40,026	35.5%	95,573	77,425	23.4%
Gross profit margin	27.9%	27.8%	0.1 ppt	26.4%	26.6%	-0.2 ppt

The Group's revenue of S\$194.7 million for the second half ended 31 December 2020 ("2H2020") was higher by approximately S\$50.7 million or 35.2% as compared to the second half of 2019 ("2H2019"). For the financial year ended 2020 ("FY2020"), the Group's revenue came in higher by approximately S\$70.9 million or 24.4% from S\$291.0 million in financial year ended 2019 ("FY2019") to S\$361.9 million in FY2020.

Overall reported revenue for the Group was higher mainly driven by the continued strong demand for industrial automation in both the People's Republic of China ("PRC") and in Southeast Asia, including Singapore, Malaysia, and Vietnam. The Group believes the strength in demand is driven by both the multi-year adoption of Industry 4.0 automation throughout Asia, and the reconfiguration of global industrial supply chains favouring Asia-based suppliers. The Group's core industrial automation segment continued to drive approximately 93.0% of the Group's total revenue for FY2020. The Group recognised construction revenue of approximately S\$5.1 million and S\$25.1 million for 2H2020 and FY2020 respectively from the construction of mini-hydropower plants in Indonesia.

In line with growing revenue, gross profit for 2H2020 and FY2020 increased by S\$14.2 million or 35.5% and S\$18.1 million or 23.4% respectively as compared to corresponding periods last year. Overall, gross profit margin decreased marginally by 0.2 percentage point, from 26.6% to 26.4% for FY2019 and FY2020 respectively. Excluding the gross profit arising from the construction of mini-hydropower plants under service concession arrangements, gross profit margin would have been at 27.8% in FY2020, an increase of 0.9 percentage point.

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\$1.6 million to S\$2.6 million in 2H2020 mainly due to increase in technical services income of S\$0.4 million, increase in government grant of S\$0.3 million, increase in write back of allowances of inventory obsolescence of S\$0.3 million, increase in property management income of S\$0.1 million and increase in miscellaneous income of S\$0.5 million.

For FY2020, other operating income increased by S\$1.0 million, or 29.4% to S\$4.3 million. The increase was mainly due to the increase in government grant of S\$0.6 million, increase in miscellaneous income of S\$0.4 million and increase in technical services income of S\$0.3 million; partially offset by decrease in commission income of S\$0.3 million.

Distribution costs

Distribution costs increased by S\$0.5 million, or 4.1% to S\$13.8 million in 2H2020 mainly attributed to increase in staff and related costs of S\$1.5 million from higher staff commission to sales personnel which is in line with the increase in revenue; partially offset by decrease in sales and marketing expenses of S\$0.9 million.

For FY2020, distribution costs decreased by \$0.3 million, or 1.1% to S\$25.3 million. The decrease was mainly due to decrease in sales and marketing expenses of S\$0.8 million and decrease in travelling expenses of S\$0.8 million; partially offset by increase in staff and related costs of S\$1.3 million from higher staff commission to sales personnel which is in line with the increase in revenue.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by S\$4.5 million and S\$4.2 million for 2H2020 and FY2020 respectively. The increase was due mainly to the impairment loss for funding to investee companies. The Group has proceeded with arbitration against the investee companies in Singapore for recovery of debts from them and its guarantor. The arbitration is on-going and the outcome of this arbitration could not be anticipated fully up to the date of this announcement. The Group continues to progress its case in arbitration towards a favourable recovery of amounts due. However, out of prudence it has reserved for the full receivable amount.

Other operating expenses

Other operating expenses increased by S\$6.0 million to S\$6.5 million in 2H2020. The increase was mainly due to higher net unrealised foreign exchange loss of S\$3.5 million, an increase in bad debts written off of S\$0.4 million, an increase in inventories written off of S\$0.4 million, an increase in allowance for inventory obsolescence of S\$0.2 million, and a reserve of S\$1.5 million for legal compensation risk related to a previously announced litigation against our former General Manager (refer to the Group's announcement dated 29 October 2018, 12 November 2018, 1 February 2019 and 28 February 2019). The Group continues to progress its case towards a favourable settlement, however out of prudence it has reserved for the full amount of compensation risk.

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 expenses

Other operating expenses increased by S\$4.7 million to S\$6.0 million in FY2020. The increase was mainly due to higher net unrealised foreign exchange loss of S\$2.4 million, an increase in bad debts written off of S\$0.4 million, an increase in inventories written off of S\$0.1 million, an increase in allowance for inventory obsolescence of S\$0.3 million, and a reserve of S\$1.5 million for legal compensation risk related to a previously announced litigation against our former General Manager (refer to the Group's announcement dated 29 October 2018, 12 November 2018, 1 February 2019 and 28 February 2019). The Group continues to progress its case towards a favourable settlement, however out of prudence it has reserved for the full amount of compensation risk.

Finance costs

Finance costs decreased by S\$0.5 million or 40.4% and S\$0.4 million or 17.7% for 2H2020 and FY2020 respectively, which was mainly due to lower interest rate.

Income tax expense

Income tax expense increased by S\$2.3 million, or 67.3% to S\$5.7 million, and S\$3.5 million, or 57.5% to S\$9.5 million for 2H2020 and FY2020 respectively. The increase was mainly due to higher taxable profits.

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment increased by S\$17.6 million, or 40.1% as at 31 December 2020. The increase was mainly due to additional construction costs incurred of S\$12.7 million for the construction of hydropower plant in Indonesia, acquisition of a leasehold property in Singapore amounting to S\$5.0 million, purchase of plant and machinery of S\$1.6 million, purchase of motor vehicles of S\$0.7 million and recognition of right-of-use assets of S\$1.6 million. This was partially offset by the depreciation charge of S\$4.0 million.

The acquisition of leasehold property relates to the Group's strategic decision to consolidate the majority of its 7 Singapore offices into a single larger workspace to promote better synergies and efficiencies between Group companies.

Associates

Interests in associates increased by S\$0.1 million, or 2.3% as at 31 December 2020 mainly due to share of profit of associates of S\$1.0 million in FY2020; partially offset by disposal of interest in SPHP Co., Pte. Ltd. ("SPHP") amounting to S\$0.7 million and dividend from associates of S\$0.2 million.

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)

Service concession receivables

Service concession receivables increased by S\$24.3 million, or 70.9% to S\$58.5 million as at 31 December 2020. This was mainly due to recognition of construction revenue of S\$25.1 million from the construction of mini-hydropower plants under the service concession arrangement; partially offset by the foreign exchange revaluation losses of S\$0.8 million. Service concessions receivables are classified as long-term contract 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\$2.5 million or 4.6% to S\$55.6 million as at 31 December 2020. This was primarily due to the growth of revenue in FY2020 as compared to FY2019.

Trade and other receivables

Trade and other receivables decreased by S\$8.9 million or 7.9% to S\$103.0 million as at 31 December 2020, which was mainly due to decrease in advances to trade suppliers of S\$8.0 million, receipt of repayment of loan from SPHP of S\$3.5 million, repayment of loan from investee company of S\$1.6 million and decrease in sundry receivables of S\$2.5 million. This was partially offset by the allowance of S\$4.0 million for impairment funding to investee companies and for non-payment of the promissory note. There was an increase in trade receivables from third parties, related parties and notes receivable of S\$11.6 million arising from the increase in revenue.

Subsequent receipt of about S\$20.0 million was received from customers as at 31 January 2021. The collection represents approximately 23.4% of trade receivables as at 31 December 2020.

Trade and other payables

Trade and other payables increased by S\$23.6 million or 38.8% to S\$84.4 million as at 31 December 2020. The increase was mainly due to increase in trade payables of S\$4.8 million arose from increase in trade purchase during the financial period, increase in accrual of construction cost relating to construction of mini-hydropower plants of S\$17.6 million, increase in accrued operating expenses of S\$1.4 million and dividend payables to non-controlling interests of S\$0.8 million. This was partly offset by the decrease in amounts due to non-controlling interests of S\$0.7 million and decrease in accrued staff costs of S\$0.4 million.

Contract liabilities

The increase in contract liabilities of S\$8.1 million or 91.3% to S\$17.1 million was mainly due to advances received from customers for sales of goods largely from our China subsidiaries to mitigate credit risk exposure on sales. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Bank borrowings (current and non-current)

Bank borrowings increased by S\$4.4 million or 16.2% to S\$31.7 million as at 31 December 2020. The increase was primarily due to proceeds of bank borrowings of S\$27.7 million offset by repayment of bank borrowing (inclusive of trust receipts) of S\$23.3 million.

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)**

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 2H2020, net cash generated from operating activities before changes in working capital amounted to S\$21.3 million. Cash generated from working capital of S\$11.4 million mainly due to increase in trade and other payables of S\$17.6 million, decrease in inventories of S\$8.6 million, increase in receivables from service concession arrangements of S\$5.2 million and increase in trade and other receivables of S\$9.6 million. This was partially offset by net interest payment of S\$0.6 million and income tax paid of S\$5.4 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$26.6 million.

For FY2020, net cash generated from operating activities before changes in working capital amounted to S\$41.9 million. Cash used in working capital of S\$1.8 million mainly due to increase in inventories of S\$3.1 million, increase in receivables from service concession arrangements of S\$25.3 million, increase in trade and other receivables of S\$8.9 million and increase of trade and other payables of S\$35.5 million. This was partially offset by net interest payment of S\$1.3 million and income tax paid of S\$8.2 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$30.6 million.

Changes in Cash Flow from Investing Activities

For 2H2020, net cash used in investing activities of S\$9.3 million was primarily attributed to acquisition of a leasehold property in Singapore amounted to S\$5.0 million, purchase plant and equipment of S\$4.5 million, partially offset by dividends received from associates of S\$0.2 million.

For FY2020, net cash used in investing activities of S\$6.1 million was primarily attributed to the purchase of a property in Singapore amounted to S\$5.0 million, and purchase of plant and equipment of S\$5.5 million; partially offset by the repayment of loan from an associate of S\$3.5 million, proceeds from disposal of an associate of S\$0.7 million and dividends from associates of S\$0.2 million.

Changes in Cash Flow from Financing Activities

For 2H2020, net cash used in financing activities amounted to S\$11.0 million was primarily attributed to net repayment of bank borrowings (inclusive of trust receipts and finance lease) of S\$4.0 million, repayment of lease liabilities of S\$1.4 million, acquisition of Zhuzhou Dirak Technology Co., Ltd from a minority shareholder of S\$0.2 million, dividend paid to equity holders of the Company and non-controlling interests of S\$0.6 million and S\$4.8 million respectively.

For FY2020, net cash used in financing activities amounted to S\$3.6 million as a result of net proceeds from bank borrowings (inclusive of trust receipts) of S\$4.4 million; offset by repayment of lease liabilities of S\$2.1 million, acquisition of Zhuzhou Dirak Technology Co., Ltd from a minority shareholder of S\$0.2 million, dividend paid to equity holders of the Company and non-controlling interests of S\$0.6 million and S\$5.1 million respectively.

As at 31 December 2020, the Group maintained a healthy cash and cash equivalents balance of S\$51.9 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 full year ended 31 December 2020 was released via the SGXnet on 19 February 2021. There are no material variances between the prospect statement and actual results for FY2020.

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.

While the COVID-19 pandemic has upended the global economy, it has provided impetus for Asia's businesses to digitise and quicken their transition to Industry 4.0 automation. The benefits of industrial automation for businesses can include higher productivity, higher performance or precision in industrial output, and lower dependence on labour (and therefore lower risk impact from health pandemics). According to Mordor Intelligence¹, the China Factory Automation and Industrial Controls Market is forecasted to grow at a compound annual growth rate of 9.8% to 2025. China's motion control market is also expected to grow at a steady pace between 2021 and 2026², alongside increased demand for machine tools, robotics, and semiconductors with the support from strategies like "Made in China 2025".

In addition to Industry 4.0 adoption, the Group notes that the long-term strategic competition between China and the United States continues to erode bilateral trade between the two nations³, resulting in a significant reconfiguration of regional supply chains favouring Asia-based suppliers and, in particular, Southeast Asia as a relatively trade-neutral supply ecosystem⁴.

Given the twin market drivers of Industry 4.0 and geopolitical competition described above, the Group believes it remains well positioned to benefit from overall market growth in its core industrial automation market.

In addition to its core business, the Group has two growth investments in clean economy industries. ISDN's emerging disinfectant business addresses Asia's growing post-pandemic need for ecologically friendly commercial disinfectants. ISDN's hydropower business addresses the long-term shift towards clean energy in Asia.

¹ China Factory Automation and Industrial Controls Market
<https://www.mordorintelligence.com/industry-reports/china-factory-automation-and-industrial-controls-market-industry>

² 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>

³ China failed to buy agreed amounts of U.S goods under 'phase one' trade deal, data shows
<https://www.cnbc.com/2021/01/22/china-failed-to-buy-agreed-amounts-of-us-goods-in-phase-one-trade-deal-data.html>

⁴ Supply Chain Reconfiguration Amidst US-China Trade Tensions
<https://www.mti.gov.sg/Resources/feature-articles/2020/Supply-Chain-Reconfiguration-Amidst-US-China-Trade-Tensions>

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? Yes

Name of Dividend	Proposed Final
Dividend Type	Cash and/or Scrip
Dividend Amount per Share (in Singapore cents)	0.8 cents
Tax Rate	Tax exempt (One-Tier)

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

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

Name of Dividend	Proposed Final
Dividend Type	Cash and/or Scrip
Dividend Amount per Share (in Singapore cents)	0.4 cents
Tax Rate	Tax exempt (One-Tier)

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

Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on or about 27 August 2021 to shareholders whose names shall appear on the register of members of the Company on 7 July 2021.

- (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.**

The book closure date shall be on 7 July 2021.

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

Not applicable.

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. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

Prospects/ Future Plans	Amount of net proceeds allocated	Amount utilised as at the date of this announcement	Amount unutilised as at the date of this announcement	Expected timeline of full utilisation of unutilised proceeds
	S\$'000	S\$'000	S\$'000	S\$'000
Business development	4,770	289	4,481	December 2021
General working capital ⁽¹⁾	530	530	-	December 2020
Total	5,300	819	4,481	

Note:

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

The utilization of the net proceeds as mentioned above is in accordance with the intended use of proceeds as announced on 27 February 2019 in relation to the subscription agreement entered into between the Company and NTCP SPV VI.

The Company will make periodic announcements on the use of the proceeds as and when the funds 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.

15. 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.

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) Reportable Geographical Information

	Revenue from		Non-current assets	
	external customers			
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	46,931	44,830	24,439	21,627
The PRC	244,748	194,803	26,177	23,616
Hong Kong	5,987	6,653	1,005	1,074
Malaysia	9,588	10,204	1,012	937
Indonesia	25,703	5,673	85,761	49,993
Others	28,907	28,822	2,576	1,582
Total	361,864	290,985	140,970	98,829



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(b) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue												
External Sales	264,827	220,358	63,050	59,315	8,628	6,331	25,359	4,981	-	-	361,864	290,985
Inter-segment sales	7,321	5,414	1,929	1,401	465	144	-	-	(9,715)	(6,959)	-	-
	272,148	225,772	64,979	60,716	9,093	6,475	25,359	4,981	(9,715)	(6,959)	361,864	290,985
Results												
Segment results	32,688	21,994	4,906	2,225	2,909	560	(8,396)	(2,441)	-	-	32,107	22,338
Share of profit/(loss) of associates	979	(138)	-	-	-	-	-	-	-	-	979	(138)
Corporate expenses											(180)	(672)
Rental income											518	490
Interest income											303	311
Finance costs											(1,735)	(2,107)
Profit before income tax											31,992	20,222
Income tax											(9,496)	(6,030)
Profit for the year											22,496	14,192
Assets												
Segment assets	134,960	131,209	48,987	33,960	4,068	3,472	100,567	83,030	(7,532)	(6,259)	281,050	245,412
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	12,227	12,227
Associates	5,055	4,241	-	-	-	-	720	1,405	-	-	5,775	5,646
Investment properties											460	479
Cash and bank balances											58,473	37,998
Consolidated total assets											357,985	301,762
Liabilities												
Segment liabilities	58,918	43,547	19,604	13,168	902	912	24,548	13,209	(7,532)	(6,259)	96,440	64,577
Bank borrowings and lease liabilities											34,316	30,250
Income tax liabilities											4,042	2,605
Others unallocated corporate liabilities											5,563	5,760
Consolidated total liabilities											140,361	103,192



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(b) Reportable Operating Segments

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Other information												
Capital expenditure on:												
- property, plant and equipment	9,561	967	274	845	-	7	677	3,198	-	-	10,512	5,017
Depreciation of												
- property, plant and equipment	2,391	2,354	1,374	1,358	15	27	255	45	-	-	4,035	3,784
- investment properties	19	18	-	-	-	-	-	-	-	-	19	18
Other non-cash expenses:												
- amortisation of land use rights	34	32	-	-	-	-	-	-	-	-	34	32
- trade receivables written off	72	48	146	106	-	-	316	-	-	-	534	154
- allowance for inventory obsolescence	271	52	184	152	-	-	-	-	-	-	455	204
- allowance for impairment of trade receivables	97	307	100	55	11	3	4,596	465	-	-	4,804	830
- property, plant and equipment written off	0	1	2	1	-	-	-	-	-	-	2	2
- inventories written off	325	210	91	67	-	-	-	-	-	-	416	277
- write back of allowance for inventory obsolescence	(44)	(194)	(173)	-	-	-	-	-	-	-	(217)	(194)
- write back of allowance for trade receivables	(137)	(36)	(44)	(348)	-	-	-	-	-	-	(181)	(384)

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Note 8 above for more details.

18. A breakdown of sales as follows:

	Group		Increase/ (decrease)
	2020 S\$'000	2019 S\$'000	
Sales reported for the first half year	167,185	146,963	13.8%
Operating profit after tax before deducing non-controlling interest reported for the first half year	12,882	8,324	54.8%
Sales reported for the second half year	194,679	144,022	35.2%
Operating profit after tax before deducing non-controlling interest reported for the second half year	9,614	5,868	63.8%

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	Group	
	2020 S\$'000	2019 S\$'000
Ordinary	1,734	2,971

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

Name	Age	Family Relationship with any Director and/or Substantial Shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Thang Yee Chin	61	Spouse of:- Teo Cher Koon - managing director and substantial shareholder	Company's name: Servo Dynamics Pte Ltd A principal Subsidiary of the Company Position in the Company: Director Appointed on: 26 September 2005 Duties: Managing the administrative functions of the subsidiary.	No change



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

An indirect associate, JM Vistec System Pte Ltd had incorporated a wholly-owned subsidiary, Elementary Optomation (Suzhou) Co., Ltd.. (元素光电智能科技(苏州)有限公司) in the People's Republic of China. For more information, please refer to Company's announcement entitled "Incorporation of an Associate" dated 28 September 2020.

A wholly-owned subsidiary of the Company completed the joint venture with ERST Project GmbH on 6 August 2020. A wholly-owned subsidiary entered into a joint venture agreement with ERST Project GmbH pursuant to which the Group shall ultimately hold 51% of shareholding interest in a joint venture vehicle on 5 May 2020. For more information, please refer to Company's announcement entitled "Completion of Joint Venture with ERST Project GmbH" dated 6 August 2020.

A wholly-owned subsidiary had incorporated a new wholly-owned indirect subsidiary, Servo Dynamics Philippines, Inc. with an issued and paid-up share capital of US\$210,000 for 100,000 ordinary shares on 1 December 2020. For more information, please refer to Company's announcement entitled "Incorporation of a wholly-owned indirect subsidiary" dated 8 December 2020.

A wholly-owned subsidiary of the Company had subscribed for 16,543 ordinary shares in the share capital of Aenergy Holdings Company Limited on 16 December 2020. For more information, please refer to Company's announcement entitled "Subscription of shares in Aenergy Holdings Company Limited" and "Supplemental Announcement in relation to Discloseable Transaction Subscription of shares in Aenergy Holdings Company Limited" dated 16 December 2020 and 31 December 2020, respectively.

An indirect subsidiary acquired the remaining 40% equity interest in Zhuzhou Dirak Technology Co., Ltd from Zhuzhou JunCheng Technologies Co., Ltd on 16 December 2020 at a consideration of RMB 848,000 (equivalent to approximately S\$172,449.28 based on an exchange rate of RMB1: S\$0.20336 as at 16 December 2020). For more information, please refer to Company's announcement entitled "Acquisition by a Subsidiary" dated 30 December 2020.

By Order of the Board

Teo Cher Koon
President and Managing Director
ISDN Holdings Limited
1 March 2021