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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 2022

FINANCIAL HIGHLIGHTS

For the six months
ended 30 June

	2022	2021	Change
	S\$'000	S\$'000	%
Revenue	190,707	217,158	-12.2%
Gross Profit	54,078	58,193	-7.1%
Profit after tax	16,133	19,388	-16.8%
Profit for the period and attributable to equity holders of the Company	11,070	12,167	-9.0%
Basic earnings per share (Singapore cents)	2.52	2.79	

The Board has resolved not to declare interim dividend for the current period. (2021 interim: nil)



ISDN Holdings Limited
Condensed Interim Financial Statements Announcement
For the Six Months Ended 30 June 2022

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

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

	Note	Group		
		Six months ended 30 June		
		2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	Change + / (-)
Revenue	5	190,707	217,158	-12.2%
Cost of sales		(136,629)	(158,965)	-14.1%
Gross profit		54,078	58,193	-7.1%
Other operating income	6	1,985	2,928	-32.2%
Distribution costs		(14,923)	(14,695)	1.6%
Administrative expenses		(19,450)	(18,734)	3.8%
Net impairment gains/(losses) on financial assets		226	(775)	n.m.
Other operating expenses		(1,028)	(532)	93.2%
Finance costs	7	(1,257)	(684)	83.8%
Share of profit of associates, net		1,082	365	n.m.
Profit before income tax	8	20,713	26,066	-20.5%
Income tax	9	(4,580)	(6,678)	-31.4%
Profit for the period		16,133	19,388	-16.8%
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)	-	n.m.
- exchange differences on translation		(2,364)	1,763	n.m.
Total comprehensive income for the period		13,738	21,151	-35.0%
Profit for the period attributable to:				
Equity holders of the Company		11,070	12,167	-9.0%
Non-controlling interests		5,063	7,221	-29.9%
		16,133	19,388	-16.8%
Total comprehensive income for the period attributable to:				
Equity holders of the Company		9,044	13,485	-32.9%
Non-controlling interests		4,694	7,666	-38.8%
		13,738	21,151	-35.0%
Earnings per share attributable to the equity holders of the Company:				
Basic and diluted (Singapore cents)	10	2.52	2.79	-9.7%

n.m.: Not meaningful



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B. Condensed Interim Consolidated Statements of Financial Position

	Note	Group		Company	
		As at 30 June 2022 S\$'000 <i>(unaudited)</i>	As at 31 December 2021 S\$'000 <i>(audited)</i>	As at 30 June 2022 S\$'000 <i>(unaudited)</i>	As at 31 December 2021 S\$'000 <i>(audited)</i>
ASSETS					
Non-current Assets					
Property, plant and equipment	13	66,403	67,707	665	684
Investment properties		429	440	-	-
Land use rights		1,184	1,221	-	-
Goodwill	14	12,227	12,227	-	-
Subsidiaries		-	-	50,410	50,410
Associates		6,224	5,345	-	-
Service concession receivables	15	77,747	69,356	-	-
Other financial assets		900	900	-	-
Deferred tax assets		372	350	-	-
Total non-current assets		165,486	157,546	51,075	51,094
Current Assets					
Inventories		84,364	77,534	-	-
Trade and other receivables	15	110,673	118,504	831	849
Amounts owing by subsidiaries		-	-	65,590	61,246
Dividend receivables		-	-	-	500
Cash and bank balances		75,731	61,681	613	864
Total current assets		270,768	257,719	67,034	63,459
Total Assets		436,254	415,265	118,109	114,553
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	81,487	81,487	81,487	81,487
Reserves		124,763	115,649	25,120	24,199
		206,250	197,136	106,607	105,686
Non-controlling interests		53,999	49,839	-	-
Total Equity		260,249	246,975	106,607	105,686
Non-current Liabilities					
Bank borrowings	17	11,725	12,761	-	-
Leases liabilities		4,580	4,559	660	660
Deferred tax liabilities		790	790	-	-
Total non-current liabilities		17,095	18,110	660	660
Current Liabilities					
Bank borrowings	17	29,367	27,360	-	-
Leases liabilities		1,487	2,117	10	20
Trade and other payables	18	102,833	96,885	10,620	8,025
Contract liabilities		21,548	19,475	-	-
Current tax liabilities		3,675	4,343	212	162
Total current liabilities		158,910	150,180	10,842	8,207
Total Liabilities		176,005	168,290	11,502	8,867
Total Equity and Liabilities		436,254	415,265	118,109	114,553



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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								
2022								
Balance at 1 January 2022 <i>(audited)</i>	81,487	(436)	1,846	6,049	108,190	197,136	49,839	246,975
Profit for the period	-	-	-	-	11,070	11,070	5,063	16,133
Other comprehensive loss for the period	-	-	(1,995)	(31)	-	(2,026)	(369)	(2,395)
Total comprehensive (loss)/income for the period	-	-	(1,995)	(31)	11,070	9,044	4,694	13,738
Dividends to non-controlling interests	-	-	-	-	-	-	(464)	(464)
Transfer to other reserves	-	-	-	138	(68)	70	(70)	-
Balance at 30 June 2022 <i>(unaudited)</i>	81,487	(436)	(149)	6,156	119,192	206,250	53,999	260,249
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>	79,213	(436)	(317)	6,467	98,578	183,505	55,462	238,967

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				
2022				
Balance at 1 January 2022 <i>(audited)</i>	81,487	(147)	24,346	105,686
Profit for the period	-	-	952	952
Other comprehensive loss for the period	-	(31)	-	(31)
Total comprehensive (loss)/income for the period	-	(31)	952	921
Balance at 30 June 2022 <i>(unaudited)</i>	81,487	(178)	25,298	106,607
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>	79,213	(132)	19,284	98,365

D. Condensed Interim Consolidated Statement of Cash Flows

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

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

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

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 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 2022 but are extracted from that report.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2021.

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 2022. The application of the new and revised standards and interpretations has no material effect on the interim consolidated financial statements.

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

3 Adoption of New or Amended Standards (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 2022.

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

(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 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in the following notes:

Note 14 – Impairment test of goodwill

Note 15 – Measurement of expected credit loss (“ECL”) allowance for trade and other receivables.

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

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



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

*Included Renewable Energy Solutions

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

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

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

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

Segments	Group				
	Six months ended 30 June 2021				
	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
Vietnam	7,049	-	3	-	7,052
Others	4,773	5,392	231	88	10,484
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

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

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
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	30,975	21,094	28,852	29,636
The PRC	123,386	160,436	25,498	25,380
Hong Kong	3,812	7,490	1,047	1,086
Malaysia	6,336	5,592	951	946
Indonesia	6,292	5,010	106,566	97,814
Vietnam	7,446	7,052	497	502
Others	12,460	10,484	2,075	2,182
Total	190,707	217,158	165,486	157,546

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

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

7 Finance Costs

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

8 Profit before Income Tax

(a) Significant items

	Group	
	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	13	13
Depreciation of property, plant and equipment		
- recognised in cost of sales	411	309
- recognised in distribution costs	229	203
- recognised in administrative expenses	1,891	1,764
	2,531	2,276
Depreciation of investment properties	9	9
Other operating expenses included:		
- trade receivables written off	12	156
- allowance for inventories obsolescence	416	279
- inventories written off	8	4
- foreign exchange losses, net	574	-
- property, plant and equipment written off	-	2
Operating lease rental expenses	7	5

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 this results announcement, the following are significant transactions of the Group with their related parties at mutually agreed amounts for 1H2022 and the half year of 2021 ("1H2021"):

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

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

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

The statutory tax rate for Hong Kong profit is 16.5% on the assessable profits arising during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("HK\$") 2 million of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018/2019.

For those entities of the Group operating in the PRC, the PRC income tax is calculated at the applicable tax rate in accordance with the Corporate Income Tax Law. The income tax rate for both domestic and foreign-investment enterprise is at 25%.

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

10 Earnings Per Share

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

	Group	
	Six months ended 30 June	
	2022	2021
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to equity holders of the Company (S\$'000)	11,070	12,167
Weighted average number of ordinary shares for the purpose of basic earnings per share	438,638,533	435,337,894
Basic and fully diluted earnings per share (Singapore cents)	2.52	2.79

The basic and diluted earnings per share are the same as there were no potential dilutive ordinary share in issue during the periods ended 30 June 2022 and 2021.

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

11 Dividends

Group	
Six months ended 30 June	
2022	2021
S\$'000	S\$'000

Ordinary dividends paid:

Tax exempt (one-tier) final dividend of 1.45 Singapore cents per ordinary share (2021: 0.8 Singapore cents) in respect of the previous year

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

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

12 Net Asset Value

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Net assets (S\$'000)	206,250	197,136	106,607	105,686
Number of issued shares at the end of the period/year (net of treasury shares)	438,638,533	438,638,533	438,638,533	438,638,533
Net assets value per ordinary share based on number of issued share as at respective period/year (Singapore cents)	47.02	44.94	24.30	24.09

13 Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$1,873,000 (30 June 2021: S\$8,113,000), of which S\$512,000 (30 June 2021: S\$5,283,000) relates to right-of-use assets and S\$32,000 (30 June 2020: S\$nil) were acquired by means of finance lease. Cash payments of S\$1,329,000 (30 June 2021: S\$2,830,000) were made to purchase of property, plant and equipment.

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

13 Property, Plant and Equipment (Cont'd)

As at 30 June 2022, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 17 was S\$21,007,000 (31 December 2021: S\$ 21,726,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$321,000 (31 December 2021: S\$368,000).

14 Goodwill

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Balance at 1 January and 30 June	12,227	12,227

Impairment testing of goodwill

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets acquired in the following subsidiaries ("**cash-generating units**" or "**CGUs**") under the respective operating segments as set out below.

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd (" Servo Thailand ")	75	75
- TDS Technology (S) Pte Ltd (" TDS ")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd	9,508	9,508
Others		
- Aenergy Holdings Company Limited (" Aenergy ")	541	541
	<u>12,227</u>	<u>12,227</u>

The Group assessed the recoverable amount of each CGU based on value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period.

As at the end of the current period and previous financial years, the recoverable amount of the CGUs were determined to be higher than the carrying amount and thus, no impairment loss needs to be recognised.

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

15 Trade and Other Receivables

	Group		Company	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
<u>Non-current:</u>				
Service concession receivables	77,747	69,356	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	17,581	18,567	-	-
- trade receivables	71,849	81,585	-	-
- associates	14	19	-	-
- related parties	2,986	2,511	-	-
	92,430	102,682	-	-
Other receivables, net of impairment:				
Funding to investee company	-	-	-	-
Advances to associates	3	3	3	2
Advances to related parties	164	89	-	-
Deposits	873	765	17	17
Loan to associates	28	27	-	-
Promissory note due	-	-	-	-
Sundry debtors	5,198	5,285	700	700
Amounts owing from non-controlling interest	1,976	1,975	-	-
Derivatives	-	36	-	31
	8,242	8,180	720	750
Advances paid to suppliers	7,649	6,136	-	-
Prepayment	2,352	1,506	111	99
	110,673	118,504	831	849

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

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Within 30 days	53,387	42,783
31 - 90 days	23,921	33,586
Over 90 days	15,122	26,313
	92,430	102,682

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

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

15 Trade and Other Receivables (Cont'd)

Expected credit loss (“ECL”) assessment

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

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

16 Share Capital

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

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 1H2022.

The number of ordinary shares as at 30 June 2022 is 438,638,533 (30 June 2021: 435,337,894). No treasury shares were held as at 30 June 2022 (30 June 2021: nil). The number of shares held as subsidiary holdings as at 30 June 2022 is nil (30 June 2021: 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 1H2022.

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

17 Bank borrowings

	Group		Company	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	11,383	13,309	-	-
- unsecured	17,984	14,051	-	-
	<u>29,367</u>	<u>27,360</u>	-	-
 <i>Amount repayable after one year</i>				
- secured	<u>11,725</u>	<u>12,761</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.

18 Trade and other payables

	Group		Company	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
Trade payables:				
- trade payables	34,169	34,638	-	-
- associates	35	34	-	-
- related parties	11,303	9,058	-	-
	<u>45,507</u>	<u>43,730</u>	-	-
Accrued operating expenses	3,413	3,612	106	202
Accrued salaries and bonuses	17,096	17,640	8,338	7,477
Amount owing to an associate	24	24	-	-
Amount owing to non-controlling interests	4,728	2,639	-	-
Amounts owing to subsidiaries	-	-	1,936	151
Other payables	32,065	29,240	240	195
	<u>102,833</u>	<u>96,885</u>	<u>10,620</u>	<u>8,025</u>

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

18 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 2022 S\$'000	31 December 2021 S\$'000
Within 30 days	30,804	28,103
31 - 90 days	12,049	13,837
Over 90 days	2,654	1,790
	45,507	43,730

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

19 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 2022 and 31 December 2021:

	Group		Company	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 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)	254,150	241,899	66,923	62,860
	255,050	242,799	66,923	62,860
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	149,992	143,682	11,290	8,705

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

20 Subsequent events

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

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

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

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

F. Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

F. Management Discussion and Analysis (cont'd)

BUSINESS OUTLOOK

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

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

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

In addition to the multi-year growth of digitalisation in Asia, the Group believes that the prevalent low birth rate has exacerbated the issue of ageing population, which will result in an increasing reliance on automation as economies seek to overcome this labour issue¹. This is particularly prevalent in China, where businesses are utilizing technology to overcome the labour demographic issue². This is expected to further increase demand for automation by businesses in the PRC market. In Singapore, international semiconductor companies have ramped up investments as they continue to face labour shortage issues. Together with the Group's strategic geographical location in Singapore, the Group will leverage on its diverse portfolio of solutions to further promote advancement of industrial automation.

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

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

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

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

Revenue and gross profit margin

	Six months ended 30 June		
	2022	2021	% change
	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions			
Revenue	184,618	212,498	-13.1%
Gross profit	53,627	57,848	-7.3%
Gross profit margin	29.0%	27.2%	1.8 ppt
Construction Revenue			
Revenue	6,089	4,660	30.7%
Gross profit	451	345	30.7%
Gross profit margin	7.4%	7.4%	0 ppt
Total			
Revenue	190,707	217,158	-12.2%
Gross profit	54,078	58,193	-7.1%
Gross profit margin	28.4%	26.8%	1.6 ppt

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

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

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Other operating income

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

Distribution costs

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

Administrative expenses

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

Net impairment gains/(losses) on financial assets

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

Other operating expenses

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

Finance costs

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

Income tax expense

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

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

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

Associates

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

Service concession receivables

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

Inventories

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

Trade and other receivables

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

Subsequent receipt of about S\$23.4 million was received from customers as at 31 July 2022. The collection represented approximately 25.3% of trade receivables as at 30 June 2022.

Trade and other payables

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

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Contract liabilities

The increase in contract liabilities of S\$2.1 million or 10.6% to S\$21.5 million was mainly due to advances received from customers for sales of goods largely from our 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\$1.0 million or 2.4% to S\$41.1 million as at 30 June 2022. The increase was primarily due to proceeds from bank borrowings (inclusive of trust receipts) of S\$13.4 million offset by repayment of bank borrowings of S\$12.4 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 1H2022, net cash generated from operating activities before changes in working capital amounted to S\$21.8 million. Cash generated from working capital of S\$0.7 million mainly due to decrease in trade and other receivables of S\$11.3 million and increase of trade and other payables of S\$2.7 million; partially offset by increase in inventories of S\$7.2 million and increase in receivables from service concession arrangements of S\$6.1 million. This was partially offset by net interest payment of S\$0.9 million and income tax paid of S\$5.3 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$16.3 million.

Changes in Cash Flow from Investing Activities

For 1H2022, net cash used in investing activities of S\$1.1 million was primarily attributed to purchase of property, plant and equipment of S\$1.3 million; partially offset by dividends received from associate of S\$0.2 million.

Changes in Cash Flow from Financing Activities

For 1H2022, net cash used in financing activities amounted to S\$1.1 million mainly due to repayment of lease liabilities (inclusive of interest) of S\$1.2 million and dividend paid to non-controlling interest of S\$0.9 million; partially offset by net proceed from bank borrowings (inclusive of trust receipts) of S\$1.0 million.

As at 30 June 2022, the Group maintained a healthy cash and cash equivalents balance of S\$73.0 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 2022, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2022, cash and bank balances amounted to approximately S\$75.7 million, which increased by approximately 22.7% as compared to S\$61.7 million as at 31 December 2021. The quick ratio of the Group was approximately 1.2 times (31 December 2021: 1.2 times).

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

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

GEARING RATIO

As at 30 June 2022, the gearing ratio of the Group was about 20.1% (31 December 2021: 20.5%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2022. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the six months ended 30 June 2022, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States Dollar ("USD"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of the subsidiaries of the Company have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the financial period ended 30 June 2022, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.



F. Management Discussion and Analysis (cont'd)

CAPITAL EXPENDITURES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, there were 1,095 (31 December 2021: 1,052) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

The Company adopted ISDN share option scheme 2016 and ISDN performance share plan ("ISDN PSP 2012") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees. The Company plans to adopt a new performance share plan to replace the ISDN PSP 2012 which had expired and lapsed on 16 February 2022.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the financial period ended 30 June 2022.

RISK MANAGEMENT

Contingent Liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties as at 30 June 2022.

Charge on the Group's Assets

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

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

During the financial period ended 30 June 2022 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 2022 (2021: Nil).

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

1. Review

The condensed interim consolidated statement of financial position of ISDN Holdings Limited and its subsidiaries as at 30 June 2022 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six-months period then ended and certain explanatory notes have not been audited or reviewed by the auditor of the Company, but have been reviewed by the Audit Committee.

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.

No specific forecast statement was previously disclosed to shareholders.

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 1H2022 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 2022.

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

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

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

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

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 2022, 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 2022.

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. Amongst the Audit Committee’s principal duties is to review and supervise the Company’s financial reporting process and internal controls.

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

The financial information in this 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 2022 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.



ISDN Holdings Limited
Condensed Interim Financial Statements Announcement
For the Six Months Ended 30 June 2022

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

13. Publication of Financial Information

The interim results announcement for the financial period ended 30 June 2022 is published on the website of the SGX-ST at <https://www.sgx.com/securities/company-announcements>, website of the Stock Exchange at <https://www.hkexnews.hk/> and the website of the Company at <https://www.isdnholdings.com/sgx-singapore-exchange>. The interim report of the Company for the period ended 30 June 2022 containing, among others, the interim financial information of the Group will be 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 2022 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 2022

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.