

ISDN HOLDINGS LIMITED

INTERIM REPORT 2020

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



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CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

200416788Z

BOARD OF DIRECTORS

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

REGISTERED OFFICE

No. 10 Kaki Bukit Road 1
#01-30 KB Industrial Building
Singapore 416175

JOINT COMPANY SECRETARIES

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

Tung Wing Yee Winnie
(appointed on 28 February 2020)
(*FCCA, CPA (Aust.)*)
31/F, 148 Electric Road
North Point
Hong Kong

AUDIT COMMITTEE

Lim Siang Kai (*Chairman*)
Soh Beng Keng
Tan Soon Liang

REMUNERATION COMMITTEE

Tan Soon Liang (*Chairman*)
Lim Siang Kai
Soh Beng Keng

NOMINATING COMMITTEE

Soh Beng Keng (*Chairman*)
Lim Siang Kai
Teo Cher Koon

RISK MANAGEMENT COMMITTEE

Lim Siang Kai (*Chairman*)
Soh Beng Keng
Tan Soon Liang

SINGAPORE PRINCIPAL SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

AUDITOR

Moore Stephens LLP
10 Anson Road
#29-15, International Plaza
Singapore 079903

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**” or “**ISDN**”) hereby announces the condensed consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 (the “**1H2020**”) together with the relevant comparative audited or unaudited figures. The Group’s Interim Results for 1H2020 are unaudited but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

	Notes	Six months ended 30 June	
		2020	2019
		S\$'000 (unaudited)	S\$'000 (unaudited)
Revenue	4	167,185	146,963
Cost of sales		(125,850)	(109,564)
Gross profit		41,335	37,399
Other operating income	5	2,483	2,331
Distribution costs		(11,534)	(12,363)
Administrative expenses		(15,328)	(15,179)
Net impairment gain on financial assets		423	77
Other operating expenses		(245)	(789)
Finance costs	6	(972)	(827)
Share of profit of associates, net		471	272
Profit before income tax	7	16,633	10,921
Income tax	8	(3,751)	(2,597)
Profit for the period		12,882	8,324
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	32
- Exchange differences on translation		2,012	(1,094)
Total comprehensive income for the period		14,925	7,262
Profit for the period attributable to:			
Equity holders of the Company		9,572	5,548
Non-controlling interests		3,310	2,776
		12,882	8,324
Total comprehensive income for the period attributable to:			
Equity holders of the Company		11,071	4,625
Non-controlling interests		3,854	2,637
		14,925	7,262
Earnings per share attributable to the holder of the Company:			
Basic and diluted	9	2.23 cents	1.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		As at 30 June 2020	As at 31 December 2019
	Notes	S\$'000 <i>(unaudited)</i>	S\$'000 <i>(audited)</i>
ASSETS			
Non-current Assets			
Property, plant and equipment	11	53,493	43,965
Investment properties		468	479
Land use rights		1,203	1,199
Goodwill		12,227	12,227
Associates		5,406	5,646
Service concession receivables	13	54,483	34,261
Other financial assets	12	900	900
Deferred tax assets		155	152
Total non-current assets		<u>128,335</u>	<u>98,829</u>
Current Assets			
Inventories		64,671	53,131
Trade and other receivables	13	103,250	111,804
Cash and bank balances		52,130	37,998
Total current assets		<u>220,051</u>	<u>202,933</u>
Total Assets		<u>348,386</u>	<u>301,762</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	78,095	78,095
Reserves		85,721	74,650
		<u>163,816</u>	<u>152,745</u>
Non-controlling interests		49,388	45,825
Total Equity		<u>213,204</u>	<u>198,570</u>
Non-current Liabilities			
Bank borrowings	15	16,809	7,096
Leases liabilities		215	1,309
Deferred tax liabilities		655	655
Total non-current liabilities		<u>17,679</u>	<u>9,060</u>
Current Liabilities			
Bank borrowings	15	18,917	20,186
Leases liabilities		2,706	1,659
Trade and other payables	16	77,781	60,769
Contract liabilities		14,491	8,913
Current tax liabilities		3,608	2,605
Total current liabilities		<u>117,503</u>	<u>94,132</u>
Total Liabilities		<u>135,182</u>	<u>103,192</u>
Total Equity and Liabilities		<u>348,386</u>	<u>301,762</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity holders of the Company							
	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
Group 2020								
Balance at 1 January (audited)	78,095	(436)	(4,346)	4,920	74,512	152,745	45,825	198,570
Profit for the period	-	-	-	-	9,572	9,572	3,310	12,882
Other comprehensive income for the period	-	-	1,468	31	-	1,499	544	2,043
Total comprehensive income for the period	-	-	1,468	31	9,572	11,071	3,854	14,925
Dividends to non-controlling interests	-	-	-	-	-	-	(291)	(291)
Balance at 30 June (unaudited)	78,095	(436)	(2,878)	4,951	84,084	163,816	49,388	213,204
2019								
Balance at 1 January (audited)	70,984	(436)	(2,053)	4,820	70,436	143,751	44,067	187,818
Profit for the period	-	-	-	-	5,548	5,548	2,776	8,324
Other comprehensive (loss)/income for the period	-	-	(955)	32	-	(923)	(139)	(1,062)
Total comprehensive (loss)/income for the period	-	-	(955)	32	5,548	4,625	2,637	7,262
Issue of shares	5,397	-	-	-	-	5,397	-	5,397
Dividends to non-controlling interests	-	-	-	-	-	-	(302)	(302)
Balance at 30 June (unaudited)	76,381	(436)	(3,008)	4,852	75,984	153,773	46,402	200,175

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 S\$'000 <i>(unaudited)</i>	2019 S\$'000 <i>(unaudited)</i>
Cash Flows from Operating Activities:		
Profit before income tax	16,633	10,921
Adjustments for:		
Amortisation of land use rights	16	17
Trade receivables written off	-	5
Depreciation of property, plant and equipment	1,918	1,036
Depreciation of investment properties	8	8
Allowance for impairment of trade receivables	20	47
Allowance for inventory obsolescence	214	192
Loss/(Gain) on disposal of property, plant and equipment, net	7	(3)
Gain on disposal of interest in associates	(23)	-
Inventories written off	-	224
Property, plant and equipment written off	1	2
Write back of allowance for inventory obsolescence	(46)	(292)
Write back of allowance for trade receivables	(443)	(129)
Interest expenses	972	827
Interest income	(242)	(204)
Share of results of associates	(471)	(272)
Foreign currency on translation of foreign operations	2,079	1,462
Operating cash flow before working capital changes	20,643	13,841
Changes in working capital:		
Inventories	(11,707)	4,409
Trade and other receivables	652	(10,782)
Trade and other payables	17,886	(5,953)
Cash from operating activities before service concession arrangements	27,474	1,515
Change in receivables from service concession arrangements	(20,087)	(2,628)
Cash generated from/(used in) operations after service concession arrangements	7,387	(1,113)
Interest paid	(894)	(827)
Interest received	242	204
Income tax paid	(2,748)	(3,582)
Net cash generated from/(used in) operating activities	3,987	(5,318)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 S\$'000 <i>(unaudited)</i>	2019 S\$'000 <i>(unaudited)</i>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(1,076)	(1,594)
Proceeds from disposal of property, plant and equipment	31	61
Repayment from associates	3,541	-
Proceeds from the disposal of associate	708	-
Dividend from associates	-	222
Acquisition of other financial assets	-	(900)
Net cash generated from/(used in) investing activities	3,204	(2,211)
Cash Flows from Financing Activities:		
Dividends to non-controlling interests	(291)	(274)
Repayment from non-controlling interests	-	250
Proceeds from bank borrowings	17,739	11,478
Repayment of bank borrowings	(11,302)	(12,218)
Proceeds from trust receipts, net	2,008	2,106
Repayment of lease liabilities, net	(625)	(42)
Interest paid	(78)	-
Increase in fixed deposits pledged	-	(2,274)
Proceeds from issue of shares	-	5,397
Net cash generated from financing activities	7,451	4,423
Net increase/(decrease) in cash and cash equivalents	14,642	(3,106)
Cash and cash equivalents at beginning of the financial period	31,168	37,255
Effect of currency translation on cash and cash equivalents	(600)	82
Cash and cash equivalents at end of the financial period	45,210	34,231

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1 General

The Company is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's registered office and principal place of business is No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assetraise Holdings Limited ("**Assetraise**"), a company incorporated in the British Virgin Islands. Assetraise is beneficially owned by Mr. Teo Cher Koon ("**Mr. Teo**"), the Managing Director and President of the Company and his spouse, Ms. Thang Yee Chin ("**Ms. Thang**").

The Company's principal activities included the provision of technical consultancy, training services, and management services. The principal activities of its subsidiaries and associates are principally focusing on motion control, industrial computing, other specialised engineering solutions and construction of hydropower plant.

2 Basis of Preparation

(a) Basis of Preparation

The unaudited condensed consolidated interim financial information for the financial period ended 30 June 2020 has been prepared in accordance with Singapore Financial Reporting Standard (International) ("**SFRS(I)**") 1-34 "Interim Financial Reporting" ("**SFRS(I) 1-34**") issued by the Accounting Standards Council ("**ASC**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Hong Kong Listing Rules**").

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

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2 Basis of Preparation (Continued)

(a) Basis of Preparation (Continued)

(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 2020 as follows:

Description	Effective for annual periods beginning on or after
SFRS(I) 1-28 <i>Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures</i>	1 January 2020
SFRS(I) 3 <i>Amendments to SFRS(I) 3: Business Combinations</i>	1 January 2020
SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform</i>	1 January 2020

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) New/Revised SFRS(I)s which are issued but not yet effective

At the date of these financial statements, the following new/revised SFRS(I)s that are relevant to the Group were issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Amendments to SFRS(I) 16: Leases- Covid-19-Related Rent Concessions</i>	1 June 2020
SFRS(I) 1 <i>Amendments to SFRS(I) 1: Classification of Liabilities as Current or Non-current</i>	1 January 2023

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3 Segment Information

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3 Segment Information (Continued)

(a) 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
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue												
External sales	116,353	112,080	26,736	28,848	4,009	3,346	20,087	2,689	-	-	167,185	146,963
Inter-segment sales	3,299	7,694	554	587	205	63	-	-	(4,058)	(8,344)	-	-
Revenue for the six months ended 30 June	119,652	119,774	27,290	29,435	4,214	3,409	20,087	2,689	(4,058)	(8,344)	167,185	146,963
Results												
Segment results	15,251	11,077	1,180	1,711	791	538	727	(734)	-	-	17,949	12,592
Share of profit/(loss) of associates	471	273	-	-	-	-	-	(1)	-	-	471	272
Corporate expenses											(1,335)	(1,586)
Rental income											278	266
Interest income											242	204
Finance costs											(972)	(827)
Profit before income tax											16,633	10,921
Income tax											(3,751)	(2,597)
Profit for the six months ended 30 June											12,882	8,324
Assets												
Segment assets	143,393	131,209	37,230	33,960	4,363	3,472	101,587	83,030	(8,418)	(6,259)	278,155	245,412
Goodwill	2,178	2,178	9,507	9,508	-	-	542	541	-	-	12,227	12,227
Associates	4,686	4,241	-	-	-	-	720	1,405	-	-	5,406	5,646
Investment properties											468	479
Cash and bank balances											52,130	37,998
Consolidated total assets as at 30 June/31 December											348,386	301,762
Liabilities												
Segment liabilities	57,720	43,547	15,569	13,168	816	912	24,671	13,209	(8,418)	(6,259)	90,358	64,577
Bank borrowings and lease liabilities											38,647	30,250
Income tax liabilities											3,608	2,605
Others unallocated corporate liabilities											2,569	5,760
Consolidated total liabilities as at 30 June/31 December											135,182	103,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3 Segment Information (Continued)

(a) Reportable Operating Segments (Continued)

Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Others		Elimination		Consolidated	
For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June	
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

(unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited)

Other information

Capital expenditure on

- Property, plant and equipment

125 575 274 970 - 2 677 47 - - 1,076 1,594

Depreciation of

- Property, plant and equipment

1,135 610 677 388 7 19 99 19 - - 1,918 1,036

- Investment properties

8 8 - - - - - - - - 8 8

Other non-cash expenses:

- Amortisation of land use rights

16 17 - - - - - - - - 16 17

- trade receivables written off

- 5 - - - - - - - - - 5

- allowance for inventory obsolescence

200 186 14 6 - - - - - - 214 192

- allowance for impairment of trade receivables

12 20 - 27 8 - - - - - 20 47

- property, plant and equipment written off

- - 1 2 - - - - - 1 2

- inventories written off

- 216 - 8 - - - - - - 224

- write back of allowance for inventory obsolescence

(18) (292) (28) - - - - - (46) (292)

- write back of allowance for trade receivables

- (129) (19) - - - (424) - - (443) (129)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3 Segment Information (Continued)

(b) Geographical Information

The Group operates in four principal geographical areas - Singapore (country of domicile), the People's Republic of China (the "PRC"), Hong Kong and Malaysia.

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

	Revenue from external customers		Non-current assets as at	
	Six months ended 30 June 2020	Six months ended 30 June 2019	30 June 2020	31 December 2019
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Singapore	24,794	21,753	34,890	28,127
The PRC	100,146	103,186	25,940	23,616
Hong Kong	3,059	2,856	1,058	1,074
Malaysia	4,266	5,171	964	937
Others	34,920	13,997	65,483	45,075
Total	167,185	146,963	128,335	98,829

(c) Information about Major Customers

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

4 Revenue

	Six months ended 30 June	
	2020	2019
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Industrial Automation Solutions	147,098	144,335
Construction Revenue	20,087	2,628
Total	167,185	146,963

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5 Other Operating Income

	Six months ended 30 June	
	2020	2019
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income:		
- interest on bank deposits	188	150
- interest on loan to an associate	54	54
Total interest income on financial assets at amortised cost	242	204
Commission income	108	433
Foreign exchange gain, net	716	-
Gain on disposal of interest in an associate	23	-
Gain on disposal of property, plant and equipment, net	-	3
Government grants	364	103
Miscellaneous income	481	630
Operating lease rental income:		
- investment properties	27	27
- sub-let of office/warehouse premises	251	239
Property management income	87	178
Technical service income	138	222
Write back of allowance of inventory obsolescence	46	292
	<u>2,483</u>	<u>2,331</u>

6 Finance Costs

	Six months ended 30 June	
	2020	2019
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expenses on:		
- bank loans	721	767
- trust receipts	51	27
- lease liabilities	78	5
- others	122	28
	<u>972</u>	<u>827</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

7 Profit Before Income Tax

	Six months ended 30 June	
	2020	2019
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	16	17
Depreciation of property, plant and equipment		
- recognised in cost of sales	170	191
- recognised in distribution costs	243	95
- recognised in administrative expenses	1,505	750
	1,918	1,036
Depreciation of investment properties	8	8
Directors' fees	89	74
Directors' remuneration		
- salaries and related costs	2,046	2,294
- defined contribution plans	21	14
Staff costs (other than directors)		
- salaries and related costs	13,634	13,787
- defined contribution plans	1,348	1,640
Other operating expenses included:		
- trade receivables written off	-	5
- allowance for inventory obsolescence	214	192
- inventories written off	-	224
- foreign exchange losses, net	-	339
- loss on disposal of property, plant and equipment, net	7	-
- property, plant and equipment written off	1	2
Operating lease rental expense	82	968

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8 Income Tax

	Six months ended 30 June	
	2020 S\$'000 <i>(unaudited)</i>	2019 S\$'000 <i>(unaudited)</i>
Current income tax		
- Singapore	801	330
- The PRC	2,883	2,303
- Outside Singapore and the PRC	24	-
- Under/(over) provision in respect of prior year	43	(29)
Deferred taxation		
- Over provision in respect of prior year	-	(7)
	3,751	2,597

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the periods ended 30 June 2020 and 2019 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the periods ended 30 June 2020 and 2019 is 24%.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("**HK\$**") 2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2019-2020.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

9 Earnings Per Share

	Six months ended 30 June	
	2020	2019
	<i>(unaudited)</i>	<i>(unaudited)</i>
Basic earnings per share (<i>Singapore cents</i>)	2.23	1.35
Fully diluted earnings per share (<i>Singapore cents</i>)	2.23	1.35

Basic earnings per share

Basic earnings per share is calculated by dividing the Group's net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2020 and 2019, excluding treasury shares.

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

	Six months ended 30 June	
	2020	2019
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period attributable to equity holders of the Company	9,572	5,548
Weighted average number of ordinary shares for the purpose of basic earnings per share	429,572,849	410,344,799

The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares during the six months periods ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

13 Trade and Other Receivables

	As at 30 June 2020 S\$'000 <i>(unaudited)</i>	As at 31 December 2019 S\$'000 <i>(audited)</i>
<u>Non-current:</u>		
Service concession receivables	54,483	34,261
<u>Current:</u>		
Trade receivables, net of impairment:		
- note receivables	4,503	10,607
- third parties	66,623	59,143
- associates	2,667	2,342
- related parties	2,422	1,695
	<u>76,215</u>	<u>73,787</u>
<u>Other receivables, net of impairment:</u>		
Funding to investee companies	5,823	5,788
Advances to associates	127	115
Advances to related parties	151	177
Deposits	826	579
Loans to associates	254	3,659
Promissory note due	1,204	1,158
Amounts owing from non-controlling interest	7,268	7,485
Sundry debtors	4,008	5,875
	<u>19,661</u>	<u>24,836</u>
Advances paid to suppliers	6,181	12,192
Prepayments	1,193	989
	<u>103,250</u>	<u>111,804</u>
	<u><u>157,733</u></u>	<u><u>146,065</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

13 Trade and Other Receivables (Continued)

The aging analysis of trade receivables after net of allowance for impairment loss, of the Group based on invoice date is as follows:

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	33,996	39,700
31 – 90 days	26,161	18,611
Over 90 days	16,058	15,476
	<u>76,215</u>	<u>73,787</u>

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 30 June 2020 were trade receivables from third parties amounting to S\$656,000 (2019: S\$684,000), under account receivables bulk factoring arrangement via a bank facility agreement entered by a subsidiary of the Company to sell its trade receivables to banks. These factored trade receivables were included in trade receivables as the subsidiary still retained the risk and rewards associated with the delay and default in payment by customers.

14 Share Capital

	Issued and fully paid			
	No. of ordinary shares		Amount	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Group and Company				
At the beginning of year	429,572,849	394,689,186	78,095	70,984
Subscription shares issued	-	26,987,295	-	5,397
Shares issued-in-lieu of cash for dividend	-	7,896,368	-	1,714
At the end of period/year	<u>429,572,849</u>	<u>429,572,849</u>	<u>78,095</u>	<u>78,095</u>

Shares do not have any par value. The holders of Shares are entitled to receive dividends as and when declared by the Company. All Shares carry one vote per Share without restrictions and rank equally with respect to the Company's residual assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15 Bank Borrowings

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current liabilities		
Secured bank loans	16,809	7,096
Current liabilities		
Secured bank loans	4,806	7,672
Unsecured bank loans	6,567	6,950
Trust receipts	6,888	4,880
Account receivables bulk factoring	656	684
	<u>18,917</u>	<u>20,186</u>
Total interest-bearing liabilities	<u>35,726</u>	<u>27,282</u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$18,349,000 (2019: S\$18,304,000) (Note 11), service concession receivables with a carrying amount of S\$31,928,000 (2019: S\$Nil) and land use rights with carrying amounts of S\$1,203,000 (2019: S\$1,199,000).

16 Trade and Other Payables

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables:		
- third parties	29,765	25,168
- associates	36	97
- related parties	11,210	9,729
	<u>41,011</u>	<u>34,994</u>
Accrued operating expenses	4,564	4,701
Accrued salaries and bonuses	12,684	13,186
Amount owing to an associate	26	27
Amount owing to non-controlling interests	2,072	2,032
Derivatives	-	1
Other payables	17,424	5,828
	<u>77,781</u>	<u>60,769</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16 Trade and Other Payables (Continued)

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

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	27,292	22,264
31 - 90 days	12,398	11,973
Over 90 days	1,321	757
	<u>41,011</u>	<u>34,994</u>

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

17 Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Commitment in respect of property, plant and equipment*	30,098	40,553

*Capital expenditures mainly in relation to the construction of mini hydropower plants in the Republic of Indonesia ("Indonesia") and purchase of a property in Singapore.

18 Corporate Guarantees

	As at 30 June 2020 S\$'000	As at 31 December 2019 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries	62,764	63,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

19 Related Party Transactions

In addition to the related party information disclosed, the following are significant transactions of the Group with related parties at mutually agreed amounts during the six months ended 30 June 2020 and 2019.

	Notes	Group	
		Six months ended 30 June	
		2020	2019
		S\$'000	S\$'000
		(unaudited)	(unaudited)
Sales to:			
- associates		(536)	(770)
- related parties	(i)	(3,306)	(3,396)
Purchases from:			
- associates		4	94
- related parties	(i)	28,126	22,865
Administrative income charged to associates		(21)	(24)
Rental charged to:			
- associates		(2)	(1)
- related parties	(ii)	(220)	(204)
Interest income charged to associate		(54)	(54)
Other expenses charged by related parties	(i) & (ii)	77	250
Other income charged to related parties	(i)	(84)	(124)

Notes:

- (i) The related parties mainly pertain to non-controlling interest of certain subsidiaries and the related parties of the non-controlling interest.
- (ii) Mr. Teo, the Managing Director and President of the Company, is a director of the related parties.

20 Subsequent Events

No major subsequent event has occurred since the end of the financial period ended 30 June 2020 up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For 1H2020, revenue grew by approximately S\$20.2 million, or 13.8% year-on-year (“YoY”) from S\$147.0 million for the six months ended 30 June 2019 (the “1H2019”) to S\$167.2 million for 1H2020. This can be attributable to the growing demand for the Group’s core industrial automation solutions in Southeast Asia, including Singapore, Malaysia, and Vietnam, because Southeast Asia has received benefits from the reconfiguring of global industrial supply chains. In addition, we recorded construction revenue of approximately S\$20.1 million from the construction of mini-hydropower plants in Indonesia.

In line with growing revenue, gross profit increased by 10.5% YoY from S\$37.4 million for 1H2019 to S\$41.3 million for 1H2020. Overall, gross profit margin declined slightly by 0.7 percentage point, from 25.4% to 24.7% for 1H2019 and 1H2020 respectively. Excluding gross margin from the hydropower plants, gross profit margin would have increased to 27.1%.

Our business focus continues to be predominantly in the PRC, contributing approximately 60.0% in 1H2020 (1H2019: 70.2%), with Singapore, Hong Kong and Malaysia as other major contributors to our revenue, accounting for 14.8%, 1.9%, and 2.6%, respectively for 1H2020 (1H2019: 14.8%, 1.9%, and 3.5% respectively).

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

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

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

FUTURE PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS (CONTINUED)

To further expand its diversified business, ISDN entered into a joint venture with German company ERST Project GmbH (“ERST”) in May 2020 to offer advanced and environmentally-friendly disinfectant solutions -Waterliq and Erstotizer - to the Asia Pacific region to aid in the fight against the COVID-19 pathogen. ISDN has since secured major deals with Centurion Corporation, The Science Park, and the Public Transport Company, with multiple disinfecting projects with cleaning companies across the city-state. The Group believes that, given the long-term nature of this worsening coronavirus epidemic, the demand for surface disinfectants will increase¹ and this new venture holds much promise.

While the coronavirus pandemic shows little signs of abating, the Group remains confident its prospects in the broad and multi-year Industry 4.0 opportunity. The Group notes that despite of short-term fluctuations, industrial automation is forecasted to grow steadily between 2021 and 2026², alongside increased demand for machine tools, robotics, semiconductors, and more, with the support from strategies like “Made in China 2025”. According to market researcher Technavio³, the motion control market is poised to expand by more than US\$2.02 billion from 2020 to 2024, at a compound annual growth rate of over 3%, after accounting for the COVID-19 impact.

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

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	1H2020	1H2019	% change
	S\$'000	S\$'000	+/(-)
Industrial Automation Solutions			
Revenue	147,098	144,335	1.9%
Gross profit	39,846	37,204	7.1%
Gross profit margin	27.1%	25.8%	1.3 ppt
Construction Revenue			
Revenue	20,087	2,628	n.m.
Gross profit	1,489	195	n.m.
Gross profit margin	7.4%	7.4%	0.0 ppt
TOTAL			
Revenue	167,185	146,963	13.8%
Gross profit	41,335	37,399	10.5%
Gross profit margin	24.7%	25.4%	(0.7) ppt

n.m.: not meaningful

¹ HR Asia
<https://hrasiamedia.com/featured-news/2020/as-the-covid-19-battle-remains-long-drawn-how-can-asia-pacific-leaders-protect-employee-well-being/>

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 Insight & Forecast with Potential Impact of COVID-19 – Motion Control Market 2020-2024
<https://www.businesswire.com/news/home/20200624005618/en/Insights-Forecast-Potential-Impact-COVID-19--Motion>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Revenue and Gross Profit Margin (Continued)

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

Gross profit of S\$41.3 million was S\$3.9 million, or 10.5% higher in 1H2020 as compared to 1H2019. Overall, the gross profit margin declined slightly in 1H2020 as compared to 1H2019 by 0.7 percentage point from 25.4% to 24.7%. Excluding the gross profit arising from the construction of mini-hydropower plant under the service concession arrangement, the Group managed to maintain its gross profit margin at 27.1% in 1H2020 which is higher than corresponding period last year by 1.3 percentage point.

Other operating income

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

Distribution costs

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

Administrative expenses

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

Other operating expenses

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

Finance costs

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

Income tax expense

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Property, plant and equipment

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

Associates

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

Service concession receivables

Service concession receivables increased by S\$20.2 million, or 59.0% to S\$54.5 million as at 30 June 2020. This was mainly due to recognition of construction revenue of S\$20.1 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$0.1 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

Inventories

Inventories increased by S\$11.5 million or 21.7% to S\$64.7 million as at 30 June 2020 primarily due to the fulfilment of customer orders for second half of 2020.

Trade and other receivables

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

Trade and other payables

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

Bank borrowings (current and non-current)

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

During the 1H2020, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process amounting to approximately S\$1,076,000 (2019: S\$1,594,000).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the 1H2020, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2020, cash and bank balances amounted to approximately S\$52.1 million, which increased by approximately 37.2% as compared to S\$38.0 million as at 31 December 2019. The quick ratio of the Group was approximately 1.3 times (31 December 2019: 1.6 times).

As at 30 June 2020, the Group has long and short-term bank borrowings of approximately S\$35.7 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$18.9 million (31 December 2019: S\$20.2 million) while the bank borrowings due after one year amounted to approximately S\$16.8 million (31 December 2019: S\$7.1 million).

As at 30 June 2020, the weighted average effective interest rates on bank borrowings is 2.51% (31 December 2019: 6.62%) per annum. The Group does not have fixed rate bank borrowings as at 30 June 2020 and 31 December 2019. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2019: S\$0.2 million), the Group's total borrowings amounted to S\$35.9 million (31 December 2019: S\$27.5 million).

As at 30 June 2020, the carrying amounts of the Group's cash and bank balances and bank borrowings are denominated in the below currencies:

	RMB	USD	SGD	HKD	CHF	Euro	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2020								
Cash and bank balances	28,965	11,635	3,369	262	1,246	840	5,813	52,130
Bank borrowings	5,421	24,783	3,853	-	-	434	1,235	35,726
31 December 2019								
Cash and bank balances	18,496	8,502	3,305	380	465	696	6,154	37,998
Bank borrowings	5,792	15,475	4,194	-	-	375	1,446	27,282

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM ISSUES OF SECURITIES

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

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

Prospects / Future Plans	Amount	Amount	Amount	Amount	Expected timeline of full utilisation of unutilised proceeds
	of net proceeds allocated	utilised from 08/05/2013 up to 30/06/2020	utilised during 1H2020	unutilised as at 30/06/2020	
	S\$’000	S\$’000	S\$’000	S\$’000	
Partial funding of the planning and construction of additional facilities within the ISDN High-Tech Industrial Park	1,815	1,200	-	615	December 2023
Working capital requirements of the mining-related business of the Group (in particular, coal trading)	6,600	500	-	6,100	December 2023
Exploration of power plant opportunities	2,000	2,000	-	-	N/A
Total	10,415	3,700	-	6,715	

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

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

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

The Board wishes to update the Shareholders on the Group’s utilisation of the net proceeds of approximately S\$5,300,000 (after deducting expenses of approximately S\$62,000) from the Subscription, as set out below:

Prospects/ Future Plans	Amount of	Amount	Amount	Expected timeline of full utilisation of unutilised proceeds
	net proceeds allocated	utilised during 1H2020	unutilised as at 30/06/2020	
	S\$’000	S\$’000	S\$’000	
Business development	4,770	-	4,770	December 2021
General working capital ⁽¹⁾	530	-	530	December 2020
Total	5,300	-	5,300	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

During the 1H2020, the gearing ratio of the Group was about 21.9% (31 December 2019: 18.0%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

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

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the 1H2020. 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 2020, 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 Renminbi ("**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 1H2020, the Group has entered into financial instruments to hedge its exposure to foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, there were 913 (2019: 916) 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 employee share option scheme 2016 (the "**ESOS**") and employee performance share plan (the "**EPSP**") as incentives to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the 1H2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020.

Charge on the Group's Assets

As at 30 June 2020, the Group's cash and cash equivalents, net book value of property, plant and equipment of approximately S\$3.1 million and S\$19.6 million, respectively (31 December 2019: S\$3.1 million and S\$18.6 million) were pledged to banks to secure general banking facilities granted to the Group.

Interim dividend

The Board has resolved not to declare any interim dividend for the 1H2020 (2019: Nil).



OTHER INFORMATION

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

As at 30 June 2020, the interests or short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares or underlying shares of or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code"), were as follows:

(i) Long Position in the Shares, underlying Shares or debentures of the Company

Name of directors	Capacity	Number of ordinary shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Share
		Personal interests	Corporate interests			
Mr. Teo (Note 1)	Interest of controlled corporation	-	136,602,480	-	136,602,480	31.80%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	2,050,000	0.48%
Mr. Toh Hsiang-Wen Keith ("Mr. Toh") (Note 2)	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%

Notes:

- (1) The Shares were held by Assetraise, which is beneficially owned by Mr. Teo and his spouse, Ms. Thang. Accordingly, Mr. Teo was deemed to be interested in these 136,602,480 Shares by virtue of the SFO.
- (2) The Shares were held by NTCP. Novo Tellus PE Fund 2, L.P. ("NT Fund 2") is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. New Earth Group 2 Ltd. ("NEG 2") is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Toh is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore are deemed to be interested in all of the Shares held by NTCP.

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

As at 30 June 2020, Mr. Teo had the personal interests in the following associated corporations:-

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

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2020, none of the Directors or the Chief Executive had an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The Company's ESOS and the amendments to the ESOS were approved by the Shareholders at the extraordinary general meetings of the Company (the "EGMs") held on 22 April 2016 and 16 December 2016, respectively.

Since the commencement of the ESOS till the end of the 1H2020:

- (1) No options have been granted to the controlling shareholders of the Company and their associates;
- (2) No participant has received 5% or more of the total options available under the ESOS;
- (3) No options have been granted to directors and employees of the Company or its subsidiaries;
- (4) No shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares; and
- (5) No outstanding options to take up unissued shares of the Company or its subsidiaries at the end of the 1H2020.

Employee Performance Share Plan

The Company's EPSP and the amendments to the EPSP were approved by Shareholders at the EGMs held on 17 February 2012 and 16 December 2016, respectively.

The plan is administrated by the remuneration committee of the Board with such discretion, powers and duties as are conferred on it by the Board.

All Directors are eligible to participate in the EPSP. The controlling shareholders and their associates who are eligible to participate in the EPSP are Mr. Teo and his spouse, Ms. Thang.

Arrangements to purchase, sale or redemption of Listed Securities

During the 1H2020 and up to the date of this interim report, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST, neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

OTHER INFORMATION

Deed of Non-competition

The Company has received the written confirmations from Mr. Teo and Ms. Thang in respect of the compliance with the provisions of the deed of non-competition (the “**Deed of Non-competition**”), entered into between the controlling shareholders and the Company as set out in the section headed “Relationship with Controlling Shareholders - Non-Competition Undertaking” of the prospectus of the Company dated 30 December 2016, during the 1H2020 and up to the date of this interim report.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the 1H2020 and up to the date of this interim report.

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

As at 30 June 2020, the entities or persons (other than a Director or the Chief Executive) who have interests or short positions in the Shares and underlying Shares which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Share
		Personal interests	Corporate interests			
Assetraise (Note 1)	Beneficial owner	136,602,480	-	-	136,602,480	31.80%
Ms. Thang (Note 1)	Interest of controlled corporation	-	136,602,480	-	136,602,480	31.80%
NTCP (Note 2)	Beneficial owner	38,323,401	-	-	38,323,401	8.92%
Mr. Loke Wai San (“ Mr. Loke ”) (Note 2)	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%
NEG 2 (Note 2)	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%
NT Fund 2 (Note 2)	Interest of controlled corporation	-	38,323,401	-	38,323,401	8.92%

OTHER INFORMATION

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Notes:

- (1) Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 136,602,480 Shares. By virtue of the SFO, Mr. Teo and his spouse Ms. Thang, are deemed to be interested in all of the Shares held by Assetraise.
- (2) These Shares were held by NTCP. NT Fund 2 is the owner of 100% of the shares of the NTCP and is therefore treated as having an interest. NEG 2 is the general partner of NT Fund 2 and therefore NEG 2 is deemed to have an interest in the Shares. Mr. Loke is entitled to control not less than 20% of the votes attached to the voting shares in NEG 2, and therefore is deemed to be interested in all of the Shares held by NTCP.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any entities or persons (who were not a Directors or the Chief Executive) who had an interest or short position in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

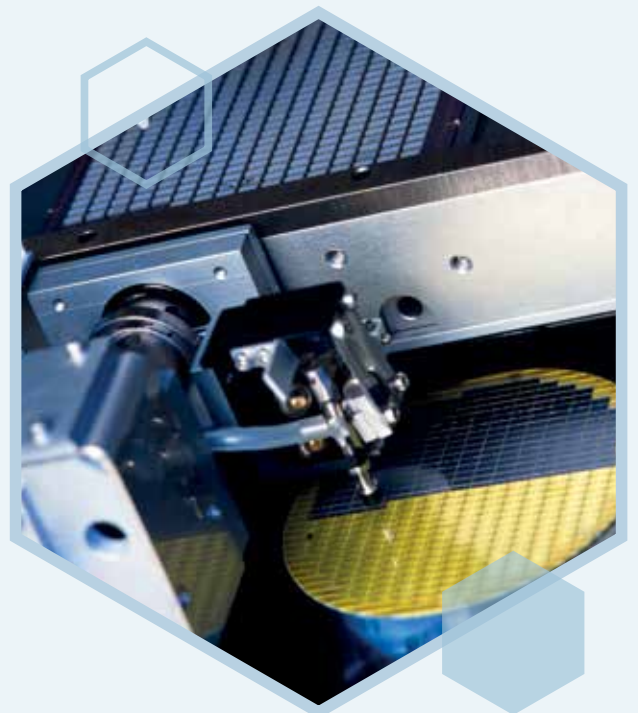
CORPORATE GOVERNANCE

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore revised Code of Corporate Governance 2018 (the "**Code**") and the applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Appendix 14 to the Hong Kong Listing Rules to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long term Shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout the 1H2020, the Group has complied with the Code and the HK CG Code.

Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction

In compliance with Rules 1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the SGX-ST and the Model Code, the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities on terms no less exacting than the required standards of the Model Code and these are applicable to all its employees in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code during the 1H2020 and up to the date of this interim report.

The Company and its employees are not allowed to deal in the Shares during the period commencing 30 days immediately before the announcement of the Company's half-yearly results and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.



OTHER INFORMATION

Compliance with Singapore Listing Manual and Hong Kong Model Code for Securities Transaction (Continued)

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 of the Company and they are not to deal in the Company's securities on short-term considerations.

Change in Information of Director

Subsequent to the date of the 2019 annual report of the Company, the change in Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules is set out below:

Mr. Soh Beng Keng has retired as a Lead Independent Director of China Haida Ltd (stock code: SGX: C92), a company listed on the main board of the SGX-ST with effect from 29 June 2020.

Audit Committee

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

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

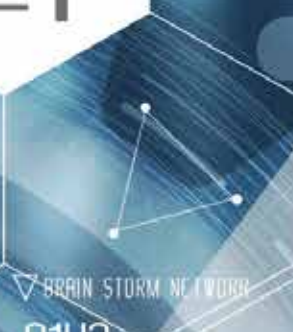
The financial information in this report has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group and this report for 1H2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the Singapore Listing Manual and the Hong Kong Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Publication of the interim report

The interim report of the Company for 1H2020 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.isdnholdings.com).

By order of the Board
ISDN HOLDINGS LIMITED
Lim Siang Kai
Chairman

Singapore, 7 August 2020



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BRAIN STORM NETWORK

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BRAIN DOWNLOADED



ISDN Holdings
LIMITED

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KB Industrial Building Singapore 416175

Company registration No. 200416788Z

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