



ISDN Holdings
LIMITED

2021 Interim Report

Automating Asia's Future



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

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** In case of any discrepancies between the English version and the Chinese version, the English version shall prevail.*

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

101 Defu Lane 10
Singapore 539222

JOINT COMPANY SECRETARIES

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

Tung Wing Yee Winnie
(*FCPA, 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 2021

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 2021 (the “**1H2021**”) together with the relevant comparative audited or unaudited figures. The Group’s Interim Results for 1H2021 are unaudited but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

	Notes	Six months ended 30 June	
		2021 S\$’000 <i>(unaudited)</i>	2020 S\$’000 <i>(unaudited)</i>
Revenue	4	217,158	167,185
Cost of sales		(158,965)	(125,850)
Gross profit		58,193	41,335
Other operating income	5	2,928	2,483
Distribution costs		(14,695)	(11,534)
Administrative expenses		(18,734)	(15,328)
Net impairment (losses)/gain on financial assets		(775)	423
Other operating expenses		(532)	(245)
Finance costs	6	(684)	(972)
Share of profit of associates, net		365	471
Profit before income tax	7	26,066	16,633
Income tax	8	(6,678)	(3,751)
Profit for the period		19,388	12,882
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
- exchange differences on translation		1,763	2,012
Total comprehensive income for the period		21,151	14,925
Profit for the period attributable to:			
Equity holders of the Company		12,167	9,572
Non-controlling interests		7,221	3,310
		19,388	12,882
Total comprehensive income for the period attributable to:			
Equity holders of the Company		13,485	11,071
Non-controlling interests		7,666	3,854
		21,151	14,925
Earnings per share attributable to the holder of the Company:			
Basic and diluted (Singapore cents)	9	2.79	2.23

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	As at 30 June 2021 S\$'000 <i>(unaudited)</i>	As at 31 December 2020 S\$'000 <i>(audited)</i>
ASSETS			
Non-current Assets			
Property, plant and equipment	11	68,016	61,602
Investment properties		450	460
Land use rights		1,220	1,214
Goodwill		12,227	12,227
Associates		5,880	5,775
Service concession receivables	13	64,221	58,541
Other financial assets	12	900	900
Deferred tax assets		286	251
Total non-current assets		153,200	140,970
Current Assets			
Inventories		66,178	55,592
Trade and other receivables	13	127,040	102,950
Cash and bank balances		63,053	58,473
Total current assets		256,271	217,015
Total Assets		409,471	357,985
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	79,213	79,213
Reserves		104,292	90,807
		183,505	170,020
Non-controlling interests		55,462	47,604
Total Equity		238,967	217,624
Non-current Liabilities			
Bank borrowings	15	13,549	9,580
Leases liabilities		5,078	1,127
Deferred tax liabilities		586	586
Total non-current liabilities		19,213	11,293
Current Liabilities			
Bank borrowings	15	28,724	22,128
Leases liabilities		1,759	1,481
Trade and other payables	16	98,118	84,364
Contract liabilities		18,525	17,053
Current tax liabilities		4,165	4,042
Total current liabilities		151,291	129,068
Total Liabilities		170,504	140,361
Total Equity and Liabilities		409,471	357,985

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	← Attributable to equity holders of the Company →							
	Share capital S\$'000	Merger reserve S\$'000	Exchange translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
2021								
Balance at 1 January (audited)	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 (unaudited)	79,213	(436)	(317)	6,467	98,578	183,505	55,462	238,967
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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 101 Defu Lane 10, Singapore 539222.

The immediate and ultimate holding company is Assetraise Holdings Limited (“**Assetraise**”), a company incorporated in the British Virgin Islands. Assetraise is beneficially owned 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

The unaudited condensed consolidated interim financial information for the financial period ended 30 June 2021 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 Singapore (“**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 2020.

Adoption of SFRS(I)s which are effective

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

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021

3 Segment Information (Continued)

(a) Reportable Operating Segments

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

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3 Segment Information (Continued)

(a) Reportable Operating Segments (Continued)

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

*Included Renewable Energy Solutions

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3 Segment Information (Continued)

(b) Geographical information

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 2021	Six months ended 30 June 2020	30 June 2021	31 December 2020
	S\$'000	S\$'000	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Singapore	21,094	24,794	29,658	24,439
The People's Republic of China (the "PRC")	160,436	100,146	26,713	26,177
Hong Kong	7,490	3,059	1,064	1,005
Malaysia	5,592	4,266	969	1,012
Republic of Indonesia ("Indonesia")	5,010	20,355	92,288	85,761
Others	17,536	14,565	2,509	2,576
Total	217,158	167,185	153,201	140,970

(c) Information about Major Customers

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4 Revenue

Disaggregation of Revenue

The Group's revenue is disaggregated by the type of goods or services provided to customers, geographical markets, and timing of goods or services transferred. The Group operates in five principal geographical areas — Singapore (country of domicile), PRC, Hong Kong, Indonesia and Malaysia.

Segments	Six months ended 30 June 2021				
	Engineering Solutions - Motion Control	Other Specialised Engineering Solutions	Industrial Computing Solutions	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Geographical markets					
Singapore	14,699	1,846	4,327	222	21,094
PRC	128,393	32,043	-	-	160,436
Hong Kong	7,458	32	-	-	7,490
Malaysia	4,881	662	48	1	5,592
Indonesia	318	32	-	4,660	5,010
Others	11,822	5,392	234	88	17,536
Total revenue from contracts with customers	167,571	40,007	4,609	4,971	217,158
Goods or services transferred at a point in time	167,571	40,007	4,609	311	212,498
Services transferred over time	-	-	-	4,660	4,660

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4 Segment Information (Continued)

Disaggregation of Revenue (Continued)

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

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5 Other Operating Income

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

6 Finance Costs

	Six months ended 30 June	
	2021 S\$'000 <i>(unaudited)</i>	2020 S\$'000 <i>(unaudited)</i>
Interest expenses on:		
- bank loans	442	721
- trust receipts	17	51
- leases liabilities	108	78
- others	117	122
	<u>684</u>	<u>972</u>

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7 Profit Before Income Tax

	Six months ended 30 June	
	2021	2020
	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	13	16
Depreciation of property, plant and equipment		
- recognised in cost of sales	309	170
- recognised in distribution costs	203	243
- recognised in administrative expenses	1,764	1,505
	2,276	1,918
Depreciation of investment properties	9	8
Directors' fees	98	89
Directors' remuneration		
- salaries and related costs	3,546	2,046
- defined contribution plans	13	21
Staff costs (other than directors)		
- salaries and related costs	16,318	13,634
- defined contribution plans	1,980	1,348
Other operating expenses included:		
- trade receivables written off	156	-
- allowance for inventory obsolescence	279	214
- inventories written off	4	-
- loss on disposal of property, plant and equipment, net	-	7
- property, plant and equipment written off	2	1
Operating lease rental expense	5	76

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8 Income Tax

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

9 Earnings Per Share

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

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 2021 and 2020, excluding treasury shares.

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 2021 and 2020.

10 Dividends Paid

	Six months ended 30 June	
	2021 S\$'000	2020 S\$'000
Paid during the financial period:		
Tax exempt (one-tier) final dividend of 0.8 Singapore cents per ordinary share (2020: 0.4 Singapore cents) in respect of the previous year	-	-

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

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

11 Property, Plant and Equipment

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

As at 30 June 2021, the carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 15 was S\$25,049,000 (2020: S\$24,150,000); and the carrying amount of property, plant and equipment held under lease liabilities was S\$205,000 (2020: S\$229,000).

12 Other Financial Assets

	As at 30 June 2021 S\$'000 <i>(unaudited)</i>	As at 31 December 2020 S\$'000 <i>(audited)</i>
Unquoted equity shares, at cost	900	900

This represents 10% on unquoted equity interest in a company which specialises in the design, development, integration and sales of lithium battery management systems. The investment aligns well with the Company's diversification strategy involving renewable energy ventures.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13 Trade and Other Receivables

	As at 30 June 2021 S\$'000 <i>(unaudited)</i>	As at 31 December 2020 S\$'000 <i>(audited)</i>
<u>Non-current:</u>		
Service concession receivables	64,221	58,541
<u>Current:</u>		
Trade receivables, net of impairment:		
- note receivables	13,011	11,597
- third parties	86,301	66,952
- associates	2,147	2,425
- related parties	4,337	4,425
	105,796	85,399
<u>Other receivables, net of impairment:</u>		
Funding to investee companies	-	401
Advances to associates	93	144
Advances to related parties	76	59
Deposits	698	517
Loans to associates	27	65
Promissory note due	393	765
Sundry debtors	5,273	3,724
Amounts owing from non-controlling interest	6,544	6,541
Derivative	51	46
	13,155	12,262
Advances paid to suppliers	6,489	4,304
Prepayments	1,600	985
	127,040	102,950

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 S\$'000	As at 31 December 2020 S\$'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	56,362	38,059
31 – 90 days	33,896	26,800
Over 90 days	15,538	20,540
	<u>105,796</u>	<u>85,399</u>

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

14 Share Capital

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

15 Bank Borrowings

	As at 30 June 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)
Non-current liabilities		
Secured bank loans	13,549	9,580
Current liabilities		
Secured bank loans	13,064	12,944
Unsecured bank loans	10,733	6,936
Trust receipts	4,927	1,704
Account receivables bulk factoring	-	544
	<u>28,724</u>	<u>22,128</u>
Total interest-bearing liabilities	<u>42,273</u>	<u>31,708</u>

The bank loans of the Group are secured over land and buildings with a carrying amount of S\$25,049,000 (2020: S\$24,150,000) (Note 11), service concession receivables with a carrying amount of S\$37,279,000 (2020: S\$35,568,000) and land use rights with carrying amounts of S\$1,221,000 (2020: S\$1,214,000).

16 Trade and Other Payables

	As at 30 June 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)
Trade payables:		
- third parties	38,951	29,618
- associates	39	34
- related parties	11,099	10,180
	<u>50,089</u>	<u>39,832</u>
Accrued operating expenses	6,007	6,131
Accrued salaries and bonuses	13,629	12,828
Amount owing to an associate	24	23
Amount owing to non-controlling interests	2,599	1,285
Other payables	25,770	24,265
	<u>98,118</u>	<u>84,364</u>

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)
Within 30 days	33,066	26,447
31 - 90 days	15,242	12,133
Over 90 days	1,781	1,252
	<u>50,089</u>	<u>39,832</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 2021 S\$'000 (unaudited)	As at 31 December 2020 S\$'000 (audited)
Commitment in respect of property, plant and equipment*	<u>10,772</u>	<u>14,271</u>

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

18 Corporate Guarantees

As at 30 June 2021, the Company has provided corporate guarantees to banks in connection with banking facilities granted to subsidiaries, amounting to S\$61,900,000 (2020: S\$61,711,000).

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 and 2020.

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

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

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

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

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

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

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

FUTURE PROSPECTS

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

- Businesses worldwide are increasingly reliant on technology and automation to operate in a volatile environment;
- Industrial automation has helped reduce labour risks and ensure business continuity as countries continue to shift policies for on-site workforces and labour access and mobility has been dramatically reduced;
- Online sales and logistics have helped businesses recover faster, adjust supply and distribution, and reach customers when in-person transactions are not possible;
- The rising consumer- and business- dependent on online work, leisure, communities and consumption have accelerated demand for enterprise and consumer technologies.

Management Discussion and Analysis

FUTURE PROSPECTS (CONTINUED)

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

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

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

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	1H2021	1H2020	% change
	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions			
Revenue	212,498	147,098	44.5%
Gross profit	57,848	39,846	45.2%
Gross profit margin	27.2%	27.1%	0.1 ppt
Construction Revenue			
Revenue	4,660	20,087	-76.8%
Gross profit	345	1,489	-76.8%
Gross profit margin	7.4%	7.4%	0 ppt
TOTAL			
Revenue	217,158	167,185	29.9%
Gross profit	58,193	41,335	40.8%
Gross profit margin	26.8%	24.7%	2.1 ppts

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

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

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Revenue and Gross Profit Margin (Continued)

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

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

Other operating income

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

Distribution costs

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

Administrative expenses

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

Net impairment losses on financial assets

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

Other operating expenses

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

Finance costs

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

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Income tax expense

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

Property, plant and equipment

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

Associates

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

Service concession receivables

Service concession receivables increased by S\$5.7 million, or 9.7% to S\$64.2 million as at 30 June 2021. This was mainly due to recognition of construction revenue of S\$4.7 million from the construction of mini-hydropower plants under the service concession arrangement and foreign exchange revaluation gains of S\$1.0 million. Service concessions receivables are classified as long-term assets which will be collected across the tenure of the various operational concessions in tandem with agreed power supply agreements.

Inventories

Inventories increased by S\$10.6 million or 19.0% to S\$66.2 million as at 30 June 2021 primarily due to the fulfilment of customer orders for second half of 2021.

Trade and other receivables

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

Trade and other payables

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

Bank borrowings (current and non-current)

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

Management Discussion and Analysis

CAPITAL EXPENDITURES

During the 1H2021, the Group's capital expenditure consists of additions to property, plant and equipment and construction in process with an aggregate cost of amounting to S\$8,113,000 (30 June 2020: S\$11,308,000), of which S\$5,283,000 (30 June 2020: S\$577,000) relates to right-of-use assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2021.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 June 2021, the weighted average effective interest rates on bank borrowings is 1.5% (31 December 2020: 4.8%) per annum. The Group obtained the Temporary Bridge Loan (the "TBL") of S\$5.0 million in 1H2021 which was initiated by the Singapore government to help local companies' working capital needs. The term of the TBL is 5 years with fixed interest rate. Other than the above, the Group does not have fixed rate bank borrowings as at 30 June 2021 and 31 December 2020. Together with the obligation under finance leases of approximately S\$0.2 million (31 December 2020: S\$0.2 million), the Group's total borrowings amounted to S\$42.5 million (31 December 2020: S\$31.9 million).

As at 30 June 2021, the carrying amounts of the Group's cash and bank balances and bank borrowings are denominated in the below currencies:

	RMB S\$'000	USD S\$'000	SGD S\$'000	HKD S\$'000	CHF S\$'000	Euro S\$'000	Others S\$'000	Total S\$'000
<u>30 June 2021</u>								
Cash and bank balances	38,424	10,032	6,801	88	1,097	859	5,752	63,053
Bank borrowings	2,714	22,427	14,595	-	-	1,005	1,532	42,273
<u>31 December 2020</u>								
Cash and bank balances	32,038	10,035	6,277	361	1,050	2,665	6,047	58,473
Bank borrowings	3,380	18,034	9,476	-	-	477	341	31,708

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 of net proceeds allocated	Amount utilised from 08/05/2013 up to 30/06/2021	Amount utilised during 1H2021	Amount unutilised as at 30/06/2021	Expected timeline of full utilisation of unutilised proceeds
	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.

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 net proceeds allocated	Amount utilised from 27/02/2019 up to 30/06/2021	Amount utilised during 1H2021	Amount unutilised as at 30/06/2021	Expected timeline of full utilisation of unutilised proceeds
	S\$'000	S\$'000	S\$'000	S\$'000	
Business development	4,770	289	-	4,481	December 2021
General working capital ⁽¹⁾	530	530	-	-	N/A
Total	5,300	819	-	4,481	

Note:

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

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

Management Discussion and Analysis

GEARING RATIO

During the 1H2021, the gearing ratio of the Group was about 23.1% (2020: 18.8%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

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

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2021. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. In the event of capital need, the Group may borrow funds from banks in the currency that coincident with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the six months ended 30 June 2021, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States Dollar ("USD"). The Group has currency exposure as certain sourced parts and components incurred in the Mainland China were denominated in RMB. Certain of the subsidiaries of the Company have their assets and liabilities denominated in RMB and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the financial period ended 30 June 2021, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, there were 951 (2020: 950) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance.

The Company adopted 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 1H2021.

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 2021.

Charge on the Group's Assets

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

Interim dividend

The Board has resolved not to declare any interim dividend for the 1H2021 (2020: S\$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 2021, the interests or short positions of the Directors and the chief executive of the Company (the "**Chief Executive**") in the shares, underlying shares and 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**"), as may be amended or modified from time to time 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	-	139,491,815	-	139,491,815	32.04%
Mr. Kong Deyang	Beneficial owner	2,050,000	-	-	2,050,000	0.47%
Mr. Toh Hsiang-Wen Keith (" Mr. Toh ") (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%

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 139,491,815 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.

Other Information

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

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

As at 30 June 2021, 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.

Save as disclosed above, as at 30 June 2021, none of the Directors or the Chief Executive had an interest or short position in the shares or underlying shares and 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 1H2021:

- (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 1H2021.

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.

Other Information

Arrangements to purchase, sale or redemption of Listed Securities

During the 1H2021 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.

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 1H2021 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 1H2021 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 2021, 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	139,491,815	-	-	139,491,815	32.04%
Ms. Thang (Note 1)	Interest of controlled corporation	-	139,491,815	-	139,491,815	32.04%
NTCP (Note 2)	Beneficial owner	37,125,074	-	-	37,125,074	8.53%
Mr. Loke Wai San (" Mr. Loke ") (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%
NEG 2 (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%

Other Information

Name	Capacity	Number of ordinary shares		Number of underlying Shares held under ESOS	Total	Approximate percentage of the issued Share
		Personal interests	Corporate interests			
NT Fund 2 (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%
Tuas Fund Investments Pte Ltd ("TF") (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%
Fullerton Fund Investments Pte Ltd ("FF") (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%
Temasek Holdings (Private) Limited ("TH") (Note 2)	Interest of controlled corporation	-	37,125,074	-	37,125,074	8.53%

Notes:

- (1) Assetraise, which is beneficially owned by Mr. Teo and his spouse Ms. Thang, are the beneficial owner of 139,491,815 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. TF is a limited partner of NT Fund 2, with an investment amount of not less than one-third. TF is directly wholly owned by FF. FF is directly wholly owned by TH. Therefore, each of TF, FF and TH is deemed to be interested in the 37,125,074 Shares held by NTCP pursuant to SFO. For the avoidance of doubt, each of TF, FF and TH do not have a deemed interest in the 37,125,074 Shares held by NTCP under The Securities and Futures Act, Cap. 289, of Singapore ("SFA"). 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 are deemed to be interested in all of the Shares held by NTCP.

Save as disclosed above, as at 30 June 2021, 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 and 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.

Other Information

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 1H2021, 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 1H2021 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.

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.

Change in Information of Director

Subsequent to the date of the 2020 annual report of the Company, the change in Directors’ information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules is set out below:

Mr. Tan Soon Liang was appointed as an independent director of Colex Holdings Limited (stock code: 567), a company listed on Catalist board of the SGX-ST, with effect from 28 April 2021.

Mr. Toh was appointed as an alternate director to Mr. Loke for Procurri Corporation Limited (stock code: BVQ), a company listed on Mainboard of the SGX-ST, with effect from 1 June 2021.

Other Information

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 1H2021 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 1H2021 is published on the website of the SGX-ST at www.sgx.com, website of the Stock Exchange at www.hkexnews.hk, and the website of the Company at www.isdnholdings.com.

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

Singapore, 12 August 2021

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ISDN Holdings
LIMITED

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Singapore 539222**

Company registration No. 200416788Z