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ISDN HOLDINGS LIMITED

億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)

(Singapore stock code: I07.SI)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023 S\$'000	2022 S\$'000	Change %
Revenue	169,154	190,707	-11.3%
Gross Profit	44,327	54,078	-18.0%
Profit after tax	9,061	16,133	-43.8%
Profit for the period and attributable to equity holders of the Company	4,580	11,070	-58.6%
Basic earnings per share (Singapore cents)	1.04	2.52	

The Board has resolved not to declare interim dividend for the current period. (2022 interim: nil)



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ISDN Holdings Limited
Financial Statements Announcement
For the Six Months Ended 30 June 2023

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**”) hereby announces the consolidated condensed interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**1H2023**”), together with the relevant comparative audited or unaudited figures. The Group’s interim results for 1H2023 are unaudited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

	Note	Group		
		Six months		
		ended 30 June		
		2023	2022	Change
		S\$’000	S\$’000	+ / (-)
		<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	5	169,154	190,707	-11.3%
Cost of sales		(124,827)	(136,629)	-8.6%
Gross profit		44,327	54,078	-18.0%
Other operating income	6	3,493	1,985	76.0%
Distribution costs		(12,459)	(14,923)	-16.5%
Administrative expenses		(18,953)	(19,450)	-2.6%
Net impairment gains on financial assets		36	226	-84.1%
Other operating expenses		(670)	(1,028)	-34.8%
Finance costs	7	(2,071)	(1,257)	64.8%
Share of (loss)/profit of associates, net		(357)	1,082	n.m.
Profit before income tax	8	13,346	20,713	-35.6%
Income tax	9	(4,285)	(4,580)	-6.4%
Profit for the period		9,061	16,133	-43.8%
Other comprehensive income, net of tax:				
<u>Items that may be subsequently reclassified to profit or loss</u>				
- net fair value changes on cash flow hedge		-	(31)	n.m.
- exchange differences on translation		(3,483)	(2,364)	47.3%
Total comprehensive income for the period		5,578	13,738	-59.4%
Profit for the period attributable to:				
Equity holders of the Company		4,580	11,070	-58.6%
Non-controlling interests		4,481	5,063	-11.5%
		9,061	16,133	-43.8%
Total comprehensive income for the period attributable to:				
Equity holders of the Company		1,777	9,044	-80.4%
Non-controlling interests		3,801	4,694	-19.0%
		5,578	13,738	-59.4%
Earnings per share attributable to the equity holders of the Company:				
Basic and diluted (Singapore cents)	10	1.04	2.52	-58.7%

n.m.: Not meaningful



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B. Condensed Interim Consolidated Statements of Financial Position

	Note	Group		Company	
		As at 30 June 2023 S\$'000 <i>(unaudited)</i>	As at 31 December 2022 S\$'000 <i>(audited)</i>	As at 30 June 2023 S\$'000 <i>(unaudited)</i>	As at 31 December 2022 S\$'000 <i>(audited)</i>
ASSETS					
Non-current Assets					
Property, plant and equipment	13	65,095	63,249	634	656
Investment properties		406	417	-	-
Land use rights		1,061	1,104	-	-
Goodwill	14	12,227	12,227	-	-
Subsidiaries		-	-	51,797	50,410
Associates		5,584	6,278	-	-
Service concession receivables	15	76,984	76,960	-	-
Other financial assets		900	900	-	-
Deferred tax assets		395	384	-	-
Total non-current assets		162,652	161,519	52,431	51,066
Current Assets					
Inventories		79,562	81,181	-	-
Trade and other receivables	15	108,901	101,116	784	804
Amounts owing by subsidiaries		-	-	73,700	67,963
Dividend receivables		-	-	-	1,400
Cash and bank balances		51,557	56,554	824	2,030
Total current assets		240,020	238,851	75,308	72,197
Total Assets		402,672	400,370	127,739	123,263
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	82,874	81,487	82,874	81,487
Reserves		118,119	116,342	32,314	30,197
		200,993	197,829	115,188	111,684
Non-controlling interests		48,207	44,771	-	-
Total Equity		249,200	242,600	115,188	111,684
Non-current Liabilities					
Bank borrowings	17	9,814	10,066	-	-
Leases liabilities		5,158	4,860	640	640
Deferred tax liabilities		688	676	-	-
Total non-current liabilities		15,660	15,602	640	640
Current Liabilities					
Bank borrowings	17	24,001	23,809	-	-
Leases liabilities		1,312	1,322	11	21
Trade and other payables	18	94,823	95,101	11,518	10,571
Contract liabilities		14,484	18,003	-	-
Current tax liabilities		3,192	3,933	382	347
Total current liabilities		137,812	142,168	11,911	10,939
Total Liabilities		153,472	157,770	12,551	11,579
Total Equity and Liabilities		402,672	400,370	127,739	123,263



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Financial Statements Announcement
For the Six Months Ended 30 June 2023

C. Condensed Interim Consolidated Statements of Changes in Equity

	← Attributable to equity holders of the Group →					Non-controlling interests	Total equity	
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings			Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group								
2023								
Balance at 1 January 2023 <i>(audited)</i>	81,487	(436)	(5,697)	6,194	116,281	197,829	44,771	242,600
Profit for the period	-	-	-	-	4,580	4,580	4,481	9,061
Other comprehensive loss for the period	-	-	(2,803)	-	-	(2,803)	(680)	(3,483)
Total comprehensive (loss)/income for the period	-	-	(2,803)	-	4,580	1,777	3,801	5,578
Dividends to non-controlling interests	-	-	-	-	-	-	(365)	(365)
Share-based payments	-	-	-	1,387	-	1,387	-	1,387
Issue of ordinary shares related to share award	1,387	-	-	(1,387)	-	-	-	-
Balance at 30 June 2023 <i>(unaudited)</i>	<u>82,874</u>	<u>(436)</u>	<u>(8,500)</u>	<u>6,194</u>	<u>120,861</u>	<u>200,993</u>	<u>48,207</u>	<u>249,200</u>
2022								
Balance at 1 January 2022 <i>(audited)</i>	81,487	(436)	1,846	6,049	108,190	197,136	49,839	246,975
Profit for the period	-	-	-	-	11,070	11,070	5,063	16,133
Other comprehensive loss for the period	-	-	(1,995)	(31)	-	(2,026)	(369)	(2,395)
Total comprehensive (loss)/income for the period	-	-	(1,995)	(31)	11,070	9,044	4,694	13,738
Dividends to non-controlling interests	-	-	-	-	-	-	(464)	(464)
Transfer to other reserves	-	-	-	138	(68)	70	(70)	-
Balance at 30 June 2022 <i>(unaudited)</i>	<u>81,487</u>	<u>(436)</u>	<u>(149)</u>	<u>6,156</u>	<u>119,192</u>	<u>206,250</u>	<u>53,999</u>	<u>260,249</u>

C. Condensed Interim Consolidated Statements of Changes in Equity (Cont'd)

	Share capital S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Total equity S\$'000
Company				
2023				
Balance at 1 January 2023 <i>(audited)</i>	81,487	(178)	30,375	111,684
Profit for the period	-	-	2,117	2,117
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	2,117	2,117
Share-based payments	-	1,387	-	1,387
Issue of ordinary shares related to share award	1,387	(1,387)	-	-
Balance at 30 June 2023 <i>(unaudited)</i>	82,874	(178)	32,492	115,188
2022				
Balance at 1 January 2022 <i>(audited)</i>	81,487	(147)	24,346	105,686
Profit for the period	-	-	952	952
Other comprehensive loss for the period	-	(31)	-	(31)
Total comprehensive (loss)/income for the period	-	(31)	952	921
Balance at 30 June 2022 <i>(unaudited)</i>	81,487	(178)	25,298	106,607

D. Condensed Interim Consolidated Statement of Cash Flows

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Operating Activities:		
Profit before income tax	13,346	20,713
Adjustments for:		
Allowance for impairment loss of trade and other receivables	64	69
Allowance for inventories obsolescence	399	416
Amortisation of land use rights	16	13
Bad debt recovered	-	(5)
Depreciation of investment properties	9	9
Depreciation of property, plant and equipment	2,526	2,531
Gain on disposal of property, plant and equipment, net	(4)	(25)
Gain on termination of leases	(2)	-
Interest expenses	2,071	1,257
Interest income	(125)	(215)
Inventories written off	18	8
Property, plant and equipment written off	11	-
Reversal of over provision of share-based payment	(358)	-
Share of results of associates, net	357	(1,082)
Trade receivables written off	157	12
Write back of allowance for impairment loss on trade receivables	(100)	(295)
Write back of allowance for inventories obsolescence	(106)	(92)
Unrealised foreign exchange differences	(839)	(1,560)
Operating cash flow before working capital changes	17,440	21,754
Changes in working capital:		
Inventories	1,308	(7,161)
Trade and other receivables	(9,483)	11,264
Trade and other payables	(3,505)	2,714
Cash from operating activities before service concession	5,760	28,571
Change in receivables from service concession arrangements	(25)	(6,089)
Cash generated from operations after service concession	5,735	22,482
Interest paid	(1,964)	(1,163)
Interest received	125	215
Income tax paid	(5,045)	(5,276)
Net cash (used in)/generated from operating activities	(1,149)	16,258

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

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Investing Activities:		
Dividend from associates	309	228
Proceeds from disposal of property, plant and equipment	10	38
Purchase of property, plant and equipment	(2,551)	(1,329)
Net cash used in investing activities	(2,232)	(1,063)
Cash Flows from Financing Activities:		
Decrease in fixed deposits pledged and restricted bank deposit	545	-
Dividends to non-controlling interests	(365)	(865)
Interest expense on lease liabilities	(107)	(94)
Proceeds from bank loans	14,029	11,390
(Repayment)/Proceeds from trust receipts and other borrowings, net	(1,617)	1,991
Repayment of bank loans	(12,473)	(12,393)
Repayment of lease liabilities	(1,107)	(1,154)
Net cash used in financing activities	(1,095)	(1,125)
Net (decrease)/increase in cash and cash equivalents	(4,476)	14,070
Cash and cash equivalents at beginning of the period	54,128	59,021
Effect of currency translation on cash and cash equivalents	(80)	(62)
Cash and cash equivalents at end of the period	49,572	73,029
Additional information:		
Cash and bank balances	48,060	72,780
Fixed deposits	3,497	2,951
Cash and bank balances and fixed deposits	51,557	75,731
Less: bank deposits pledged	(1,985)	(2,702)
Total cash and cash equivalents	49,572	73,029

E. Notes to the Condensed Interim Consolidated Financial Statements

1 Corporate Information

The Company is a public limited liability company incorporated and domiciled in Singapore and is dual listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office and principal place of business is at 101 Defu Lane 10, Singapore 539222.

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

2 Basis of Preparation

The interim results set out in the announcement do not constitute the Group’s interim report for the six months ended 30 June 2023 but are extracted from that report.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standard (International) (“**SFRS(I)**”) 1-34 “*Interim Financial Reporting*” (“**SFRS(I) 1-34**”) issued by the Accounting Standards Council Singapore (“**ASC**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**SEHK Listing Rules**”). The unaudited condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

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

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 3.

3 Adoption of New or Amended Standards

The Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective for annual period beginning on 1 January 2023. The application of the new and revised standards and interpretations has no material effect on the interim consolidated financial statements.

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

3 Adoption of New or Amended Standards (Cont'd)

(i) Adoption of SFRS(I)s which are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2023.

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

(ii) Use of judgements and estimates

In preparing the unaudited condensed consolidated interim financial statements, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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

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

Note 14 – Impairment test of goodwill

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

4 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5 Segment Information

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

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

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



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

5 Segment Information (Cont'd)

(a) Reportable Operating Segments

	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue														
External Sales	131,575	142,021	32,923	35,719	3,117	6,501	1,094	6,089	445	377	-	-	169,154	190,707
Inter-segment sales	4,002	1,783	2,360	1,060	1,252	599	-	-	27	240	(7,641)	(3,682)	-	-
	<u>135,577</u>	<u>143,804</u>	<u>35,283</u>	<u>36,779</u>	<u>4,369</u>	<u>7,100</u>	<u>1,094</u>	<u>6,089</u>	<u>472</u>	<u>617</u>	<u>(7,641)</u>	<u>(3,682)</u>	<u>169,154</u>	<u>190,707</u>
Results														
Segment results	9,396	14,573	2,263	3,214	237	2,134	2,326	174	333	(250)	-	-	14,555	19,845
Share of (loss)/profit of associates, net	(357)	1,082	-	-	-	-	-	-	-	-	-	-	(357)	1,082
Corporate income													866	561
Rental income													228	267
Interest income													125	215
Finance costs													(2,071)	(1,257)
Profit before income tax													13,346	20,713
Income tax													(4,285)	(4,580)
Profit for the six months ended 30 June													<u>9,061</u>	<u>16,133</u>
Assets														
Segment assets	155,968	156,567	54,961	52,052	5,696	5,405	116,108	108,074	5,352	9,728	(5,187)	(6,932)	332,898	324,894
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	-	-	12,227	12,227
Associates	5,584	6,278	-	-	-	-	-	-	-	-	-	-	5,584	6,278
Investment properties													406	417
Cash and bank balances													51,557	56,554
Consolidated total assets as at 30 June / 31 December													<u>402,672</u>	<u>400,370</u>
Liabilities														
Segment liabilities	33,611	41,451	19,231	17,169	342	489	47,124	45,621	3,730	5,593	(5,178)	(6,932)	98,860	103,391
Bank borrowings and lease liabilities													40,285	40,057
Income tax liabilities													3,192	3,933
Other unallocated corporate liabilities													11,135	10,389
Consolidated total liabilities as at 30 June / 31 December													<u>153,472</u>	<u>157,770</u>



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

5 Segment Information (Cont'd)

(a) Reportable Operating Segments (Cont'd)

1 January to 30 June	Engineering Solutions - Motion Control		Other Specialised Engineering Solutions		Industrial Computing Solutions		Renewable Energy		Others		Elimination		Consolidated	
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000
Other information														
Capital expenditure on:														
- Property, plant and equipment	1,525	534	720	412	10	4	261	325	52	86	-	-	2,568	1,361
Other non-cash expenses:														
- Allowance for impairment of trade and other receivables	25	13	21	55	-	-	-	-	18	1	-	-	64	69
- Allowance for inventories obsolescence	182	269	217	147	-	-	-	-	-	-	-	-	399	416
- Amortisation of land use rights	16	13	-	-	-	-	-	-	-	-	-	-	16	13
- Bad debt recovered	-	(5)	-	-	-	-	-	-	-	-	-	-	-	(5)
- Depreciation of investment properties	9	9	-	-	-	-	-	-	-	-	-	-	9	9
- Depreciation of property, plant and equipment	1,350	1,533	1,038	844	68	45	52	45	18	64	-	-	2,526	2,531
- Gain on termination of leases	(2)	-	-	-	-	-	-	-	-	-	-	-	(2)	-
- Inventories written off	6	8	12	-	-	-	-	-	-	-	-	-	18	8
- Property, plant and equipment written off	11	-	-	-	-	-	-	-	-	-	-	-	11	-
- Reversal of over provision of share-based payment	(278)	-	(80)	-	-	-	-	-	-	-	-	-	(358)	-
- Trade receivables written off	17	12	86	-	-	-	-	-	54	-	-	-	157	12
- Write back of allowance for impairment loss on trade receivables	(64)	(123)	(30)	(171)	(6)	(1)	-	-	-	-	-	-	(100)	(295)
- Write back of allowance for inventories obsolescence	(75)	(9)	(31)	(83)	-	-	-	-	-	-	-	-	(106)	(92)

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

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue

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

Group						
Six months ended 30 June 2023						
Segments	Engineering Solutions - Motion Control	Other Specialised Engineering Solutions	Industrial Computing Solutions	Renewable Energy	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Geographical markets						
Singapore	11,362	1,906	2,914	-	429	16,611
The PRC	98,564	26,428	-	-	-	124,992
Hong Kong	2,872	9	-	-	-	2,881
Malaysia	5,505	501	5	-	9	6,020
Indonesia	125	19	-	1,094	7	1,245
Vietnam	7,565	57	71	-	-	7,693
Others	5,582	4,003	127	-	-	9,712
Total revenue from contracts with customers	131,575	32,923	3,117	1,094	445	169,154
Goods or services transferred at a point in time	130,985	32,422	2,502	-	317	166,226
Services transferred over time	590	501	615	1,094	128	2,928

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

5 Segment Information (Cont'd)

(b) Disaggregation of Revenue (Cont'd)

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

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

5 Segment Information (Cont'd)

(c) Geographical information

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

	Group			
	Revenue from external customers		Non - current assets as at	
	Six months ended		30 June	31 December
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	16,611	30,975	27,634	29,821
The PRC	124,992	123,386	25,648	24,029
Hong Kong	2,881	3,812	1,087	1,058
Malaysia	6,020	6,336	931	916
Indonesia	1,245	6,292	105,875	104,411
Vietnam	7,693	7,446	369	433
Others	9,712	12,460	1,108	851
Total	169,154	190,707	162,652	161,519

(d) Information about Major Customers

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

6 Other Operating Income

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Interest income	125	215
Commission income	1	30
Finance lease income	1,257	-
Foreign exchange gain, net	209	-
Gain on disposal of property, plant and equipment, net	4	25
Gain on termination of leases	2	-
Government grants	382	206
Operating lease rental income:		
- investment properties	22	25
- sub-let of office/warehouse premises	206	242
Property management income	273	272
Technical service income	285	252
Bad debt recovered	-	5
Write back of allowance of inventory obsolescence	106	92
Miscellaneous income	621	621
	3,493	1,985

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

7 Finance Costs

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Interest expenses on:		
- bank loans	881	496
- trust receipts	133	47
- leases liabilities	107	94
- others	950	620
	2,071	1,257

8 Profit before Income Tax

(a) Significant items

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	16	13
Depreciation of property, plant and equipment		
- recognised in cost of sales	415	411
- recognised in distribution costs	210	229
- recognised in administrative expenses	1,901	1,891
	2,526	2,531
Depreciation of investment properties	9	9
Other operating expenses included:		
- trade receivables written off	157	12
- allowance for inventories obsolescence	399	416
- inventories written off	18	8
- foreign exchange losses, net	-	574
- property, plant and equipment written off	11	-
Operating lease rental expenses	82	69

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

8 Profit before income tax (Cont'd)

(b) Related party transactions

In addition to the related party information disclosed elsewhere in this results announcement, the following are significant transactions of the Group with their related parties at mutually agreed amounts for 1H2023 and the half year of 2022 (“1H2022”):

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Sales to associates	(50)	(52)
Sales to related parties	(4,241)	(5,222)
Purchases from associates	78	8
Purchases from related parties	37,288	33,011
Administrative income charged to an associate	(20)	(21)
Administrative income charged to related parties	(141)	(134)
Rental charged to a related party	(265)	(269)
Rental charged to an associate	(3)	(3)
Interest charged to a related party	(4)	(4)
Other expenses charged by related parties	269	303
Other income charged to related parties	(155)	(122)
Dividend income from an associate	(309)	-

9 Income Tax

The Group calculates income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Current income tax		
- Singapore	423	840
- The PRC	3,389	3,448
- Outside Singapore and the PRC	308	368
- Under/(Over) provision in respect of prior year	184	(48)
	4,304	4,608
Deferred taxation		
- Over provision in respect of prior year	(19)	(28)
	4,285	4,580



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

9 Income tax (Cont'd)

The corporate tax rate applicable to the Company and those entities of the Group incorporated in Singapore for the financial periods ended 30 June 2023 and 2022 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the financial periods ended 30 June 2023 and 2022 is 24%.

The statutory tax rate for Hong Kong profit is 16.5% on the assessable profits arising during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first Hong Kong Dollar ("HK\$") 2 million of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits at 16.5%. The Inland Revenue (Amendment) (No. 3) Ordinance 2018 is effective from the year of assessment 2018/2019.

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

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

10 Earnings Per Share

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

	Group	
	Six months ended 30 June	
	2023	2022
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to equity holders of the Company (S\$'000)	4,580	11,070
Weighted average number of ordinary shares for the purpose of basic earnings per share	440,342,787	438,638,533
Basic and fully diluted earnings per share (Singapore cents)	1.04	2.52

The basic and diluted earnings per share are the same as there were no potential dilutive ordinary share in issue during the financial periods ended 30 June 2023 and 2022.

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

11 Dividends

Group	
Six months ended 30 June	
2023	2022
S\$'000	S\$'000

Ordinary dividends paid:

Tax exempt (one-tier) final dividend of 0.80 Singapore cents per ordinary share (2022: 1.45 Singapore cents) in respect of the previous year

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The Board recommended a final tax-exempt dividend of 0.80 Singapore cents (the “**Final Dividend**”) (2022: 1.45 Singapore cents) per ordinary share (the “**Shares**”), amounting to S\$3,532,000 (2022: S\$6,360,000) under the exempt one-tier system.

The Final Dividend has been approved by the Shareholders at the annual general meeting of the Company held on 28 April 2023 and will be paid on 25 August 2023 to the eligible Shareholders whose names appeared on the register of members of the Company on 7 July 2023.

12 Net Asset Value

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net assets (S\$'000)	200,993	197,829	115,188	111,684
Number of issued shares at the end of the period/year (net of treasury shares)	441,468,533	438,638,533	441,468,533	438,638,533
Net assets value per ordinary share based on number of issued share as at respective period/year (Singapore cents)	45.53	45.10	26.09	25.46

13 Property, Plant and Equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$3,947,000 (30 June 2022: S\$1,873,000), of which S\$1,379,000 (30 June 2022: S\$512,000) relates to right-of-use assets and S\$17,000 (30 June 2022: S\$32,000) were acquired by means of finance lease. Cash payments of S\$2,551,000 (30 June 2022: S\$1,329,000) were made to purchase of property, plant and equipment.



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

13 Property, Plant and Equipment (Cont'd)

As at 30 June 2023, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 17 was S\$18,799,000 (31 December 2022: S\$19,610,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$407,000 (31 December 2022: S\$433,000).

14 Goodwill

	Group	
	30 June 2023 S\$'000	31 December 2022 S\$'000
Balance at 1 January and 30 June	12,227	12,227

Impairment testing of goodwill

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

	Group	
	30 June 2023 S\$'000	31 December 2022 S\$'000
Engineering Solutions – Motion Control		
- Servo Dynamics (Thailand) Co., Ltd (" Servo Thailand ")	75	75
- TDS Technology (S) Pte Ltd (" TDS ")	2,103	2,103
Other Specialised Engineering Solution		
- Dirak Asia Pte Ltd (" Dirak Asia ")	9,508	9,508
Others		
- Aenergy Holdings Company Limited (" Aenergy ")	541	541
	<u>12,227</u>	<u>12,227</u>

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

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

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

15 Trade and Other Receivables

	Group		Company	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
<u>Non-current:</u>				
Service concession receivables	76,984	76,960	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	17,388	10,441	-	-
- trade receivables	67,792	73,386	-	-
- associates	33	10	-	-
- related parties	2,440	2,651	-	-
	87,653	86,488	-	-
Other receivables, net of impairment:				
Advances to associates	35	7	2	3
Advances to related parties	128	101	-	-
Deposits	588	644	17	17
Loan to associates	27	27	-	-
Sundry debtors	4,195	4,061	703	700
Amounts owing from non-controlling interest	1,991	1,878	-	-
	6,964	6,718	722	720
Advances paid to suppliers	12,436	6,351	-	-
Prepayment	1,848	1,559	62	84
	108,901	101,116	784	804

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

	Group	
	30 June 2023 S\$'000	31 December 2022 S\$'000
Within 30 days	39,107	36,071
31 - 90 days	28,173	31,064
Over 90 days	20,373	19,353
	87,653	86,488

Trade receivables are non-interest bearing and are usually due within 30 - 90 days term. Included in trade receivables as at 30 June 2023 were trade receivables from third parties amounting to S\$81,000 (31 December 2022: S\$Nil), 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.

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

15 Trade and Other Receivables (Cont'd)

Expected credit loss (“ECL”) assessment

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

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

16 Share Capital

	Group and Company			
	30 June 2023		31 December 2022	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At the beginning of period/year	438,638,533	81,487	438,638,533	81,487
Issue of ordinary shares related to share award	2,830,000	1,387	-	-
At the end of period/year	441,468,533	82,874	438,638,533	81,487

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

On 13 March 2023, an aggregate of 2,830,000 new ordinary shares (“**New Shares**”) were granted and vested under ISDN Performance Share Plan 2022 (“**ISDN PSP 2022**”) to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six (6) months.

Following the allotment and issuance of the New Shares, the number of ordinary shares as at 30 June 2023 is 441,468,533 (30 June 2022: 438,638,533). No treasury shares were held as at 30 June 2023 (30 June 2022: nil). The number of shares held as subsidiary holdings as at 30 June 2023 is nil (30 June 2022: nil).

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

There were no sales, transfer, disposal, cancellation and/or use of treasury shares during the 1H2023.

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

17 Bank borrowings

	Group		Company	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	9,952	10,810	-	-
- unsecured	14,049	12,999	-	-
	<u>24,001</u>	<u>23,809</u>	-	-
 <i>Amount repayable after one year</i>				
- secured	<u>9,814</u>	<u>10,066</u>	-	-

The bank loans of the Group are secured over leasehold properties, service concession receivables and land use rights. These facilities are also secured by corporate guarantees provided by the Company and other subsidiaries as well as personal guarantees by the directors of the subsidiaries.

18 Trade and other payables

	Group		Company	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
Trade payables:				
- trade payables	34,366	33,861	-	-
- associates	54	90	-	-
- related parties	10,537	9,586	-	-
	<u>44,957</u>	<u>43,537</u>	-	-
Accrued operating expenses	1,313	2,173	98	147
Accrued salaries and bonuses	14,378	17,522	9,052	9,380
Amount owing to an associate	24	24	-	-
Amount owing to non-controlling interests	6,774	4,831	-	-
Amounts owing to subsidiaries	-	-	383	825
Other payables	27,377	27,014	1,985	219
	<u>94,823</u>	<u>95,101</u>	<u>11,518</u>	<u>10,571</u>

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

18 Trade and Other Payables (Cont'd)

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

	Group	
	30 June 2023 S\$'000	31 December 2022 S\$'000
Within 30 days	26,086	28,355
31 - 90 days	9,805	12,151
Over 90 days	9,066	3,031
	44,957	43,537

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

19 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group		Company	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
Financial Assets				
Other financial assets at fair value through other comprehensive income	900	900	-	-
Cash and bank balances, service concession receivables and trade and other receivables (Amortised cost)	223,158	226,720	75,246	70,713
	224,058	227,620	75,246	70,713
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	135,108	135,158	12,169	11,232
	135,108	135,158	12,169	11,232

20 Subsequent events

No major subsequent event has occurred since the end of the financial period ended 30 June 2023 up to the date of this announcement.



F. Management Discussion and Analysis

BUSINESS REVIEW

In 1H2023, ISDN delivered a revenue and net profit down 11.3% year-on-year (“YoY”) and 43.8% YoY respectively. As ISDN has noted in its recent filings, it is navigating a set of economic downcycles in the PRC economy, and in cyclical end-industries including semiconductors and electronics.

As ISDN navigates its emergence from these downcycles, it is focused on managing sequential (rather than year-on-year) business momentum as it believes this perspective is more relevant for navigating through a trough-and-recovery phase of the economic cycle.

Core industrial automation business review

The PRC industrial automation business

In 1H2023, the Group saw significant improvement in sequential growth in its largest addressable market, the PRC, which accounts for 73.9% of total ISDN revenue. The Group’s PRC business delivered revenue growth of +4.3% in 1H2023 compared to the second half of the financial year ended 31 December 2022 (“2H2022”). On a constant currency basis, the PRC revenues in 1H2023 grew +7.8% sequentially compared to 2H2022.

Across its PRC business, the Group saw revenue momentum consistent with the overall Chinese economy, with steady growth in acyclical sectors such as medical and consumables, offset by weakness in cyclical sectors such as semiconductors and electronics.

On a YoY basis, the PRC business remains down -1.3% in revenue in 1H2023 compared to 1H2022. However, as noted above, ISDN is navigating a broad economic downturn and is focused on sequential performance as it seeks to execute a confident economic recovery over time.

Non-PRC industrial automation business

The Group’s non-PRC business is heavily concentrated in Southeast Asia, which accounts for 92.1% of ISDN’s non-PRC industrial automation revenue and almost all of ISDN’s non-PRC industrial automation profits.

In 1H2023, the Group’s Southeast Asia business declined 26.5% sequentially compared to 2H2022. The decline was primarily driven by several semiconductor customers who experienced revenue contraction consistent with the deep global semiconductor downturn. Excluding these several customers, ISDN’s non-PRC business declined -9.9% in 1H2023 compared to 2H2022, reflecting a broader cyclical slowdown in industrial and manufacturing activity in the region.

On a YoY basis, the non-PRC business remains down -30.0% in revenue in 1H2023 compared to 1H2022. As noted above, ISDN is navigating a broad economic downturn and is focused on sequential performance as it seeks to execute a confident economic recovery over time.

Renewable Energy business review

The Group started to recognise the revenue contributions from its renewable energy segment after the full commercialization of its first hydropower plant, Lau Biang 1, on 31 December 2022. A total of S\$3.0 million was billed to PT PLN (Persero) (“PLN”) in 1H2023 and received as of July 2023.

The Group also announced in June 2023 that it had secured commercial operation approvals for its 2 additional plants, Anggoci and Sisira. This expands the Group’s total capacity by 14.6MW to reach 24.6MW from the three hydropower plants.



F. Management Discussion and Analysis (cont'd)

BUSINESS REVIEW (cont'd)

Profit review

Gross profit decreased by -14.4% YoY to S\$44.3 million in 1H2023 compared to 2H2022. Gross profit margin dipped 2.6 percentage points to 26.2% in 1H2023 over 2H2022, primarily attributable to the shift in sales mix towards lower margin products.

Operating expenses declined 6.1% to S\$31.4 million in 1H2023 compared to 2H2022, primarily driven by careful expense management in a volatile environment.

Other operating income grew by 138.8% to S\$3.5 million in 1H2023 compared to 2H2022, mainly due to the recognition of finance lease income for Lau Biang 1 of S\$1.2 million, increase in net foreign exchange gain of S\$0.2 million, and increase in government grant of S\$0.3 million.

Finance costs decreased by 7.1% to S\$2.1 million in 1H2023 compared to 2H2022, due to interest rate of project financing for a mini-hydropower plant project in Indonesia was finalised in 2H2022, hence the full year finance cost for financial year ended 31 December 2022 was recorded in 2H2022.

Consequently, the Group delivered a net profit of S\$9.1 million in 1H2023, up +30.4% over 2H2022.

The Group's cash and bank balance and fixed deposits remains robust at S\$51.6 million as at 30 June 2023.

F. Management Discussion and Analysis (cont'd)

BUSINESS OUTLOOK (cont'd)

As highlighted in the Business Review section, ISDN saw significant sequential improvement in its core PRC industrial automation business in 1H2023 compared to 2H2022. While ISDN is pleased to have seen evidence of an emerging recovery in the PRC during the half-year, it remains cautious as the PRC's Manufacturing PMI¹ continues to indicate slight pessimism in manufacturing outlook. Accordingly, ISDN continues to monitor sales and expenses closely in the PRC as it awaits clearer evidence of growth traction in the PRC.

ISDN's non-PRC business was deeply impacted by (a) several semiconductor customers experience deep cyclical declines; and (b) a broader cyclical slowdown in manufacturing and industrial activity in the region. ISDN believes these impacts are cyclical, and that both regional and semiconductor industry recovery are inevitable as growth fundamentals remains strong for both sectors.

The Group re-affirms that its confidence in its long-term growth prospects in industrial automation are well founded:

First, ISDN's key geographical markets have positive growth prospects. The July 2023 World Economic Outlook Update of the International Monetary Fund ("IMF") projects that emerging and developing Asia's growth is on track to rise to 5.3% in 2023 from 4.5% in 2022. IMF also maintained its forecasts for the PRC's economic growth to expand by 5.2% in 2023 from 3.0% in 2022, mainly attributable to the faster-than-expected drop in inflation which reduces the need for tight monetary policy, thereby reviving domestic demand.

Second, the PRC continues to develop policy support for growing industrial automation to support the nation's long-term economic growth and competitiveness.

Third, ISDN believes both the PRC and Southeast Asia must continue to grow their use of industrial automation to offset escalating wage costs, and to upgrade capabilities to remain competitive in global manufacturing.

The Group also believes it is well-positioned strategically for the global transition to clean energy. In 1H2023, ISDN made meaningful progress towards commercializing 2 additional mini-hydropower plants, Anggoci and Sisira, in Indonesia. Together with the capacity of 10MW of the Group's Lau Biang 1 hydropower plant, the Group's total capacity is now 24.6MW. They are expected to make significant and recurring contributions to the earnings of the Group going forward.

With the anticipated recovery in the industrial automation solutions segment, increasing government stimulus in the PRC, and integration of the renewable energy segment, the Group remains confident in its ability to navigate through its cyclical market trough and capitalise on long-term growth in industrial automation and clean energy going forward.

¹ Manufacturing PMI refers to China's Manufacturing Purchasing Manager's Index, as measured by China's Department of Service Statistics of NBS.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

Revenue and gross profit margin

	Group		
	Six months		
	ended 30 June		
	2023	2022	Change
	S\$'000	S\$'000	+ / (-)
Industrial Automation Solutions			
Revenue	168,060	184,618	-9.0%
Gross profit	43,354	53,627	-19.2%
Gross profit margin	25.8%	29.0%	-3.2 ppt
Renewable Energy			
Revenue	1,094	6,089	-82.0%
Gross profit	973	451	n.m.
Gross profit margin	88.9%	7.4%	81.5 ppt
Total			
Revenue	169,154	190,707	-11.3%
Gross profit	44,327	54,078	-18.0%
Gross profit margin	26.2%	28.4%	-2.2 ppt

n.m.: Not meaningful

The Group's revenue of S\$169.2 million for 1H2023 was lower as compared to 1H2022 of S\$190.7 million. Revenue from our industrial automation solutions segment decreased by S\$16.6 million or 9.0% in 1H2023. The decline was significantly impacted by cyclical impact from 3 semiconductor industry customers and weaker RMB currency against the Group's reporting currency, S\$. RMB had depreciated by about 8.7% in June 2023 as compared to June 2022. On a constant currency basis, the Group's revenue would be S\$180.0 million in 1H2023, which resulted in a slight decrease by 2.7%.

For renewable energy, the revenue recognised in 1H2022 was related to construction revenue before it was commercialised. The Group's hydropower plant, Lau Biang 1, commenced commercial operations on 31 December 2022. The Group recognised S\$1.1 million and S\$1.2 million in revenue and finance lease income under other operating income, respectively for Lau Biang 1 in 1H2023 in accordance with SFRS(I)INT12 Service concession arrangements.

Gross profit of S\$44.3 million was S\$9.8 million, or 18.0% lower in 1H2023 as compared to 1H2022. Overall, the gross profit margins of the Group in 1H2023 decreased by 2.2 percentage points from 28.4% to 26.2% as compared to corresponding period of 1H2022. In 1H2023, the gross profit and gross profit margin for the industrial automation solutions segment fell by S\$10.3 million and 3.2 percentage points, respectively. This decline in sales to higher profit margin customers can be attributed to the weakness in cyclical sectors such as semiconductors and electronics, which affected the Group's sales mix. As a result, the Group experienced a notable decrease in its gross profit margin. The gross profit margin for renewable energy grew from 7.4% to 88.9%, as a result of the commercialisation of Lau Biang 1.



F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Other operating income

Other operating income increased by S\$1.5 million, or 76.0% to S\$3.5 million for 1H2023 was mainly attributable to the recognition of finance lease income for Lau Biang 1 of S\$1.2 million, increase in net foreign exchange gain of S\$0.2 million, increase in government grant of S\$0.2 million; partially offset by decrease in interest income of S\$0.1 million.

Distribution costs

Distribution costs decreased by S\$2.5 million, or 16.5% to S\$12.5 million for 1H2023 primarily due to decrease in staff and related cost of S\$1.8 million arising from lower staff commission to sales personnel, decrease in sales and marketing expenses of S\$0.8 million, which is in line with the decrease in revenue, and decrease in office and other expenses by S\$0.1 million. This was partially offset by the increase in travelling expenses of S\$0.2 million due to the easing of business travel restriction in our business segments.

Administrative expenses

Administrative expenses decreased by S\$0.5 million, or 2.6% to S\$19.0 million in 1H2023 mainly due to lower performance bonus for executive directors of S\$0.9 million, decrease in office and other expenses of S\$0.3 million. This was partially offset by increase in staff and related cost of S\$0.5 million mainly arising from the consolidation of new subsidiaries incorporated in 2H2022, increase in travelling expenses and professional fees of S\$0.1 million and S\$0.1 million respectively.

Net impairment gains on financial assets

Net impairment gains on financial assets decreased by S\$0.2 million or 84.1% in 1H2023 due to lower reversal of impairment loss following expected credit loss assessment and a lower recovery of debts.

Other operating expenses

Other operating expenses decreased by S\$0.4 million, or 34.8% to S\$0.7 million for 1H2023. The decrease was mainly due to the absence of net foreign exchange loss of S\$0.6 million; partially offset by increase in bad debts written off of S\$0.1 million and increase in other operating expenses of S\$0.1 million.

Finance costs

Finance costs increased by S\$0.8 million, or 64.8% to S\$2.1 million for 1H2023, as a result of project financing from the engineering, procurement and construction (“EPC”) contractor for our mini-hydropower plant project in Indonesia and higher bank interest rate.

Share of (loss)/profit of associates, net

Due to the decline in business activity of our associated companies, the Group recorded a share of loss of associates of S\$0.4 million in 1H2023, compared to a share of profit of S\$1.1 million in 1H2022.

Income tax expense

Income tax expense decreased by S\$0.3 million, or 6.4% to S\$4.3 million for 1H2023, mainly due to lower taxable profits in 1H2023.



F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment increased by S\$1.8 million, or 2.9% as at 30 June 2023. The increase was mainly due to recognition of right-of-use assets of S\$1.4 million, increase in capital expenditure of S\$1.4 million for construction of a new building in our Wujiang office, the PRC, purchase of plant and equipment of S\$0.5 million, purchase of furniture and fittings of S\$0.3 million, purchase of motor vehicles of S\$0.2 million and renovation of leasehold properties of S\$0.1 million. In addition, there was also translation gain of S\$0.4 million mainly arising from the strengthening of Indonesian Rupiah ("IDR") against S\$ in 1H2023. This was partially offset by depreciation charge of S\$2.5 million.

Associates

Interests in associates decreased by S\$0.7 million, or 11.1% as at 30 June 2023 due to share of loss of associates of S\$0.4 million in 1H2023 and declaration of dividend from associates of S\$0.3 million.

Service concession receivables

Service concession receivables remained at S\$77.0 million as at 30 June 2023. Service concession 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. In 1H2023, a total of S\$0.6 million in service concession receivables were derecognised upon invoicing to PLN for Lau Biang 1. Furthermore, due to the USD's depreciation against the IDR, a foreign exchange revaluation loss of S\$2.9 million was recognised. This was partially offset by the translation gain of S\$3.5 million arising from the strengthening of IDR against S\$ in 1H2023.

Inventories

Inventories decreased by S\$1.6 million or 2.0% to S\$79.6 million as at 30 June 2023 primarily due to decrease in revenue in 1H2023.

Trade and other receivables

Trade and other receivables increased by S\$7.8 million or 7.7% to S\$108.9 million as at 30 June 2023 mainly due to increase in advances to trade suppliers of S\$6.1 million, which predominately result from advances made to the EPC for the construction of mini-hydropower plants, Lau Biang 2, increase in trade receivables of S\$1.2 million, increase in prepayment of S\$0.3 million, increase in amount owing from non-controlling interest of S\$0.1 million and increase in sundry receivables of S\$0.1 million.

Subsequent receipt of about S\$19.6 million was received from customers as at 31 July 2023. The collection represented approximately 22.3% of trade receivables as at 30 June 2023.

Trade and other payables

Trade and other payables decreased by S\$0.3 million or 0.3% to S\$94.8 million as at 30 June 2023, which was mainly due to decrease in accrued salaries and bonus of S\$3.1 million pertaining to the vesting of share-based payment amounting to S\$1.7 million in March 2023 and a decrease in performance bonus for executive directors, as well as decreased in accrued operating expenses of S\$0.9 million. This was partially offset by increase in amount loan from a non-controlling interest of S\$1.9 million for the advance payment to EPC for construction of mini-hydropower plants, Lau Biang 2, increase in trade payables of S\$1.4 million and increase of other payables of S\$0.4 million.



F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS

Contract liabilities

The decrease in contract liabilities of S\$3.5 million or 19.5% to S\$14.5 million was mainly due to decrease in advances received from customers for sales of goods largely from our PRC subsidiaries. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Bank borrowings (current and non-current)

Bank borrowings decreased by S\$0.1 million or 0.2% to S\$33.8 million as at 30 June 2023. The decrease was primarily due to repayment of bank borrowings of S\$12.5 million offset by proceeds from bank borrowings (inclusive of trust receipts) of S\$12.4 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 1H2023, net cash generated from operating activities before changes in working capital amounted to S\$17.4 million. Cash used in working capital of S\$11.7 million mainly due to increase in trade and other receivables of S\$9.5 million and decrease in trade and other payables of S\$3.5 million; partially offset by decrease in inventories of S\$1.3 million. This was partially offset by net interest payment of S\$1.8 million and income tax paid of S\$5.0 million. As a result of the above, the net cash flow used in operating activities amounted to S\$1.1 million.

Changes in Cash Flow from Investing Activities

For 1H2023, net cash used in investing activities of S\$2.2 million was primarily attributed to purchase of property, plant and equipment of S\$2.5 million; partially offset by dividends received from associates of S\$0.3 million.

Changes in Cash Flow from Financing Activities

For 1H2023, net cash used in financing activities amounted to S\$1.1 million mainly due to repayment of lease liabilities (inclusive of interest) of S\$1.2 million and dividend paid to non-controlling interest of S\$0.4 million; partially offset by decrease in bank deposits pledged of S\$0.5 million.

As at 30 June 2023, the Group maintained a healthy cash and cash equivalents balance of S\$49.6 million.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Please refer to Note 9 of Section G - Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix 16.



F. Management Discussion and Analysis (cont'd)

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2023, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2023, cash and bank balances amounted to approximately S\$51.6 million, which decreased by approximately 8.8% as compared to S\$56.6 million as at 31 December 2022. The quick ratio of the Group was approximately 1.2 times (31 December 2022: 1.1 times).

As at 30 June 2023, the Group has long and short-term bank borrowings of approximately S\$33.8 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$24.0 million (31 December 2022: S\$23.8 million) while the bank borrowings due after one year amounted to approximately S\$9.8 million (31 December 2022: S\$10.1 million).

As at 30 June 2023, the weighted average effective interest rates on bank borrowings is 5.1% (31 December 2022: 4.5%) per annum. The Group obtained the Temporary Bridge Loan (the "TBL") of S\$5.0 million in financial year ended 2021 which was initiated by the Singapore government to help local companies' working capital needs. The term of the TBL is 5 years with fixed interest rate at 2.65% per annum. Other than the above, the Group does not have fixed rate bank borrowings as at 30 June 2023 and 31 December 2022. Together with the obligation under finance leases of approximately S\$0.1 million (31 December 2022: S\$0.2 million), the Group's total borrowings amounted to S\$33.9 million (31 December 2022: S\$34.1 million).

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group was about 16.9% (31 December 2022: 17.2%) which was calculated on the Group's total borrowing (including total borrowing and finance lease but excluding trade and other payables) to total Shareholders' equity (excluding non-controlling interests).

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2023. 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 coincide with the functional currency of the subsidiary as a natural hedge against foreign exchange fluctuation. During the six months ended 30 June 2023, 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 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 2023, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the financial period ended 30 June 2023, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$2,568,000 (30 June 2022: S\$1,361,000).



F. Management Discussion and Analysis (cont'd)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, there were 1,165 (31 December 2022: 1,124) 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.

On 31 January 2023, the Company adopted a new share incentive scheme, namely, the ISDN PSP 2022. The purpose of the ISDN PSP 2022 is to (a) foster a culture of ownership within the Group to align the interests of Group Employees and Group Non-executive Directors with the interests of Shareholders; (b) motivate participants to strive towards excellence and to maintain high level of performance to contribute to the Group and to achieve key financial and operational goals of the Company and/or their respective business units; and (c) make total employee remuneration sufficiently competitive to recruit and retain staff whose contributions are important to the long-term growth and profitability of the Group.

On 13 March 2023, an aggregate of 2,830,000 New Shares were granted and vested under ISDN PSP 2022 to selected employees of the Group who are not related to any Directors, chief executives and substantial Shareholders (and each of their associates). The awards were granted without any performance or vesting conditions attached, but subject to a selling moratorium of six (6) months.

There are no outstanding share awards issued under the ISDN PSP 2022.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and associates, the Group did not hold any significant investment in equity interest in any other company during the financial period ended 30 June 2023.

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 2023.

Charge on the Group's Assets

As at 30 June 2023, the Group's bank deposits, service concession receivables, net book value of property, plant and equipment and land use rights of approximately S\$2.0 million, S\$77.0 million, S\$18.8 million and S\$1.1 million, respectively (31 December 2022: S\$2.4 million, S\$77.0 million, S\$19.6 million and S\$1.1 million) were pledged to banks to secure banking facilities granted to the Group.

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

During the financial period ended 30 June 2023 and up to the date of this announcement, the Company did not redeem any of its securities listed on the Main Board of the Stock Exchange and SGX-ST, neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

PROPOSED INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2023 (30 June 2022: Nil).



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

1. Review

The condensed interim consolidated statement of financial position of ISDN Holdings Limited and its subsidiaries as at 30 June 2023 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six-months ended 30 June 2023 and certain explanatory notes have not been audited or reviewed by the auditor of the Company, but have been reviewed by the Audit Committee.

2. Review of performance of the Group

Please refer to section F. Management Discussion and Analysis – Financial Review.

3. Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results.

No specific forecast statement was previously disclosed to Shareholders.

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

Please refer to section F. Management Discussion and Analysis – Business Review and Business Outlook.

5. Dividend Information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

In view of the current economic outlook and business environment uncertainty, no dividend has been declared/recommended by the Board of Directors for the 1H2023 as the Group intends to conserve funds for business development purposes and deems it prudent to defer any decision on dividend until the financial year ending 31 December 2023.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.



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

6. Interested Person Transactions (“IPTs”)

The Group has not obtained a general mandate from Shareholders of the Company for IPTs.

7. Use of proceeds

(a) Use of Net Proceeds from the Second Placement

The Company has re-allocated the unutilised net proceeds from the Second Placement, which was originally allocated for working capital requirements of the mining-related business of the Group, in particular for coal trading to funding for construction and working capital requirement of the renewal energy business of the Group. For more information, please refer to Company’s announcement entitled “Change in Use of Proceeds” dated 7 July 2023.

There has been no material usage till to the date of this announcement after the last announcement made on 7 July 2023. The Company will make further announcements when the remaining net proceeds from Second Placements are materially disbursed.

(b) Use of Net Proceeds from the issuance of new shares under general mandate

There has been no material usage till to the date of this announcement after the last announcement made on 7 June 2023. The Company will make further announcements on the utilisation of proceeds from the subscription as and when the funds are materially disbursed.

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

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

On 4 January 2023, the Group dissolved two Malaysian subsidiaries, SDL Control (KL) Sdn. Bhd. and TDS Technology (KL) Sdn. Bhd.. For more information, please refer to Company’s announcement entitled “Dissolution of Malaysian Subsidiaries” dated 5 January 2023.

On 17 March 2023, the Company’s direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. (“**MCG**”) acquired 6,000 ordinary share representing 3% of the issued and paid-up share capital of NovaPeak Pte. Ltd. (“**NovaPeak**”) from a minority shareholder at a consideration of S\$1.00. Following the completion of the acquisition, the Company’s effective interest in NovaPeak increased from 87% to 90%.

On 5 May 2023, the Company’s indirect 49%-owned subsidiary, Dirak Asia had made a capital injection of USD570,000 (equivalent to S\$767,000) in a wholly-owned subsidiary, Suzhou D Snap Technologies Co., Ltd (“**Suzhou D Snap**”) for working capital purpose. Following the completion of the capital injection, the total registered and paid-up share capital of Suzhou D-Snap increased from USD750,000 to USD1,320,000 (100%) of the total registered and paid-up share capital of Suzhou D-Snap.



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

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

On 16 June 2023, the Company's indirect wholly-owned subsidiary, ISDN Software Business Pte Ltd ("**ISDN Software**") had made additional capital injection of RMB800,000 (equivalent to S\$153,000) in a 70%-owned subsidiary, ISDN-NJ Software Business Co., Ltd. ("**ISDN Nanjing**") for working capital purposes. Following the completion of additional capital injection, the total paid-up share capital of ISDN Nanjing increased from RMB2,450,000 to RMB3,250,000 (equivalent to approximately S\$651,000).

10. Compliance with Corporate Governance Codes

The Group has applied the principles and the extent of compliance with the guidelines as set out in the Singapore Revised Code of Corporate Governance 2018 (the "**Code**") and the mandatory disclosure requirements and applicable code provisions of the Corporate Governance Code (the "**HK CG Code**") as set out in Part 2 of Appendix 14 to the SEHK Listing Rules to provide the structure through which the objectives of protection of Shareholders' interest and enhancement of long-term Shareholders' value are met. In the event of any conflict between the Code and the HK CG Code, the Group will comply with the more onerous provisions. Throughout the financial period ended 30 June 2023, the Group has complied with the Code and the HK CG Code.

11. Compliance with Singapore Listing Manual and Hong Kong Model Code

In compliance with Rules 1207(19) of the Listing Manual (the "**Singapore Listing Manual**") of the SGX-ST and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the SEHK Listing Rules (the "**Model Code**"), the Company has adopted its own internal compliance code pursuant to the SGX-ST's and the Model Code's best practices on dealings in securities and these are applicable to all officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code during the financial period ended 30 June 2023.

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

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information and/or inside information of the Company and they are not to deal in the Company's securities on short-term considerations.

12. Audit Committee

The Audit Committee with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and internal controls.

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



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

12. Audit Committee (Cont'd)

The financial information in this announcement has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the financial period ended 30 June 2023 and is of the opinion that such results complied with the applicable accounting standards, the requirements under Singapore Listing Manual and the SEHK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

13. Publication of Financial Information

The interim results announcement for the financial period ended 30 June 2023 is published on the website of the SGX-ST at <https://www.sgx.com/securities/company-announcements>, website of the Stock Exchange at <https://www.hkexnews.hk/> and the website of the Company at <https://www.isdnholdings.com/sgx-singapore-exchange>. The interim report of the Company for the financial period ended 30 June 2023 containing, among others, the interim financial information of the Group will be published on the above websites in due course.

14. Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months period ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Teo Cher Koon
President and Managing Director

Kong Deyang
Executive Director

By Order of the Board
ISDN Holdings Limited

Teo Cher Koon
President and Managing Director
Singapore and Hong Kong, 8 August 2023

As at the date of this announcement, the Board comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive Directors; Mr. Toh Hsiang-Wen Keith as non-executive Director; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive Directors.