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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 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2024 S\$'000	2023 S\$'000	Change %
Revenue	174,573	170,411	2.4%
Gross profit	44,393	45,584	-2.6%
Profit after tax	5,806	9,061	-35.9%
Profit for the period and attributable to equity holders of the Company	3,781	4,580	-17.4%
Basic earnings per share (Singapore cents)	0.85	1.04	

The Board has resolved not to declare interim dividend for the current period (2023 interim: nil).



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INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ISDN Holdings Limited (the “**Company**”) hereby announces the condensed interim consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**1H2024**”), together with the relevant comparative audited or unaudited figures. The Group’s interim results for 1H2024 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		
		2024	2023	Change
		S\$'000	S\$'000	+ / (-)
		(unaudited)	(unaudited)	
Revenue	5	174,573	170,411	2.4%
Cost of sales		(130,180)	(124,827)	4.3%
Gross profit		44,393	45,584	-2.6%
Other operating income	6	1,959	2,236	-12.4%
Distribution costs		(14,381)	(12,459)	15.4%
Administrative expenses		(19,775)	(18,953)	4.3%
Net impairment (losses)/gains on financial assets		(77)	36	n.m.
Other operating expenses		(690)	(670)	3.0%
Finance costs	7	(2,767)	(2,071)	33.6%
Share of loss of associates, net		(147)	(357)	-58.8%
Profit before income tax	8	8,515	13,346	-36.2%
Income tax	9	(2,709)	(4,285)	-36.8%
Profit for the period		5,806	9,061	-35.9%
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		55	-	n.m.
- fair value loss recognised on financial asset at fair value through other comprehensive income		(345)	-	n.m.
- exchange differences on translation		437	(3,483)	n.m.
Total comprehensive income for the period		5,953	5,578	6.7%
Profit for the period attributable to:				
Equity holders of the Company		3,781	4,580	-17.4%
Non-controlling interests		2,025	4,481	-54.8%
		5,806	9,061	-35.9%
Total comprehensive income for the period attributable to:				
Equity holders of the Company		4,124	1,777	n.m.
Non-controlling interests		1,829	3,801	-51.9%
		5,953	5,578	6.7%
Earnings per share attributable to the equity holders of the Company:				
Basic and diluted (Singapore cents)	10	0.85	1.04	-18.3%

n.m.: Not meaningful

B. Condensed Interim Consolidated Statements of Financial Position

	Note	Group		Company	
		As at 30 June 2024 S\$'000 <i>(unaudited)</i>	As at 31 December 2023 S\$'000 <i>(audited)</i>	As at 30 June 2024 S\$'000 <i>(unaudited)</i>	As at 31 December 2023 S\$'000 <i>(audited)</i>
ASSETS					
Non-current Assets					
Property, plant and equipment	13	64,797	63,189	596	613
Investment properties		387	396	-	-
Land use rights		1,028	1,041	-	-
Goodwill	14	12,227	12,227	-	-
Subsidiaries		-	-	87,304	87,304
Associates		7,311	5,272	-	-
Service concession receivables	15	71,075	70,460	-	-
Other financial assets		555	900	-	-
Deferred tax assets		418	281	6	-
Total non-current assets		157,798	153,766	87,906	87,917
Current Assets					
Inventories		69,494	73,011	-	-
Trade and other receivables and contract assets	15	114,597	110,593	788	735
Service concession receivables	15	3,121	3,036	-	-
Amounts owing by subsidiaries		-	-	36,188	37,406
Cash and bank balances		60,825	60,033	2,858	1,845
Total current assets		248,037	246,673	39,834	39,986
Total Assets		405,835	400,439	127,740	127,903
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	84,755	84,755	84,755	84,755
Reserves		117,991	113,867	40,642	39,884
		202,746	198,622	125,397	124,639
Non-controlling interests		43,133	42,043	-	-
Total Equity		245,879	240,665	125,397	124,639
Non-current Liabilities					
Bank borrowings	17	51,510	56,025	-	-
Leases liabilities		5,054	5,035	618	618
Deferred tax liabilities		638	568	-	-
Total non-current liabilities		57,202	61,628	618	618
Current Liabilities					
Bank borrowings	17	19,284	19,659	-	-
Leases liabilities		1,462	1,368	11	22
Trade and other payables	18	66,458	64,624	1,714	2,624
Contract liabilities		14,086	10,811	-	-
Current tax liabilities		1,464	1,684	-	-
Total current liabilities		102,754	98,146	1,725	2,646
Total Liabilities		159,956	159,774	2,343	3,264
Total Equity and Liabilities		405,835	400,439	127,740	127,903

C. Condensed Interim Consolidated Statements of Changes in Equity

	← Attributable to equity holders of the Group →					Total	Non- controlling interests	Total equity
	Share capital	Merger reserve	Exchange translation reserve	Other reserves	Retained earnings			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group								
2024								
Balance at 1 January 2024 <i>(audited)</i>	84,755	(436)	(9,576)	6,495	117,384	198,622	42,043	240,665
Profit for the period	-	-	-	-	3,781	3,781	2,025	5,806
Other comprehensive income/(loss) for the period	-	-	633	(290)	-	343	(196)	147
Total comprehensive income/(loss) for the period	-	-	633	(290)	3,781	4,124	1,829	5,953
Dividends to non-controlling interests	-	-	-	-	-	-	(739)	(739)
Balance at 30 June 2024 <i>(unaudited)</i>	84,755	(436)	(8,943)	6,205	121,165	202,746	43,133	245,879
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>	82,874	(436)	(8,500)	6,194	120,861	200,993	48,207	249,200

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				
2024				
Balance at 1 January 2024 (<i>audited</i>)	84,755	(178)	40,062	124,639
Profit for the period	-	-	758	758
Total comprehensive income for the period	-	-	758	758
Balance at 30 June 2024 (<i>unaudited</i>)	84,755	(178)	40,820	125,397
2023				
Balance at 1 January 2023 (<i>audited</i>)	81,487	(178)	30,375	111,684
Profit for the period	-	-	2,117	2,117
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

D. Condensed Interim Consolidated Statement of Cash Flows

	Group	
	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Operating Activities:		
Profit before income tax	8,515	13,346
Adjustments for:		
Allowance for impairment loss of trade and other receivables	110	64
Allowance for inventories obsolescence	495	399
Amortisation of land use rights	16	16
Depreciation of investment properties	9	9
Depreciation of property, plant and equipment	3,134	2,526
Gain on disposal of property, plant and equipment, net	(221)	(4)
Gain on termination of leases	-	(2)
Interest expenses	2,767	2,071
Interest income	(219)	(125)
Inventories written off	7	18
Property, plant and equipment written off	-	11
Reversal of over provision of share-based payment	-	(358)
Share of results of associates, net	147	357
Trade receivables written off	5	157
Write back of allowance for impairment loss on trade receivables	(33)	(100)
Write back of allowance for inventories obsolescence	-	(106)
Unrealised foreign exchange differences	(266)	(839)
Operating cash flow before working capital changes	14,466	17,440
Changes in working capital:		
Inventories	3,013	1,308
Trade and other receivables	(2,990)	(9,483)
Trade and other payables	7,180	(3,505)
Cash from operating activities before service concession	21,669	5,760
Change in receivables from service concession arrangements	(700)	(25)
Cash generated from operations after service concession	20,969	5,735
Interest paid	(2,646)	(1,964)
Interest received	219	125
Income tax paid	(2,996)	(5,045)
Net cash generated from/(used in) operating activities	15,546	(1,149)

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

	Group	
	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash Flows from Investing Activities:		
Dividend from associates	47	309
Proceeds from disposal of property, plant and equipment	839	10
Purchase of property, plant and equipment	(4,529)	(2,551)
Net cash used in investing activities	(3,643)	(2,232)
Cash Flows from Financing Activities:		
Decrease in fixed deposits pledged and restricted bank deposit	-	545
Dividends to non-controlling interests	(1,910)	(365)
Investment in associate	(2,203)	-
Interest expense on lease liabilities	(121)	(107)
Proceeds from bank loans	3,802	14,029
Proceeds/(Repayment) from trust receipts and other borrowings, net	1,800	(1,617)
Repayment of bank loans	(10,491)	(12,473)
Repayment of lease liabilities	(1,200)	(1,107)
Net cash used in financing activities	(10,323)	(1,095)
Net increase/(decrease) in cash and cash equivalents	1,580	(4,476)
Cash and cash equivalents at beginning of the period	59,262	54,128
Effect of currency translation on cash and cash equivalents	(771)	(80)
Cash and cash equivalents at end of the period	60,071	49,572
<u>Additional information:</u>		
Cash and bank balances	56,982	48,060
Fixed deposits	3,843	3,497
Cash and bank balances and fixed deposits	60,825	51,557
Less: bank deposits pledged	(754)	(1,985)
Total cash and cash equivalents	60,071	49,572

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 2024 but are extracted from that report.

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2024 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 D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**SEHK Listing Rules**”). The unaudited condensed interim consolidated 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 2023.

The unaudited condensed interim consolidated financial information has been prepared on the historical basis, except certain financial assets and liabilities which are carried at fair value. The unaudited condensed interim consolidated 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 2024. 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 2024.

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 interim consolidated 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 2023.

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.

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	
	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000
Revenue														
External Sales	131,098	131,575	34,805	32,923	3,101	3,117	4,961	2,351	608	445	-	-	174,573	170,411
Inter-segment sales	2,140	4,002	867	2,360	201	1,252	-	-	5	27	(3,213)	(7,641)	-	-
	<u>133,238</u>	<u>135,577</u>	<u>35,672</u>	<u>35,283</u>	<u>3,302</u>	<u>4,369</u>	<u>4,961</u>	<u>2,351</u>	<u>613</u>	<u>472</u>	<u>(3,213)</u>	<u>(7,641)</u>	<u>174,573</u>	<u>170,411</u>
Results														
Segment results	6,488	9,396	1,589	2,263	173	237	2,308	2,326	(317)	333	-	-	10,241	14,555
Share of loss of associates, net	(147)	(357)	-	-	-	-	-	-	-	-	-	-	(147)	(357)
Corporate income													710	866
Rental income													259	228
Interest income													219	125
Finance costs													(2,767)	(2,071)
Profit before income tax													8,515	13,346
Income tax													(2,709)	(4,285)
Profit for the six months ended 30 June													<u>5,806</u>	<u>9,061</u>
Assets														
Segment assets	150,875	150,018	56,704	54,454	7,525	7,377	108,833	110,919	6,890	5,029	(5,742)	(5,286)	325,085	322,511
Goodwill	2,178	2,178	9,508	9,508	-	-	541	541	-	-	-	-	12,227	12,227
Associates	7,311	5,272	-	-	-	-	-	-	-	-	-	-	7,311	5,272
Investment properties													387	396
Cash and bank balances													60,825	60,033
Consolidated total assets as at 30 June / 31 December													<u>405,835</u>	<u>400,439</u>
Liabilities														
Segment liabilities	51,597	50,713	14,874	14,349	520	463	14,196	9,580	4,197	4,470	(5,742)	(5,286)	79,642	74,289
Bank borrowings and lease liabilities													77,310	82,087
Income tax liabilities													1,464	1,684
Other unallocated corporate liabilities													1,540	1,714
Consolidated total liabilities as at 30 June / 31 December													<u>159,956</u>	<u>159,774</u>

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	
	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000
Other information														
Capital expenditure on:														
- Property, plant and equipment	1,917	1,525	2,878	720	7	10	-	261	2	52	-	-	4,804	2,568
Other non-cash expenses:														
- Allowance for impairment of trade and other receivables	50	25	2	21	2	-	-	-	56	18	-	-	110	64
- Allowance for inventories obsolescence	234	182	200	217	-	-	-	-	61	-	-	-	495	399
- Amortisation of land use rights	16	16	-	-	-	-	-	-	-	-	-	-	16	16
- Depreciation of investment properties	9	9	-	-	-	-	-	-	-	-	-	-	9	9
- Depreciation of property, plant and equipment	1,353	1,350	1,184	1,038	76	68	488	52	33	18	-	-	3,134	2,526
- Gain on termination of leases	-	(2)	-	-	-	-	-	-	-	-	-	-	-	(2)
- Inventories written off	6	6	1	12	-	-	-	-	-	-	-	-	7	18
- Property, plant and equipment written off	-	11	-	-	-	-	-	-	-	-	-	-	-	11
- Reversal of over provision of share-based payment	-	(278)	-	(80)	-	-	-	-	-	-	-	-	-	(358)
- Trade receivables written off	1	17	4	86	-	-	-	-	-	54	-	-	5	157
- Write back of allowance for impairment loss on trade receivables	(26)	(64)	(7)	(30)	-	(6)	-	-	-	-	-	-	(33)	(100)
- Write back of allowance for inventories obsolescence	-	(75)	-	(31)	-	-	-	-	-	-	-	-	-	(106)

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 ("China"), Hong Kong, Malaysia, the Republic of Indonesia ("Indonesia") and Vietnam.

Group						
Six months ended 30 June 2024						
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	10,964	1,514	2,724	-	605	15,807
China	100,054	27,608	9	-	-	127,671
Hong Kong	4,260	8	-	-	-	4,268
Malaysia	4,401	454	-	-	3	4,858
Indonesia	202	27	-	4,961	-	5,190
Vietnam	7,841	25	-	-	-	7,866
Others	3,376	5,169	368	-	-	8,913
Total revenue from contracts with customers	131,098	34,805	3,101	4,961	608	174,573
Goods or services transferred at a point in time						
	130,723	34,325	2,942	-	608	168,598
Services transferred over time						
	375	480	159	4,961	-	5,975

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
	Six months ended 30 June 2023					
	Engineering Solutions - Motion Control	Other Specialised Engineering Solutions	Industrial Computing Solutions	Renewable Energy	Others	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Geographical markets						
Singapore	11,362	1,906	2,914	-	429	16,611
China	98,564	26,428	-	-	-	124,992
Hong Kong	2,872	9	-	-	-	2,881
Malaysia	5,505	501	5	-	9	6,020
Indonesia	125	19	-	2,351	7	2,502
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	2,351	445	170,411
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	2,351	128	4,185

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		30 June	31 December
	2024	2023	2024	2023
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	15,807	16,611	27,946	25,656
China	127,671	124,992	28,907	28,390
Hong Kong	4,268	2,881	2,433	2,400
Malaysia	4,858	6,020	922	915
Indonesia	5,190	2,502	94,385	94,822
Vietnam	7,866	7,693	563	596
Others	8,913	9,712	2,642	987
Total	174,573	170,411	157,798	153,766

(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	
	2024	2023
	S\$'000	S\$'000
Interest income	219	125
Commission income	134	1
Foreign exchange gain, net	-	209
Gain on disposal of property, plant and equipment, net	221	4
Gain on termination of leases	-	2
Government grants	176	382
Operating lease rental income:		
- investment properties	33	22
- sub-let of office/warehouse premises	226	206
Property management income	244	273
Technical service income	269	285
Write back of allowance of inventory obsolescence	-	106
Miscellaneous income	437	621
	1,959	2,236

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

7 Finance Costs

	Group	
	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
Interest expenses on:		
- bank loans	2,166	881
- trust receipts	87	133
- leases liabilities	121	107
- others	393	950
	2,767	2,071

8 Profit before Income Tax

(a) Significant items

	Group	
	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
Profit before income tax has been arrived at after charging:		
Amortisation of land use rights	16	16
Depreciation of property, plant and equipment		
- recognised in cost of sales	900	415
- recognised in distribution costs	176	210
- recognised in administrative expenses	2,058	1,901
	3,134	2,526
Depreciation of investment properties	9	9
Other operating expenses included:		
- trade receivables written off	5	157
- allowance for inventories obsolescence	495	399
- inventories written off	7	18
- foreign exchange losses, net	95	-
- property, plant and equipment written off	-	11
Operating lease rental expenses	110	82

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 1H2024 and the first half year of 2023 ("1H2023"):

	Group	
	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
Sales to associates	(83)	(50)
Sales to related parties	(4,884)	(4,241)
Purchases from associates	7	78
Purchases from related parties	30,909	37,288
Administrative income charged to an associate	(18)	(20)
Administrative income charged to related parties	(141)	(141)
Rental charged to a related party	(255)	(265)
Rental charged to an associate	(1)	(3)
Interest charged to a related party	(4)	(4)
Other expenses charged by related parties	212	269
Other income charged to related parties	(77)	(155)
Other income from an associate	(47)	(309)
Service income charged to an associate	(64)	-

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	
	2024	2023
	S\$'000	S\$'000
Current income tax		
- Singapore	140	423
- China	2,242	3,389
- Outside Singapore and China	219	308
- Under provision in respect of prior year	162	184
	2,763	4,304
Deferred taxation		
- Current year	(28)	-
- Over provision in respect of prior year	(26)	(19)
	2,709	4,285

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 2024 and 2023 is 17%. The corporate tax rate applicable to those entities of the Group incorporated in Malaysia for the financial periods ended 30 June 2024 and 2023 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 China, China 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	
	2024	2023
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)	3,781	4,580
Weighted average number of ordinary shares for the purpose of basic earnings per share	446,000,209	440,342,787
Basic and fully diluted earnings per share (Singapore cents)	0.85	1.04

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 2024 and 2023.

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

11 Dividends

Group	
Six months ended 30 June	
2024	2023
S\$'000	S\$'000

Ordinary dividends paid:

Tax exempt (one-tier) final dividend of 0.28 Singapore cents per ordinary share (2023: 0.80 Singapore cents) in respect of the previous year

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The Board recommended a final tax-exempt dividend of 0.28 Singapore cents (the “**Final Dividend**”) (2023: 0.80 Singapore cents) per ordinary share (the “**Shares**”), amounting to S\$1,249,000 (2023: S\$3,532,000) 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 30 April 2024 and will be paid on 26 August 2024 to the eligible Shareholders whose names appeared on the register of members of the Company on 8 July 2024.

12 Net Asset Value

	Group		Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Net assets (S\$'000)	202,746	198,622	125,397	124,639
Number of issued shares at the end of the period/year (net of treasury shares)	446,000,209	446,000,209	446,000,209	446,000,209
Net assets value per ordinary share based on number of issued share as at respective period/year (Singapore cents)	45.46	44.53	28.12	27.95

13 Property, Plant and Equipment

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$5,841,000 (30 June 2023: S\$3,947,000), of which S\$1,037,000 (30 June 2023: S\$1,379,000) relates to right-of-use assets and S\$275,000 (30 June 2023: S\$17,000) were acquired by means of finance lease. Cash payments of S\$4,529,000 (30 June 2023: S\$2,551,000) were made for 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 2024, the Group's carrying amount of pledged property, plant and equipment to secure the bank borrowings in Note 17 was S\$17,582,000 (31 December 2023: S\$18,408,000); and the Group's carrying amount of property, plant and equipment held under lease liabilities was S\$646,000 (31 December 2023: S\$405,000).

14 Goodwill

	Group	
	30 June 2024 S\$'000	31 December 2023 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 2024 S\$'000	31 December 2023 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
	12,227	12,227

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 and Contract Assets

	Group		Company	
	30 June 2024 S\$'000	31 December 2023 S\$'000	30 June 2024 S\$'000	31 December 2023 S\$'000
<u>Non-current:</u>				
Service concession receivables	71,075	70,460	-	-
<u>Current:</u>				
Service concession receivables	3,121	3,036	-	-
<u>Current:</u>				
Trade receivables, net of impairment:				
- note receivables	19,149	18,387	-	-
- trade receivables	70,464	67,403	-	-
- associates	121	36	-	-
- related parties	3,350	1,919	-	-
	93,084	87,745	-	-
Other receivables, net of impairment:				
Advances to associates	41	31	3	2
Advances to related parties	118	110	-	-
Deposits	598	596	17	17
Loan to associates	27	26	-	-
Sundry debtors	3,253	3,714	700	700
Amounts owing from non-controlling interest	1,675	1,715	-	-
	5,712	6,192	720	719
Contract assets	444	509	-	-
Advances paid to suppliers	12,966	14,212	-	-
Prepayment	2,391	1,935	68	16
	114,597	110,593	788	735

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

	Group	
	30 June 2024 S\$'000	31 December 2023 S\$'000
Within 30 days	38,902	40,995
31 - 90 days	31,822	25,014
Over 90 days	22,360	21,736
	93,084	87,745

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

15 Trade and Other Receivables and Contract Assets (Cont'd)

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 2024		31 December 2023	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid:				
At the beginning of period/year	446,000,209	84,755	438,638,533	81,487
Issue of ordinary shares related to share award	-	-	2,830,000	1,387
Shares issued-in-lieu of cash for dividend	-	-	4,531,676	1,881
At the end of period/year	<u>446,000,209</u>	<u>84,755</u>	<u>446,000,209</u>	<u>84,755</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.

There are no changes in the Company's share capital arising from right issue, bonus issue, subdivision of the issues of equity securities, issue of shares or as consideration for acquisition or for any other purpose during 1H2024.

The number of ordinary shares excluding treasury shares as at 30 June 2024 is 446,000,209 (30 June 2023: 441,468,533). No treasury shares were held as at 30 June 2024 (30 June 2023: nil). The number of shares held as subsidiary holdings as at 30 June 2024 is nil (30 June 2023: 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 1H2024.

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

17 Bank Borrowings

	Group		Company	
	30 June 2024 S\$'000	31 December 2023 S\$'000	30 June 2024 S\$'000	31 December 2023 S\$'000
<i>Amount repayable within one year or on demand</i>				
- secured	10,924	9,691	-	-
- unsecured	8,360	9,968	-	-
	<u>19,284</u>	<u>19,659</u>	-	-
<i>Amount repayable after one year</i>				
- secured	48,710	51,274	-	-
- unsecured	2,800	4,751	-	-
	<u>51,510</u>	<u>56,025</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 2024 S\$'000	31 December 2023 S\$'000	30 June 2024 S\$'000	31 December 2023 S\$'000
Trade payables:				
- trade payables	29,304	27,166	-	-
- associates	36	36	-	-
- related parties	10,144	8,384	-	-
	<u>39,484</u>	<u>35,586</u>	-	-
Accrued operating expenses	1,248	2,441	96	117
Accrued salaries and bonuses	7,130	8,207	1,319	1,483
Amount owing to non-controlling interests	10,911	8,575	-	-
Amounts owing to subsidiaries	-	-	173	910
Other payables	7,685	9,815	126	114
	<u>66,458</u>	<u>64,624</u>	<u>1,714</u>	<u>2,624</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 2024 S\$'000	31 December 2023 S\$'000
Within 30 days	27,083	23,719
31 - 90 days	9,303	9,706
Over 90 days	3,098	2,161
	39,484	35,586

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 2024 and 31 December 2023:

	Group		Company	
	30 June 2024 S\$'000	31 December 2023 S\$'000	30 June 2024 S\$'000	31 December 2023 S\$'000
Financial Assets				
Other financial assets at fair value through other comprehensive income	555	900	-	-
Cash and bank balances, service concession receivables and trade and other receivables (Amortised cost) *	233,817	227,466	39,766	39,970
	234,372	228,366	39,766	39,970
Financial Liabilities				
Trade and other payables, bank borrowings and leases liabilities (Amortised cost)	143,768	146,711	2,343	3,264

*: Excluded prepayments, advances to suppliers and contract assets

20 Subsequent Events

On 4 July 2024, the Company's direct wholly-owned subsidiary, Motion Control Group Pte. Ltd. ("MCG") incorporated a joint venture subsidiary in Malaysia with Fuji Master Engineering Sdn. Bhd. ("FM"), an associate of MCG, namely Fuji Master (Penang) Sdn. Bhd. ("FM Penang"). The registered share capital of FM Penang is Malaysian Ringgit ("MYR") 100. MCG and FM hold 65% and 35% shareholdings respectively in FM Penang. The Group's effective interest in FM Penang is 75.5%. FM Penang is principally engaged in the business of system integration for semiconductors and robotics system.

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

20 Subsequent Events (Cont'd)

On 5 August 2024, the Company's direct wholly-owned subsidiary, MCG entered into a sale and purchase agreement to acquire an additional 444,994 ordinary shares in IDI Laser Services Pte Ltd ("**IDI Laser**") for the sum of S\$600,000 (the "**Acquisition**"). Following the Acquisition, MCG entered into a subscription agreement with IDI Laser to subscribe for an additional 595,008 ordinary shares in IDI Laser for the sum of S\$130,000 (the "**Subscription**"). Following the Acquisition and Subscription, MCG increased its number of ordinary shares in IDI Laser from 500,015 to 1,540,017, and its effective shareholding in IDI Laser from 33.33% to 70.00%.

Other than the above, no major subsequent event has occurred since the end of the financial period ended 30 June 2024 up to the date of this announcement.

F. Management Discussion and Analysis

BUSINESS REVIEW

ISDN reported revenue growth of 2.4% year-on-year (“YoY”) in 1H2024, as the Group’s end-markets saw emerging stability as Asia’s industrial and manufacturing sector navigates past a cyclical downturn. The growth was mainly driven by higher revenue contributions from the PRC and the full-scale revenue streams from the three mini-hydropower plants that were progressively commercialised last year. The recovery of ISDN’s PRC business aligns with a broad-based industrial recovery in the region, with China Caixin Manufacturing Purchasing Managers Index (“PMI”) consistently surpassing the benchmark of 50.0 throughout the reporting period, averaging at 51.3¹.

The Group continued to invest in growing the breadth of its industrial automation solutions, expanding access to new geographical markets, and growing its clean energy portfolio.

Review of ISDN’s Revenue

The PRC industrial automation business

The revenue from the Group’s largest addressable market accounted for 75.6% of the total revenue and registered an increase of 3.2% YoY in 1H2024. While the robotics and automation industry continues to counter headwinds, ISDN has reported steady growth, highlighting strategic expansion of our market share in China.

Southeast Asia industrial automation business

The Group’s Southeast Asia industrial automation business accounts for 19.2% of the Group’s total revenue. In 1H2024, revenue from the Group’s Southeast Asia industrial automation segment decreased by 9.3% YoY, primarily reflecting a broader cyclical slowdown in manufacturing and industrial capital expenditures as the region emerges cautiously from a downcycle.

Renewable Energy Business

The three commercialised hydropower plants contributed revenue of S\$5.0 million for 1H2024, up 111.0% YoY and accounting for 2.8% of the Group’s total revenue. The total tariff income for 1H2024 was S\$6.5 million and was received as of July 2024.

ISDN’s 1H2024 Profitability Overview

Gross profit for 1H2024 dropped by 2.6% YoY to S\$44.4 million, with the margin decreasing by 1.3 percentage points to 25.4% reflecting a shift in mix away from electronics and semiconductors (which are seeing a downcycle) as well as medical (reflecting lower export activity), offset by growth in other industries.

Other operating income fell by 12.4% to S\$2.0 million for 1H2024, which was largely due to the absence of a net foreign exchange gain of S\$0.2 million, reduced government grant of S\$0.2 million, a drop in miscellaneous income of S\$0.2 million and decrease in write back of allowance for inventories obsolescence of S\$0.1 million. These decreases were partially offset by S\$0.2 million gains from the disposal of property, plant and equipment, as well as increases in commission income and interest income of S\$0.1 million and S\$0.1 million, respectively.

Administrative expenses increased by 4.3% YoY to S\$20.0 million mainly attributed to higher withholding tax paid on foreign-sourced dividends and interest income upon remittance, increase in repair and maintenance, legal fees related to hydropower plants, and higher insurance and travelling expenses. These increases were partially offset by decreased staff-related costs due to reclassification to distributed costs, the absence of share-based payments, and a lower management bonus.

¹ <https://www.investing.com/economic-calendar/chinese-caixin-manufacturing-pmi-753>



F. Management Discussion and Analysis (cont'd)

BUSINESS REVIEW (cont'd)

Financial cost rose by 33.6% to S\$2.8 million, mainly driven by higher bank loan drawdowns and increased interest rates.

Consequently, the Group delivered a net profit of S\$5.8 million for 1H2024, which decreased by 35.9% as compared to 1H2023. ISDN continues to seek a balance between investing in long-term growth, and protecting profitability in the near-term as we navigate through the current downcycle in the manufacturing sector.

F. Management Discussion and Analysis (cont'd)

BUSINESS OUTLOOK

The Group believes the PRC and Southeast Asia economies continue to make gradual process towards a recovery in the manufacturing and industrial sectors. For example, the China Caixin PMI, a survey of manufacturing businesses, surpassed the benchmark of 50.0 throughout the first half of 2024, averaging at 51.3.

ISDN saw a similar emerging stability in its China business revenues during 1H2024. The Group remains cautious on the timing of a full recovery, but believes conditions continued to improve throughout the period.

The PRC Market Outlook

ISDN believes the China industrial automation markets is experiencing a cyclical downturn but has solid long-term growth prospects. Both PRC government and the private sector have advanced industrial automation as a way to offset labour shortages and demographic decline through the adoption of smart manufacturing and advanced technology, whilst boosting efficiency and productivity².

In 1H2024, Foreign Direct Investment (“FDI”) in China’s manufacturing industry, more specifically, high-tech manufacturing continued to expand at 2.4% yoy despite the overall FDI drop of 29.1% yoy³. This is indicative of China’s enhanced focus on improving the manufacturing sector as a whole.

The Chinese government is driving the growth and private consumption through higher government spending and incentives in order to achieve the 5% GDP growth target.

As a full-stack industrial automation solution provider equipped with advanced and growing technology capabilities, we believe ISDN is well-positioned to capitalise on opportunities to grow market share in the region.

Overall, the Group remains cautiously optimistic given the prolonged macroeconomic recovery due to heightened geopolitical tensions and fluctuating inflationary data.

Non-PRC Market Outlook

PMIs in Southeast Asia have continued to indicate expansion in June for the sixth consecutive month⁴, suggesting emerging recovery momentum from the downcycle in the region.

Longer-term, the Group believes Southeast Asia will continue to be a growth market for industrial automation as wage inflation and advanced manufacturing are both long-term trends in the region that benefit from industrial automation.

The Group believes that the (1) expected recovery in key sectors (2) core capability build-up through the downturn (3) rising demand for industrial automation in key markets, positions the Group well to capitalise on cyclical recovery and long-term growth.

² [South China Morning Post: Deep Dive: China shifts to automation, industrial robots to address shrinking workforce and stay competitive, 8 Apr 2024](#)

³ [South China Morning Post: Foreigners invest more in China’s advanced manufacturing even as total FDI drops, 2 Aug 2024](#)

⁴ [Edge: Economists say Malaysia’s manufacturing sector still on track for growth, shrug off June’s dip, 2 Jul 2024](#)

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

Revenue and gross profit margin

	Group		
	Six months ended		
	30 June		
	2024	2023	% change
	S\$'000	S\$'000	+/(-)
Industrial Automation Solutions			
Revenue	169,612	168,060	0.9%
Gross profit	39,861	43,354	-8.1%
Gross profit margin	23.5%	25.8%	-2.3 ppt
Renewable Energy			
Revenue	4,961	2,351	n.m.
Operating income	2,285	1,094	n.m.
Finance income	2,676	1,257	n.m.
Gross profit	4,532	2,230	n.m.
Operating income	1,856	973	90.8%
Finance income	2,676	1,257	n.m.
Gross profit margin	91.4%	94.9%	-3.5 ppt
Operating income	81.2%	88.9%	-7.7 ppt
Finance income	100.0%	100.0%	0 ppt
Total			
Revenue	174,573	170,411	2.4%
Gross profit	44,393	45,584	-2.6%
Gross profit margin	25.4%	26.7%	-1.3 ppt

n.m.: Not meaningful

The Group's revenue of S\$174.6 million for 1H2024 was higher by 2.4% as compared to 1H2023 of S\$170.4 million. Revenue from our industrial automation solutions segment increased by S\$1.6 million or 0.9% in 1H2024. China remained as the largest contributor to the industrial automation solutions segment, accounting for approximately 75% to the Group's revenue in this segment. The robust demand for automation solutions in China continues to drive revenue, underscoring its importance to the overall business.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Indonesia's renewable energy revenue increased by S\$2.6 million to S\$5.0 million in 1H2024. The Group's hydropower plant, Lau Biang 1, commenced commercial operations on 31 December 2022. This was followed by the Anggoci and Sisira hydropower plants, which began commercial operations on 15 June 2023. These plants contributed S\$2.3 million in operating revenue and S\$2.7 million in finance income in 1H2024. In contrast, only Lau Biang 1 contributed to operating revenue and finance income in 1H2023, amounting to S\$1.1 million and S\$1.3 million, respectively. A total of S\$6.5 million was billed to PT PLN (Persero) ("PLN") for 1H2024 and was received as of July 2024.

Gross profit of S\$44.4 million was S\$1.2 million, or 2.6% lower in 1H2024 as compared to 1H2023. Overall, the gross profit margins of the Group edged down in 1H2024 as compared to 1H2023 by 1.3 percentage points from 26.7% to 25.4%. In 1H2024, the gross profit and gross profit margin for the industrial automation solutions segment fell by S\$3.5 million and 2.3 percentage points, respectively. The decline in gross profit and gross profit margin was due to an increase in pass-through sales, as well as heightened competition in cyclical sectors such as semiconductors and electronics. As a result, the Group experienced a notable decrease in its gross profit margin. The gross profit for renewable energy grew from S\$2.2 million to S\$4.5 million in 1H2024, driven by the commercialisation of three hydropower plants.

Other operating income

Other operating income decreased by S\$0.3 million, or 12.4% to S\$2.0 million for 1H2024. This decline was primarily due to the absence of net foreign exchange gain of S\$0.2 million, lower government grants of S\$0.2 million, decrease in miscellaneous income of S\$0.2 million and decrease in write back of allowance for inventories obsolescence of S\$0.1 million. This was partially offset by the increase in gain on disposal of property, plant and equipment of S\$0.2 million, increase in commission income and interest income of S\$0.1 million and S\$0.1 million, respectively.

Distribution costs

Distribution costs increased by S\$1.9 million, or 15.4% to S\$14.4 million for 1H2024. The increase was mainly due to increase in staff and related costs of S\$1.9 million, which resulted from the reclassification of these expenses from administrative expenses to distribution costs, as well as the absence of a reversal of over provision of share-based payment. Additionally, travelling expenses increased by S\$0.2 million. This was partially offset by a decrease in office and other expenses of S\$0.2 million.

Administrative expenses

Administrative expenses increased by S\$0.8 million, or 4.3% to S\$20.0 million in 1H2024 mainly due to higher withholding tax of S\$1.1 million paid on foreign-sourced dividends and interest income upon remittance, increase in repair and maintenance of S\$0.3 million, increase in professional fee of S\$0.3 million related to the legal fees for hydropower plants, increase in insurance of S\$0.1 million and increase in travelling expenses of S\$0.1 million. This was partially offset by the decrease in staff and related costs of S\$0.6 million mainly due to the reclassification of these expenses from administrative expenses to distribution costs and the absence of a reversal of over provision of share-based payment. Furthermore, the performance bonus for the executive director was lower by S\$0.5 million, which was in line with the decrease in the Group's business performance.

Net impairment (losses)/gains on financial assets

Net impairment losses on financial assets of S\$0.1 million in 1H2024, primarily due to a higher impairment loss following the ECL assessment. In contrast, net impairment gains on financial assets in 1H2023 were attributable to the reversal of impairment losses following the ECL assessment and the recovery of debts.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

Other operating expenses

Other operating expenses increased by S\$0.02 million or 3.0% to S\$0.7 million for 1H2024. The increase was mainly due to increase in allowance for inventories obsolescence of S\$0.1 million and increase of net foreign exchange loss of S\$0.1 million; partially offset by decrease in bad debts written off of S\$0.2 million.

Finance costs

Finance costs increased by S\$0.7 million, or 33.6% to S\$2.8 million for 1H2024, primarily due to higher bank loan drawdowns since the third quarter of financial year ended 2023 coupled with an increase in the interest rates.

Share of loss 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\$0.1 million in 1H2024, compared to a share of loss of S\$0.4 million in 1H2023.

Income tax expense

Income tax expense decreased by S\$1.6 million, or 36.8% to S\$2.7 million for 1H2024, mainly due to lower taxable profits in 1H2024.

STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment increased by S\$1.6 million, or 2.5% as at 30 June 2024. The increase was mainly due to purchase of plant and equipment of S\$2.0 million, increase in capital expenditure of S\$1.4 million for construction of a new building in our Wujiang office, China, recognition of right-of-use assets of S\$1.0 million, renovation of leasehold properties of S\$0.8 million, purchase of furniture and fittings of S\$0.4 million and purchase of motor vehicles of S\$0.2 million. This was partially offset by depreciation charge of S\$3.1 million, disposal of a leasehold properties with net book value of S\$0.6 million and translation loss of S\$0.5 million arising from the weakening of Indonesian Rupiah ("IDR") against S\$ in 1H2024.

Associates

Interests in associates increased by S\$2.0 million, or 38.7% as at 30 June 2024. This increase was attributed to the acquisition of associates FM and Centronics Automation Technology Pte Ltd ("Centronics"), totaling S\$2.2 million in February 2024; which was partially offset by share of loss of associates of S\$0.1 million.

Service concession receivables (current and non-current)

Service concession receivables increased by S\$0.7 million, or 1.0% as at 30 June 2024. 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 1H2024, foreign exchange revaluation gains of S\$4.0 million was recorded due to the United States Dollar ("USD") appreciation against IDR. This was partially offset by a translation loss of S\$1.8 million resulting from the strengthening of the S\$ against the IDR. In addition, a total of S\$1.5 million in service concession receivables were derecognised upon invoicing PLN for Lau Biang 1 and Anggoci.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

STATEMENT OF FINANCIAL POSITION ITEMS (Cont'd)

Inventories

Inventories decreased by S\$3.5 million or 4.8% to S\$69.5 million as at 30 June 2024 primarily due to the fulfilment of customer orders in 1H2024.

Trade and other receivables and contract assets

Trade and other receivables increased by S\$4.0 million or 3.6% to S\$114.6 million as at 30 June 2024 mainly due to increase in trade receivables of S\$5.3 million, partially offset by the decrease in advances paid to third parties of S\$1.2 million and decrease in contract assets of S\$0.1 million.

Subsequent receipt of about S\$20.1 million was received from customers as at 31 July 2024. The collection represented approximately 21.6% of trade receivables as at 30 June 2024.

Trade and other payables

Trade and other payables increased by S\$1.8 million or 2.8% to S\$66.5 million as at 30 June 2024 was mainly due to increase in trade payables of S\$3.9 million, increase in loan from non-controlling interest of S\$2.3 million for the acquisition of land for the construction of mini-hydropower plants, Lau Biang 2 and Lau Biang 3, and increase in other payables of S\$0.7 million. This was partially offset by decrease in taxes payable of S\$1.5 million, the repayment of dividend payable to non-controlling interests amounting to S\$1.3 million for FY2023's dividend, decrease in accrued operating expenses of S\$1.2 million and decrease in accrued salaries and bonuses of S\$1.1 million.

Contract liabilities

Contract liabilities increased by S\$3.3 million or 30.3% to S\$14.1 million was mainly due to an increase in advances received from customers for sales of goods largely from our China subsidiaries to mitigate credit risk exposure on sales. Contract liabilities are recognised as revenue when the performance obligation of transferring the goods is satisfied at a point in time.

Bank borrowings (current and non-current)

Bank borrowings decreased by S\$4.9 million or 6.5% to S\$70.8 million as at 30 June 2024. The decrease was primarily due to repayment of bank borrowings of S\$10.5 million offset by proceeds from bank borrowings (inclusive of trust receipts) of S\$5.6 million.

CASH FLOW STATEMENT

Changes in Cash Flow from Operating Activities

For 1H2024, net cash generated from operating activities before changes in working capital amounted to S\$14.4 million. Cash generated from working capital of S\$6.5 million mainly due to increase in trade and other payables of S\$7.2 million and decrease in inventories of S\$3.0 million; partially offset by increase in trade and other receivables of S\$3.0 million and increase in receivables from service concession arrangements of S\$0.7 million. This was partially offset by net interest payment of S\$2.4 million and income tax paid of S\$3.0 million. As a result of the above, the net cash flow generated from operating activities amounted to S\$15.5 million.

Changes in Cash Flow from Investing Activities

For 1H2024, net cash used in investing activities of S\$3.6 million was primarily attributed to purchase of property, plant and equipment of S\$4.5 million; partially offset by proceeds from disposal of property, plant and equipment of S\$0.8 million.

F. Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW (Cont'd)

CASH FLOW STATEMENT (Cont'd)

Changes in Cash Flow from Financing Activities

For 1H2024, net cash used in financing activities amounted to S\$10.3 million mainly due to net repayment of bank borrowings (inclusive of trust receipts) of S\$4.9 million, investment in associates of S\$2.2 million, dividend paid to non-controlling interest of S\$1.9 million, repayment of lease liabilities (inclusive of interest) of S\$1.3 million.

As at 30 June 2024, the Group maintained a healthy cash and cash equivalents balance of S\$60.1 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 D2.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period ended 30 June 2024, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2024, cash and bank balances amounted to approximately S\$60.8 million, which increased by approximately 1.3% as compared to S\$60.0 million as at 31 December 2023. The quick ratio of the Group was approximately 1.7 times (31 December 2023: 1.7 times).

As at 30 June 2024, the Group has long and short-term bank borrowings of approximately S\$70.8 million. Among the borrowings, the bank borrowings due within one year amounted to approximately S\$19.3 million (31 December 2023: S\$19.7 million) while the bank borrowings due after one year amounted to approximately S\$51.5 million (31 December 2023: S\$56.0 million).

As at 30 June 2024, the weighted average effective interest rates on bank borrowings is 4.9% (31 December 2023: 5.2%) 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. In addition, the Group obtained a loan from a financial institution of S\$0.4 million with fixed interest rate of 4.25% per annum in financial year ended 2023. Other than the above, the Group does not have fixed rate bank borrowings as at 30 June 2024 and 31 December 2023. Together with the obligation under finance leases of approximately S\$0.3 million (31 December 2023: S\$0.1 million), the Group's total borrowings amounted to S\$71.1 million (31 December 2023: S\$75.7 million).

GEARING RATIO

As at 30 June 2024, the gearing ratio of the Group was about 35.1% (31 December 2023: 38.2%) which was calculated on the Group's total borrowings (including total borrowings and finance lease but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests).

F. Management Discussion and Analysis (cont'd)

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2024. 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 2024, the Group did not enter into any hedges in respect of the interest rate risk we are exposed to.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB") and 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 2024, 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 2024, the Group's capital expenditure consists of additions to property, plant and equipment and construction in progress amounting to approximately S\$4,804,000 (30 June 2023: S\$2,568,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, there were 1,177 (31 December 2023: 1,149) 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 2024.

F. Management Discussion and Analysis (cont'd)

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 2024.

Charge on the Group's Assets

As at 30 June 2024, the Group's bank deposits, service concession receivables, net book value of property, plant and equipment and land use rights of approximately S\$0.8 million, S\$74.2 million, S\$17.6 million and S\$1.0 million, respectively (31 December 2023: S\$0.8 million, S\$73.5 million, S\$18.4 million and S\$1.0 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 2024 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 (including sale of treasury shares).

As at 30 June 2024, the Company did not hold any treasury shares.

PROPOSED INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the financial period ended 30 June 2024 (30 June 2023: Nil).

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix D2

1. Review

The condensed interim consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2024 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 2024 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 1H2024 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 2024.

(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 D2 (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 renewable 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 the date of this announcement after the last announcement made on 15 January 2024. 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 the date of this announcement after the last announcement made on 8 November 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 3 January 2024, the Company’s direct wholly-owned subsidiary, MCG further invested S\$32,386 share capital for an additional 32,386 ordinary shares in a 51.0%-owned subsidiary, Performance Leadership Pte. Ltd. (“**Performance Leadership**”). Following the completion of the share allotments, the Group’s effective interest in Performance Leadership decreased from 51.0% to 50.6%.

On 9 January 2024, the Company’s direct wholly-owned subsidiary, ISDN Investments Pte Ltd (“**ISDN Investments**”) made a capital injection of USD1,000,000 (equivalent to approximately S\$1,329,000) in ISDN (Jiangxi) Technologies Co., Ltd. (“**ISDN Jiangxi**”) for working capital purposes. Following the completion of the capital injection, the paid-up share capital of ISDN Jiangxi is USD1,000,000 (equivalent to approximately S\$1,329,000) and ISDN Jiangxi remains as an indirect wholly-owned subsidiary of the Company.

On 5 February 2024, the Company’s direct wholly-owned subsidiary, MCG capitalised a loan sum of S\$180,000 being part of the existing amount due and owing by its 90.0%-owned subsidiary, NovaPeak Pte. Ltd. (“**NovaPeak**”), to be applied towards MCG’s additional capital injection in NovaPeak (“**Capitalisation of Loan**”). Following the completion of the Capitalisation of Loan, the Group’s effective interest in NovaPeak remains unchanged at 90.0%.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix D2 (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 22 February 2024, the Company's direct wholly-owned subsidiary, MCG acquired 150,000 ordinary shares in FM and 7,500 ordinary shares in Centronics, representing 30% of the entire issued and paid up capital of both FM and Centronics at a consideration of MYR7,198,000 (equivalent to approximately S\$2,028,000) and S\$25,000, respectively. Following the completion of the acquisition, FM and Centronics had become associated companies of MCG and the Group.

On 16 April 2024, the Company's direct wholly-owned subsidiary, ISDN Investments made a further capital injection of USD1,000,000 (equivalent to S\$1,360,000) in a wholly-owned subsidiary, ISDN Jiangxi for working capital purposes. Following the completion of the capital injection, the total paid-up share capital of ISDN Jiangxi increased from USD1,000,000 to USD2,000,000 (equivalent to S\$1,329,000 to S\$2,689,000).

On 23 May 2024, the Company's direct wholly-owned subsidiary, MCG made a capital injection of MYR300,000 (equivalent to S\$86,000) in a wholly-owned subsidiary, Servo Technologies Sdn. Bhd. ("**Servo Technologies**") for working capital purposes. Following the completion of the capital injection, the registered and paid-up capital of Servo Technologies increased from MYR1 to MYR300,000 (equivalent to approximately S\$0.29 to S\$86,000) (100%) of the total registered and paid-up capital of Servo Technologies.

On 20 June 2024, the Company's direct wholly-owned subsidiary, MCG made a further capital injection of MYR300,000 (equivalent to S\$86,000) in a wholly-owned subsidiary, Servo Technologies for working capital purposes. Following the completion of the capital injection, the registered and paid-up capital of Servo Technologies increased from MYR300,000 to MYR600,000 (equivalent to approximately S\$86,000 to S\$172,000) (100%) of the total registered and paid-up capital of Servo Technologies.

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 C1 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 2024, the Group has complied with the Code and the HK CG Code.

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.

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix D2 (Cont'd)

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 C3 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 2024.

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 Ms. Heng Su-Ling Mae, Mr. Sho Kian Hin and Mr. Tan Soon Liang. Ms. Heng Su-Ling Mae is the chairman of the Audit Committee.

The financial information in this announcement has not been audited or reviewed by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the financial period ended 30 June 2024 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 2024 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 2024 containing, among others, the interim financial information of the Group will be published on the above websites in due course.



**ISDN Holdings Limited
Financial Statements Announcement
For the Six Months Ended 30 June 2024**

G. Other information required by SGX-ST Listing Rule Appendix 7.2 and SEHK Listing Rules Appendix D2 (Cont'd)

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 2024 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, 14 August 2024

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. Tan Soon Liang (Chairman), Mr. Sho Kian Hin and Ms. Heng Su-Ling Mae as independent non-executive Directors.